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(A joint stock limited liability company incorporated in the People's Republic of China)

(H Shares Stock Code: 00317)

CONNECTED TRANSACTION TRANSFER OF EQUITY INTEREST IN CSSC FINANCE

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that Wenchong Shipyard, as one of the transferors, and Nanjing Oasis entered into the Equity Transfer Agreement on 1 June 2023, pursuant to which, among other things, Wenchong Shipyard agreed to transfer, and Nanjing Oasis agreed to acquire 0.126% of the equity interest in CSSC Finance for a consideration of RMB25.218 million. Upon completion of the Equity Transfer, the Group will not hold any equity interest in CSSC Finance.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, China Shipping Group directly or indirectly holds 827,278,590 Shares, representing approximately 58.52% of the total issued Shares of the Company, and is a controlling Shareholder and connected person of the Company. Meanwhile, China Shipping Group directly holds 94.1688% equity interest in Nanjing Oasis, and therefore is a subsidiary of China Shipping Group. Therefore, Nanjing Oasis is a connected person of the Company under Rule 14A.07(1) of the Hong Kong Listing Rules, and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules (other than the profits ratio) for the transaction contemplated under the Equity Transfer Agreement exceeds 0.1% but all the applicable percentage ratios are less than 5%, the entering into of the Equity Transfer Agreement and the implementation of the Equity Interest Transfer are subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but is exempted from the relevant circular and independent shareholders' approval requirements.

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The principal terms of the Equity Transfer Agreement are set out below:

Date

1 June 2023

Parties to the agreement

As equity interest transferors:

- (i) Wenchong Shipyard;
- (ii) Baoding Fengfan;
- (iii) Technology Research Institute;
- (iv) China Shipbuilding International Trading;
- (v) Trading Shanghai;
- (vi) Xi'an Hualei;
- (vii) Fenxi Heavy Industry;
- (viii) Chongqing Shipbuilding;
- (ix) 760 Research Institute; and

As equity interest transferee:

- (x) Nanjing Oasis.

Subject Matter and Consideration

Each of the equity interest transferors agreed to transfer, and Nanjing Oasis agreed to acquire, its respective equity interests in CSSC Finance. Of which, in respect of the Group, Wenchong Shipyard will transfer its 0.126% equity interest in CSSC Finance to Nanjing Oasis.

The proportion and consideration for the transfer of equity interest in CSSC Finance from each of the equity interest transferors to Nanjing Oasis are set out below:

No.	Transferors	Transferee	Target Asset corresponding to the registered capital of CSSC Finance (RMB ten thousand)	Transfer of equity interest in CSSC Finance	Consideration (RMB ten thousand)
1.	Wenchong Shipyard		1,099	0.126%	2,521.80
2.	Baoding Fengfan		1,876	0.215%	4,304.74
3.	Technology Research Institute		1,099	0.126%	2,521.80
4.	China Shipbuilding International Trading		1,099	0.126%	2,521.80
5.	Trading Shanghai	Nanjing Oasis	1,099	0.126%	2,521.80
6.	Xi'an Hualei		938	0.108%	2,152.37
7.	Fenxi Heavy Industry		469	0.054%	1,076.18
8.	Chongqing Shipbuilding		188	0.022%	431.39
9.	760 Research Institute		58	0.007%	133.09

Note: Transaction price under the Equity Transfer Agreement = (Target Asset corresponding to the registered capital of CSSC Finance / registered capital of CSSC Finance) multiplied by the appraised value of the entire equity interest of CSSC Finance as at 30 September 2022

The above consideration for the transfer of equity interest in CSSC Finance was determined with reference to the appraised value of the entire equity interest in CSSC Finance as at 30 September 2022 in the amount of RMB20,006.9218 million by an independent appraiser, Pan-China Appraisal Co., Ltd. (北京天健興業資產評估有限公司) according to the asset-based approach and in proportion to the transferor's share of the registered capital of CSSC Finance.

Payment method

The consideration for the transfer of equity interest in CSSC Finance will be paid by Nanjing Oasis in cash to the designated accounts of the equity interest transferors within 15 business days from the date on which the payment conditions in the Equity Transfer Agreement are fully satisfied (or waived with the written consent of the parties) and in any case not later than 30 June 2023. The Group's expected gain under the Equity Transfer is RMB19.39 million, subject to the final determination by the accountants at the annual audit. The consideration received by the Group for the Equity Transfer will be used to supplement the Group's working capital.

The terms of payment of the consideration for the transfer of equity interests in CSSC Finance as described above are as follows:

- (i) the conditions for the Equity Transfer Agreement to be effective (details of which are set out in the paragraph headed "Conditions for the agreement to be effective" below) have all been fulfilled;

- (ii) no material adverse change in the business, operations, assets and liabilities of CSSC Finance has occurred since the valuation reference date; and
- (iii) no breach under the Equity Transfer Agreement has occurred and the representations, statements and warranties made by the parties thereunder shall continue to be valid.

Delivery of Asset

The equity transferor shall cooperate with Nanjing Oasis to complete the registration of the industrial and commercial changes of the Target Asset within 30 working days from the effective date of the Equity Transfer Agreement. From the date of completion of the business change registration procedures, the equity transferors shall fulfill their obligations for the delivery of assets of CSSC Finance.

Upon completion of the business change registration procedures, CSSC Finance shall report the equity interest change to the Shanghai Office of China Banking and Insurance Regulatory Commission in a timely manner and Nanjing Oasis shall actively cooperate with it.

Interim period and determination of on profit and loss for the period

During the interim period (that is, the period from the valuation reference date of the Target Asset to the completion audit reference date), any increase in interest due to the profit of the Target Assets or any other reasons shall be entitled to by the equity interest transferors, and Nanjing Oasis shall make up the same in cash to the equity interest transferors; any decrease in interest due to the loss of the Target Assets or any other reasons shall be borne by the equity interest transferors, and the equity interest transferors shall return the same in cash to Nanjing Oasis.

The parties agree and acknowledge that an audit firm shall be engaged by CSSC Finance to conduct a completion audit on the Target Asset within 60 working days after the completion date to ascertain the amount of entitlement or commitment to profit or loss for the period.

Liability for breach of contract

Except for force majeure, if either party fails to perform its obligations under the Equity Transfer Agreement or if the undertakings and warranties given by it are untrue or materially incorrect, such party shall be deemed to be in breach of the Equity Transfer Agreement.

The defaulting party shall be liable to the non-defaulting party in compliance with the terms of the Equity Transfer Agreement and the requirements under law and shall compensate the non-defaulting party for any direct economic loss suffered as a result of its default.

If Nanjing Oasis fails to pay the full amount of the transaction price to either equity interest transferors in full by 30 June 2023, Nanjing Oasis shall pay to such equity interest transferor 0.005% of the outstanding amount payable by Nanjing Oasis as liquidated damages for each day the payment is overdue until Nanjing Oasis has fulfilled its obligation to pay the full price to such equity interest transferor under the Equity Transfer Agreement.

Conditions for the agreement to be effective

The Equity Transfer Agreement shall become effective on the first day on which the following conditions are all met:

- (i) the parties to the agreement have completed all internal approval procedures for the signing and performance of the Equity Transfer Agreement in accordance with the relevant laws, regulations, regulatory documents and its articles of association and relevant internal decision-making system currently in force respectively;
- (ii) the shareholders of CSSC Finance have agreed to the transaction;
- (iii) the relevant shareholders of CSSC Finance have agreed to waive their pre-emptive rights in respect of the transaction under the Equity Transfer Agreement pursuant to the Company Law of the People's Republic of China and have completed all internal approval procedures in respect of the waiver; and
- (iv) the transaction under the Equity Transfer Agreement has been approved by the applicable State-owned assets supervisory authorities or their authorized departments.

INFORMATION OF THE COMPANY AND THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company

The Company is a core subsidiary and platform of CSSC (a large-scale state-owned enterprise) in Southern China. As at the date of this announcement, the Company has a major non-wholly owned subsidiary, Huangpu Wenchong. The Group's principal products of shipbuilding and marine products include military ships, marine police equipment and public service ships as the representative defense equipment, feeder containerships, dredgers, offshore engineering platforms and wind power installation platforms as the representative marine offshore products as well as energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms as the representative marine application business products.

Wenchong Shipyard

Wenchong Shipyard is a company incorporated under the laws of the PRC with limited liability and is a wholly-owned controlling subsidiary of Huangpu Wenhong. Wenchong Shipyard is principally engaged in businesses such as manufacturing of metal vessel, manufacturing of non-metal vessel, manufacturing and installation of ship fittings, modification and demolition of ship, repair of ship, ship design services, repair of general equipment, manufacturing of marine equipment, manufacturing of special equipment for oil refinery and chemical production, manufacturing of special equipment for environmental protection, design services of metal structural parts, manufacturing of metal structure, repair of metal products and marine engineering construction.

Baoding Fengfan

Baoding Fengfan is a company established and validly existing under the laws of the PRC with limited liability and its entire equity interest is held by CSIC. Baoding Fengfan is principally engaged in businesses including sales of accumulators and technology consultation services.

Technology Research Institute

Technology Research Institute is a public institution legal entity (事業單位法人) established by China Shipbuilding Group and is established and validly existing under the laws of the PRC. Technology Research Institute is principally engaged in businesses including the research of general technology of vessel building and offshore engineering, the research and development of hull welding technology and equipment, the research and development of large digital cutting and automated equipment production line, the research and development of coating technology and equipment, application of marine non-metal materials, technology research and development, development of shipbuilding software system and information technology integration platform, non-destructive testing of metal materials and non-metal materials technology testing.

China Shipbuilding International Trading

China Shipbuilding International Trading is a company established and validly existing under the laws of the PRC with limited liability and its entire equity interest is held by CSSC Investment Development Co., Ltd. (中船投資發展有限公司) (an indirect wholly-owned subsidiary of CSSC). China Shipbuilding International Trading is principally engaged in businesses including self-operation and commission-based operation of the import and export of various commodities and techniques (excluding the commodities and techniques operated with international restrictions or forbidden to import and export), processing with imported materials and “three-plus-one (三來一補)” trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade), foreign trade and re-export trade and domestic trade.

Trading Shanghai

Trading Shanghai is a company established and validly existing under the laws of the PRC with limited liability and 54.86% and 45.14% of its equity interest are held by China Shipbuilding Industrial Complete Equipment & Logistics Co., Ltd. (中船工業成套物流有限公司) (an indirect wholly-owned subsidiary of CSSC) and China Shipbuilding Trading Company Limited (中國船舶工業貿易有限公司) (with all its equity interest being held by CSSC), respectively. Trading Shanghai is principally engaged in businesses including “three-plus-one” business, domestic sales of marine and machinery product and consultation service.

Xi'an Hualei

Xi'an Hualei is a company established and validly existing under the laws of the PRC with limited liability and 61.54% and 38.46% of its shareholdings are held by China Shipbuilding Industry Corporation 705 Research Institute (中國船舶重工集團公司第七〇五研究所) (a public institution legal entity under CSIC) and CSIC Xi'an Shipbuilding Industry Co., Ltd. (中國船舶重工集團西安船舶工業有限公司) of China Shipbuilding Industry Corporation (an indirect wholly-owned subsidiary of CSIC) respectively. Xi'an Hualei is principally engaged in businesses including the sales, installation and commissioning of machinery and electronic products, apparatus and instruments and machinery electric products, as well as the basic research of underwater weapons and application of auxiliary products.

Fenxi Heavy Industry

Fenxi Heavy Industry is a company established and validly existing under the laws of the PRC with limited liability and its entire equity interest is held by CSSC. Fenxi Heavy Industry is principally engaged in businesses including the research and development, production and sales of machinery, electronics and precise apparatus; import and export of self-produced machinery and electric products, complete sets of equipment and related technologies; import and export of goods and technologies; import and export of raw and auxiliary materials, machinery equipment, apparatus and instruments, equipment, spare parts and technologies required for the production and scientific research of the enterprise.

Chongqing Shipbuilding

Chongqing Shipbuilding is a company established and validly existing under the laws of the PRC with limited liability and all of its shareholdings is held by CSSC. Chongqing Shipbuilding is principally engaged in businesses including the manufacturing and sales of new energy equipment, general machinery and electrical machinery, environmental protection equipment and accessories, ships and marine equipment and accessories, household appliances, electrical equipment, marine and household apparatus, refrigeration equipment, castings, spraying equipment and hydraulic products.

760 Research Institute

760 Research Institute is a public institution legal entity established by CSIC and is established and validly existing under the laws of the PRC. 760 Research Institute is principally engaged in businesses such as defense measurement services, noise and vibration control services, development of key auxiliary system for marine engineering, manufacturing of marine environmental monitoring and detection equipment, manufacturing of industrial automatic control system devices, transportation equipment leasing services, marine environment services, software development, processing of machinery parts and components, petrol and natural gas technology services, manufacturing of special equipment for petrol drilling, sales of special equipment for petrol drilling, wasted water treatment and its recycling, manufacturing of sludge treatment equipment, production of chemical products.

Nanjing Oasis

Nanjing Oasis is a company incorporated under the laws of the PRC with limited liability and 94.1688% and 5.8312% of its shareholding are held by China Shipbuilding Group and CSSC Marine Power (Zhenjiang). Nanjing Oasis is principally engaged in businesses such as the research and development, production, sales, after-sales and technical services of marine deck machinery, cabin machinery, separation machinery, marine engineering equipment, lifesaving equipment, environmental protection equipment, marine ship fittings and general machinery.

CSSC is a state-authorised investment institution directly supervised and administered by the SASAC, and its core business includes shipbuilding, ship-repairing, processing, export/import of marine equipment, diversified businesses such as other steel structure manufacturing and international cooperation, joint venture operations, financing, technology trading and workforce exportation. As at the date of this announcement, CSSC, the indirect controlling shareholder of the Company, controls 827,278,590 Shares of the Company indirectly through China Shipbuilding Group, representing 58.52% of the issued Shares of the Company. CSSC and China Shipbuilding Group are the controlling Shareholders and connected persons of the Company.

BASIC INFORMATION OF CSSC FINANCE

CSSC Finance is a company incorporated under the laws of the PRC with limited liability and 91.982% of its equity interest is directly held by CSSC and is a non-bank financial institutions controlled by CSSC. The principal business of CSSC Finance includes deposit-taking, loans handling, acceptance and discounting of bills, interbank borrowing businesses and provision of other financial services.

The following table sets out the audited consolidated financial information of CSSC Finance for each of the two years ended 31 December 2021 and 31 December 2022 prepared in accordance with the China Accounting Standard for Business Enterprises:

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>RMB</i>	<i>RMB</i>
	(Audited)	(Audited)
Net profit before tax	1,815,055,364.95	1,203,771,054.83
Net profit after tax	1,621,055,486.12	922,631,896.02

The audited consolidated net assets of CSSC Finance as at 31 December 2022 and the unaudited consolidated net assets as at 31 March 2023 were RMB18,974,725,739.82 and RMB19,625,545,360.7, respectively.

Upon completion of the Equity Transfer, the Group no longer holds any equity interest in CSSC Finance.

Reasons For And Benefits of The Equity Transfer

The transfer of the Group's 0.126% equity interest in CSSC Finance held by Wenchong Shipyard is conducive to optimising the Group's existing assets, replenishing its liquidity and better supporting the development of its principal business, as well as satisfying the relevant requirements of the Implementing Measures for Administrative Licensing Matters relating to Non-banking Financial Institutions (《非銀行金融機構行政許可事項實施辦法》) and further optimising the equity structure of CSSC Finance.

The Directors (excluding the Directors who are required to abstain from voting on the relevant board resolution in relation to the Equity Transfer Agreement but including the independent non-executive Directors) consider that the entering into of the Equity Transfer Agreement and the transaction contemplated thereunder, although not carried out in the ordinary and usual course of business of the Group, are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DIRECTORS' INTERESTS IN THE ABOVE TRANSACTION

As Mr. Chen Liping, Mr. Xiang Huiming, Mr. Chen Ji, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu hold management positions in CSSC Group and/or its associated companies, they have abstained from voting on the relevant board resolution in relation to the approval of the Equity Transfer Agreement and the transaction contemplated thereunder in accordance with the Company's internal control policy on connected transactions. Save as aforesaid, none of the Directors has or is deemed to have a material interest in the above transaction and is required to abstain from voting on the relevant board resolution.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, China Shipping Group directly or indirectly holds 827,278,590 Shares, representing approximately 58.52% of the total issued Shares of the Company, and is a controlling Shareholder and connected person of the Company. Meanwhile, China Shipping Group directly holds 94.1688% equity interest in Nanjing Oasis, and therefore is a subsidiary of China Shipping Group. Therefore, Nanjing Oasis is a connected person of the Company under Rule 14A.07(1) of the Hong Kong Listing Rules, and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one of the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules (other than the profits ratio) for the transaction contemplated under the Equity Transfer Agreement exceeds 0.1% but all the applicable percentage ratios are less than 5%, the entering into of the Equity Transfer Agreement and the implementation of the Equity Interest Transfer are subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but is exempted from the relevant circular and independent shareholders' approval requirements.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“760 Research Institute”	China Shipbuilding Group Co., Ltd. 760 Research Institute (中國船舶集團有限公司第七六〇研究所), a public institution legal entity established and validly existing under the laws of the PRC
“A Share(s)”	domestic shares of the Company with a par value of RMB1.00 each listed on the Shanghai Stock Exchange
“Technology Research Institute”	Shanghai Shipbuilding Technology Research Institute (上海船舶工藝研究所), a public institution legal entity established and validly existing under the laws of the PRC
“Baoding Fengfan”	Baoding Fengfan Group Co., Ltd. (保定風帆集團有限責任公司), a company established in the PRC
“Board”	the board of Directors
“China Shipbuilding Group”	China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司), as at the date of this announcement, CSSC directly and indirectly holds 827,278,590 Shares of the Company, representing 58.52% of the issued Shares of the Company, and is a controlling Shareholder and a connected person of the Company
“China Shipbuilding International Trading”	China Shipbuilding International Trading Co., Ltd. (中船國際貿易有限公司), a company established in the PRC
“Chongqing Shipbuilding”	China Shipbuilding Industry Corporation Chongqing Shipbuilding Co., Ltd. (中國船舶重工集團重慶船舶工業有限公司), a company established in the PRC
“Company”	CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), a joint-stock company incorporated in the PRC with limited liability whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

“controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSIC”	China Shipbuilding Industry Corporation (中國船舶重工集團有限公司), a direct wholly-owned subsidiary of CSSC
“CSSC”	China State Shipbuilding Corporation (中國船舶集團有限公司). As at the Latest Practicable Date, CSSC controlled 827,278,590 Shares of the Company indirectly through China Shipbuilding Group, representing approximately 58.52% of the issued Shares of the Company, and was an indirect controlling Shareholder of the Company
“CSSC Finance”	CSSC Finance Company Limited, 91.982% of its equity interest is directly held by CSSC and is a non-bank financial institutions controlled by CSSC
“CSSC Group”	CSSC and its subsidiaries
“CSSC Marine Power Zhenjiang”	CSSC Marine Power (Zhenjiang) Co. Ltd. (中船動力鎮江有限公司), a company established in the PRC, and its entire shareholding is held as to 51.85%, 31.63% and 16.51% by China Shipbuilding Industry Group Power Co., Ltd. (中國船舶重工集團動力股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600482), China CSSC Holdings Limited (中國船舶工業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600150) and China Shipbuilding Group, respectively
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the transfer of the 0.126% equity interest in CSSC Finance from Wenchong Shipyard to Nanjing Oasis pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 1 June 2023 and entered into between Nanjing Oasis and, among others, Wenchong Shipyard in relation to the transfer of the equity interest in CSSC Finance
“Fenxi Heavy Industry”	China Shipbuilding Group Fenxi Heavy Industry Co., Ltd. (中國船舶集團汾西重工有限責任公司), a company established in the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company listed on the Stock Exchange

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Huangpu Wenchong”	CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司), a company incorporated in China on 1 June 1981 and as at the date of this announcement, a non-wholly owned subsidiary owned as to 54.5371% by the Company
“Nanjing Oasis”	Nanjing CSSC Oasis Machinery Co., Ltd. (南京中船錄洲機器有限公司), a company incorporated in the PRC, which is 94.1688% owned by China Shipbuilding Group and is a subsidiary of China Shipbuilding Group and connected person of the Company
“PRC” or “State”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	Stated-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	shares of the Company with a par value of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Target Asset”	the equity interest of CSSC Finance to be transferred under the Equity Transfer Agreement
“Trading Shanghai”	China Shipbuilding Trading Shanghai Co., Ltd. (中國船舶工業貿易上海有限公司), a company established in the PRC
“Wenchong Shipyard”	Guangzhou Wenchong Shipyard Co., Ltd. (廣州文沖船廠有限責任公司), a wholly-owned subsidiary of Huangpu Wenchong
“Xi'an Hualei”	Xi'an Hualei Machinery Electronics Group Co., Ltd. (西安華雷機械電子集團有限公司), a company established in the PRC
“%”	per cent

By order of the Board
CSSC Offshore & Marine Engineering (Group) Company Limited
Li Zhidong
Company Secretary

Guangzhou, 1 June 2023

As at the date of this announcement, the Board comprises ten Directors, namely executive Directors Mr. Chen Liping and Mr. Xiang Huiming; non-executive Directors Mr. Chen Ji, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu; and independent non-executive Directors Mr. Yu Shiyong, Mr. Lin Bin, Mr. Nie Wei and Mr. Li Zhijian.