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中船海洋与防务装备股份有限公司

CSSC OFFSHORE & MARINE ENGINEERING (GROUP) COMPANY LIMITED

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

(H Shares Stock Code: 00317)

**MAJOR TRANSACTION AND
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE
2020-2022 FRAMEWORK AGREEMENT**

As the 2017-2019 Framework Agreement which governs the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2017 to 31 December 2019 will expire on 31 December 2019, the Company and CSSC has entered into the 2020-2022 Framework Agreement to continue and to govern the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022.

The entering into and the implementation of the 2020-2022 Framework Agreement and the Continuing Connected Transactions (together with the Proposed Annual Caps) contemplated thereunder is conditional upon the approval by Independent Shareholders at the EGM. In any event, prior to obtaining the approval from Independent Shareholders at the EGM, the Company shall continue to comply with the terms of, and the continuing connected transactions (together with the relevant annual caps) under the 2017-2019 Framework Agreement (as approved by Independent Shareholders on 18 October 2016).

Pursuant to the Hong Kong Listing Rules, the CSSC Group is a connected person of the Company. As a result, the transactions between the Group and any of the CSSC Group constitute connected transactions of the Company. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules for the Proposed Annual Caps of the Continuing Connected Transactions (save for the provision of the Financial Services by the CSSC Group) under the 2020-2022 Framework Agreement are higher than 5% on an annual basis, the transactions relating to the Continuing Connected Transactions (save for the provisions of the Financial Services by the CSSC Group) contemplated under the 2020-2022 Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios in relation to the provision of products and services provided by the Group to the CSSC Group and provision of products and services provided by the CSSC Group to the Group under the 2020-2022 Framework Agreement exceed 25% but less than 75% calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Proposed Annual Caps in relation to the provision of products and services provided by the Group to the CSSC Group and provision of products and services provided by the CSSC Group to the Group under the 2020-2022 Framework Agreement constitute a non-exempt continuing connected transaction and also a major transaction of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and subject to the relevant major transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

As the applicable percentage ratios in relation to the aggregate of maximum outstanding daily balance on the Deposits, Guarantee by the Group and the maximum value of the entrusted asset management under the 2020-2022 Framework Agreement exceed 25% pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Proposed Annual Caps in relation to the Deposits, Guarantee by the Group and entrusted asset management under the 2020-2022 Framework Agreement constitutes a non-exempt continuing connected transaction and also a major transaction of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and subject to the relevant major transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

The EGM

The Company will convene the EGM at which ordinary resolutions will be proposed to approve, among others, the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. A circular containing, among others, details of the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser together with the notice of EGM will be despatched to the Shareholders as soon as practicable. Pursuant to the Hong Kong Listing Rules, CSSC and its associates will abstain from the voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders.

Shareholders and potential investors may refer to the circular to be despatched by the Company for more details.

I. BACKGROUND

Reference is made to the announcements of the Company dated 30 August 2016 and 18 October 2016, and the circular of the Company dated 30 September 2016 in connection with, among others, the 2017-2019 Framework Agreement.

As the 2017-2019 Framework Agreement which governs the Continuing Connected Transactions between the Group and CSSC Group for the period from 1 January 2017 to 31 December 2019 will expire on 31 December 2019, the Company and CSSC has entered into the 2020-2022 Framework Agreement to continue and to govern the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022.

In addition, as disclosed in the announcements of the Company dated 7 August 2019, 16 September 2019, 23 October 2019, and the circular of the Company dated 4 October 2019, as CSSC, the controlling shareholder of the Company, is undergoing a strategic restructuring with China Shipbuilding Industry Corporation* (中國船舶重工集團有限公司). Against such background, the Company proposed to make further adjustments to the Original Major Asset Restructuring Scheme, which includes the proposed disposal of 27.4214% equity interests currently held by the Company in GSI to CSSC Holdings ("**Disposal of GSI**"), and was subsequently approved at the first extraordinary general meeting of 2019 of the Company on 23 October 2019. After the completion of the Disposal of GSI, GSI will cease to be a subsidiary of the Group and the existing continuing transactions between the GSI and the CSSC Group will cease to be continuing connected transactions of the Group.

* For identification purpose only

The Directors (excluding the view of the independent non-executive Directors who will provide their view based on the advice to be provided by the independent financial advisor of the Company) are of the view that the 2020-2022 Framework Agreement were entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Company than terms available from Independent Third Parties); and (iii) on terms (including the Proposed Annual Caps) that are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The entering into and the implementation of the 2020-2022 Framework Agreement and the Continuing Connected Transactions (together with the Proposed Annual Caps) contemplated thereunder is conditional upon the approval by Independent Shareholders at the EGM. In any event, prior to obtaining the approval from Independent Shareholders at the EGM, the Company shall continue to comply with the terms of, and the continuing connected transactions (together with the relevant annual caps) under the 2017-2019 Framework Agreement (as approved by Independent Shareholders on 18 October 2016).

II. 2020-2022 FRAMEWORK AGREEMENT

The 2017-2019 Framework Agreement which governs the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2017 to 31 December 2019 will expire on 31 December 2019. To continue the on-going transactions contemplated under the 2017-2019 Framework Agreement, on 18 November 2019, the Company and CSSC entered into the 2020-2022 Framework Agreement to continue and to govern the Continuing Connected Transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022.

Principal terms of the 2020-2022 Framework Agreement

Scope: **Products and services to be provided by the Group to the CSSC Group:**

- (a) Provision of shipping products, electrical and mechanical engineering equipment, and metallic materials, includes shipping products, complete sets or accessories of electrical and mechanical engineering equipment, steel products, non-ferrous metal products etc., part of the accessories and equipment primarily for use on ships and sale of waste materials through CSSC Group;
- (b) Utilities, primarily the supply of wind, water and electrical power and gas; and
- (c) Provision of production areas and staff quarters leasing service, labour supply and technical services:
 - (i) Leasing: provision of certain production areas and staff quarters leasing service by the Group to the CSSC Group, its joint ventures and associates;
 - (ii) Labour supply: primarily involves the provision of training, short-term labour supply, shipbuilding services etc.; the Group may provide to the CSSC Group the skills training and assessment, technical services relating to the business of the CSSC Group; short-term labour supply will be provided by the Group when the CSSC Group is in short of labour force for shipbuilding services provided the Group has excess labour force at the same time; and
 - (iii) Technical services: mainly involves installation, usage and maintenance services and the provision of shipbuilding products and other engineering design and relevant technical services.

Financial Services to be provided by the Group to the CSSC Group:

- (d) providing guarantees service by the Group: the Group to provide guarantee(s) or counter-guarantee(s) to the CSSC Group, mainly comprises guarantee(s) arise when the CSSC Group and the Group provide services to a business partner jointly and the business partner requires a guarantee to be provided, in this connection the Group will provide guarantee service to the CSSC Group.

Products and services to be provided by the CSSC Group to the Group:

- (e) Provision of equipment for ship, electrical and mechanical engineering equipment, accessories and resources etc., comprising primarily complete sets or accessories of resources, accessories, production machineries required for production, tools and logistic services for ship-building in the daily production of the Group; when the Group is short of supply of resources for its production due to late delivery by the supplier or temporary demand for the resources, the resources will be provided by the CSSC Group provided that the CSSC Group has excess resources at the same time; and
- (f) Provision of production areas and equipment leasing service, labour supply and technical services:
 - (i) Leasing: lease of certain production sites and together with necessary production equipment to the Group and the ancillary water and electricity power, etc.;
 - (ii) Labour supply: subcontracting of shipbuilding works by section (or steel structure works) refers to, in the event that the Group's shipbuilding production is constrained by limited resources, such as workshop, equipment or labour force, such resources will be provided to CSSC or its subsidiaries in order to keep up with the production plan; Comprehensive Services;
 - (iii) Technical services: the provision of technical services by the CSSC Group mainly involves the provision of shipbuilding products and other engineering design and relevant technical services, including in the event that the Group's production is constrained by design techniques and time, the CSSC Group will provide such service in order to keep up with production plan, the Group and the CSSC Group will form a unit for development of new products and the provision of subcontracting management, equipment production, design, exploration and audit consultancy services for related utility projects;

Financial Services to be provided by the CSSC Group to the Group:

- (g) (i) Maintaining Deposits with CSSC Finance; (ii) providing Loans Granted by CSSC Finance and CSSC; (iii) providing other financial or credit services which primarily includes the advance(s) provided to the Group from CSSC Finance directly, or payment(s) of compensation(s) and/or provision of indemnity(ies) in respect of any payment obligations which may arise out of the business activities carried on by the Group such as loans, trade finance, bill financing, finance leases, overdrafts, trade advances, promissory notes, letters of credit, guarantees, standby letters of credit, letters of credit confirmation, guarantees in bonds issuance, loan guarantees, asset sales with legal recourses, un-utilised

irrevocable loan commitments, etc; (iv) entering into FX Forward Contract(s) by CSSC Finance with the Group; and (v) providing entrusted assets management service to manage the entrusted assets through tailor-made value-adding asset management plan and strategy.

- (h) Guarantees and the corresponding guarantee fees in respect of the Group's borrowings or operating activities when required.

Agency Services to be provided by the CSSC Group to the Group:

- (i) Agency services for sales and purchase, primarily to take advantage of the CSSC Group's reputation and bargaining power in selling the Group's ships and purchasing imported materials for the Group.

(a) to (i) collectively referred to as the "**Continuing Connected Transactions**", and each a "**Continuing Connected Transaction**".

Pricing:

The Continuing Connected Transactions are to be conducted in the ordinary and usual course of business of the Group and on normal commercial terms (and if there are no sufficient comparable transactions to assess whether they are conducted on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties) on the basis that they must be fair and reasonable so far as the Shareholders are concerned. Separate written agreement(s) setting out the detailed terms (including the basis of pricing) shall be, if required, entered into between relevant parties for each Continuing Connected Transaction.

In respect of (a) above, pricing will be based on market price.

In respect of (b) above, pricing will be based on the costs of utilities supplied to the CSSC Group plus a 20-25% management fee or on terms no less favourable to the Group than terms available from Independent Third Parties.

In respect of (c) above, rental of the lease shall be based on market price; pricing for labour and technical services will be based on terms not less favourable compared with Independent Third Parties.

In respect of (d) above, the terms of the guarantee service to be provided by the Group to the CSSC Group will be no more favourable than that provided by Independent Third Parties.

In respect of (e) above:

- pricing of electrical and mechanical engineering equipment and metallic materials will be based on market price and on terms no less favourable to the Group than available from Independent Third Parties;
- pricing of steel components or accessories for ship, considering the low unit price and the short order time, the price will be determined on arm's length negotiations between the parties annually based on actual costs taking into account the market price of raw materials;
- pricing of equipment for ship shall be on terms no less favourable to the Group than terms available from Independent Third Party suppliers taking into account

circumstances such as the supply lead-in time, qualification of suppliers and quality of services etc. in the event that there are two or more suppliers from the CSSC Group; in the event that there is only one supplier from the CSSC Group due to technical specification or supply terms restrictions, pricing shall be determined by the parties at arm's length based on the most recent purchase price of the equipment in question by the Group, taking into account of the fluctuation of the price of raw materials, and in any event shall not be less favourable than terms available from Independent Third Party supplier to the Group; and

- pricing of logistics service shall be on terms no less favourable to the Group than terms available from Independent Third Party service providers.

In respect of (f) above, rental of the lease shall be based on market price or the cost in addition to 10% of the management fee; pricing of Comprehensive Services shall be on terms no less favourable to the Group than terms available from Independent Third Parties; pricing of labour supply services will be based on market price; pricing for providing the shipbuilding products and other engineering design and relevant technical services shall be based on market price.

In respect of (g) above:

- interests of the Deposits shall be on such interest rate on deposits published by PBOC;
- interests of the Loans Granted by CSSC Group shall be at an interest rate not higher than interest rate on loans published by PBOC or at an interest rate which will not be less favourable than that provided by Independent Third Parties providing similar services in the PRC;
- pricing of fees charged for financial and credit services shall be based on the charge standard as published by PBOC or on terms no less favourable to the Group than terms available from Independent Third Parties providing similar services in the PRC;
- for the FX Forward Contract(s), the handling fees to be charged by CSSC Finance shall be on such fees as published by PBOC and no less favourable than those offered by Independent Third Parties; and
- pricing of interests received for providing entrusted asset management services shall be determined by the parties by making reference to market price and on terms that are no better than those offered by Independent Third Parties.

In respect of (h) above, the fee to be charged shall be at the rate not more than the annual rate 0.6% of the maximum guaranteed amount, or at a rate which will be no more favourable than that provided by Independent Third Parties.

In respect of (i) above, pricing of sales agency fees or commissions shall follow the worldwide industry practice and will not exceed 1.5% of the contract price and be paid in according to the shipbuilding progress of the vessel in question; and pricing of purchases agency fees will be based on agreed fee shall also follow the worldwide industry practice and be 1% to 2% of the contract price.

Payment Term: Payment of each Continuing Connected Transaction will be settled in cash in arrears, or in accordance with the payment terms agreed by the relevant parties in the contract(s) to be entered into in connect with such Continuing Connected Transaction

pursuant to the 2020-2022 Framework Agreement.

Term: Conditional upon approval by the Independent Shareholders at the EGM, the term of the 2020-2022 Framework Agreement shall be for the period from 1 January 2020 to 31 December 2022 (both days inclusive).

Historical Amounts and Proposed Annual Caps

Historical Amounts

The table below sets out the amount of each category of the Continuing Connected Transactions for the two years ended 31 December 2017 and 2018 and the 9 months ended 30 September 2019 and the comparison with the respective annual cap approved by the Independent Shareholders under the 2017-2019 Framework Agreement. The Directors will closely monitor that the transaction amounts of each category of the Continuing Connected Transactions for the year ending 31 December 2019 to ensure the amounts will not exceed their respective annual caps for 2019 under the 2017-2019 Framework Agreement.

Unit RMB million

Transaction	Historical Annual Caps			Historical Amounts		
	For the year ended 31 December			For the year ended 31	For the 9 months	
	2017	2018	2019	December	ended 30	
				2017	2018	September
						2019*
Products and services provided by the Group to CSSC Group:						
(a) Shipping products, electrical and mechanical engineering equipment, metallic materials and sale of waste materials, etc.	3,464.10	4,269.57	5,038.37	961.98	1,016.91	597.56
(b) Utilities	83.01	83.01	83.01	43.07	32.51	0.99
(c) Production areas and staff quarters leasing service, labour supply, design and technical services	197.15	189.27	200.06	64.10	27.62	5.57
Financial services provided by the Group to the CSSC Group:						
(d) Guarantee by the Group (Note 1)	-	-	-	-	-	-
Products and services provided by the CSSC Group to the Group:						
(e) Equipment for ship, electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories, etc.	11,002.04	12,396.25	14,516.51	4,997.83	4,706.29	4,015.74
(f) Leasing of production areas, Labour supply, design and technical services; and Comprehensive Services	757.88	846.16	1,004.58	344.85	189.06	160.30
Financial services provided by the CSSC Group to the Group:						
(g) (i) Aggregate interest on Deposits for the year (Note 2)	175.50	175.50	175.50	49.75	44.49	47.26
(ii) Aggregate interest on Loans Granted by CSSC Group for the year (Note 3)	470.40	494.90	519.40	170.75	126.56	126.79
(iii) Aggregate fees on financial and credit services (Note 4)	12.20	13.20	14.20	1.86	2.59	2.69
(iv) FX Forward Contracts	8,500.00	8,500.00	8,500.00	284.89	1,715.80	2,617.23
(v) Aggregate interest on entrusted assets management	250.00	275.00	300.00	61.69	43.88	7.15

services (<i>Note 5</i>)							
(h) Guarantee by the CSSC Group fees (<i>Note 6</i>)	42.00	45.00	48.00	0.00	0.00	0.00	0.00
Agency services provided by the CSSC Group to the Group:							
(i) Sales agency fees	97.00	119.00	140.46	36.55	44.70		23.12
(ii) Purchases agency fees	16.00	16.10	16.10	3.71	5.94		4.31

Notes:

* The historical figures for the 9 months ended 30 September 2019 were unaudited figures.

1. The 2017-2019 Framework Agreement did not provide for the provision of guarantee service by the Group to the CSSC Group. The Directors confirm that there was no guarantee provided by the Group to the CSSC Group for each of the two years ended 31 December 2017, 2018 and no guarantee will be provided by the Group to the CSSC Group for the year ending 31 December 2019.

As disclosed in the announcement of the Company dated 30 August 2016 and the circular of the Company dated 30 September 2016:

2. Maximum outstanding daily balance on the Deposits shall not exceed RMB7,800 million for each of the two years ended 31 December 2017 and 2018 and the year ending 31 December 2019, respectively.
3. Maximum outstanding daily balance on the Loans Granted by CSSC Group shall not exceed RMB9,600 million, RMB10,100 million and RMB10,600 million for the two years ended 31 December 2017 and 2018 and the year ending 31 December 2019 respectively.
4. Maximum amount for financial and credit services in aggregate shall not exceed RMB8,000 million, RMB8,500 million and RMB9,000 million for the two years ended 31 December 2017 and 2018 and the year ending 31 December 2019, respectively.
5. Maximum value of the entrusted assets management shall not exceed RMB5,000million, RMB5,500 million and RMB6,000 million for the two years ended 31 December 2017 and 2018 and the year ending 31 December 2019, respectively.
6. Maximum guaranteed amount shall not exceed RMB7,000 million, RMB7,500 million and RMB80,000 million for the two years ended 31 December 2017 and 2018 and the year ending 31 December 2019, respectively.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps for each category of the Continuing Connected Transactions for the three years ending 31 December 2020, 2021 and 2022, respectively

Transaction	<i>Unit RMB million</i>		
	Proposed Annual Cap		
	For the year ending 31 December 2020	2021	2022
Products and services provided by the Group to CSSC Group:			
(a) Shipping products, electrical and mechanical engineering equipment, metallic materials and sale of waste materials, etc.	4,194.80	4,653.00	5,922.00
(b) Utilities	11.60	1.60	1.60
(c) Production areas and staff quarters leasing service, labour supply, design and technical services	377.00	312.60	406.00
Financial services provided by the Group to the CSSC Group:			
(d) Guarantee service by the Group (<i>Note 1</i>)	3,000.00	3,000.00	3,000.00

Products and services provided by the CSSC Group to the Group:			
(e) Equipment for ship, electrical and mechanical engineering equipment and metallic materials, shipbuilding accessories, etc.	8,080.95	8,146.80	9,199.60
(f) Leasing of production areas, Labour supply, design and technical services; and Comprehensive Services	723.79	700.45	799.80
Financial services provided by the CSSC Group to the Group:			
(g) (i) Aggregate interest on Deposits for the year (<i>Note 2</i>)	193.20	130.20	130.20
(ii) Aggregate interest on Loans Granted by CSSC Group for the year (<i>Note 3</i>)	470.15	217.50	239.25
(iii) Aggregate fees on financial and credit services (<i>Note 4</i>)	18.00	11.80	12.80
(iv) FX Forward Contracts	9,500.00	6,500.00	7,000.00
(v) Aggregate interest on entrusted assets management services (<i>Notes 5</i>)	321.50	199.50	231.50
(h) Guarantee by the CSSC Group fees (<i>Note 6</i>)	40.80	13.80	13.80
Agency services provided by the CSSC Group to the Group:			
(i) (i) Sales agency fees	129.00	114.00	124.00
(ii) Purchases agency fees	11.20	8.60	9.30

Notes:

1. Maximum guaranteed amount shall not exceed RMB3,000 million, RMB3,000 million and RMB3,000 million for the three years ending 31 December 2020, 2021 and 2022, respectively.
2. Maximum outstanding daily balance on the Deposits shall not exceed RMB8,190 million, RMB5,390 million and RMB5,390 million for the three years ending 31 December 2020, 2021 and 2022, respectively.
3. Maximum outstanding daily balance on the Loans Granted by CSSC Group shall not exceed RMB 10,100 million, RMB5,000 million and RMB5,500 million for the three years ending 31 December 2020, 2021 and 2022, respectively.
4. Maximum amount for the financial and credit services in aggregate shall not exceed RMB8,720 million, RMB6,220 million and RMB7,220 million for the three years ending 31 December 2020, 2021 and 2022, respectively.
5. The maximum value of the entrusted assets management shall not exceed RMB7,200 million, RMB4,900 million and RMB5,700 million for the three years ending 31 December 2020, 2021 and 2022, respectively.
6. Maximum guaranteed amount shall not exceed RMB6,800 million, RMB2,300 million and RMB2,300 million for the three years ending 31 December 2020, 2021 and 2022, respectively.

The Proposed Annual Caps are determined taking into account primarily the historical transaction amounts, the Disposal of GSI, production orders in hand, expected orders, material costs and anticipated total production value of the Group.

Reasons for entering into the 2020-2022 Framework Agreement

The Continuing Connected Transactions allow the Group to leverage on the reputation and bargaining power of the CSSC Group in the international shipbuilding industry, provide a reliable and cost effective source of materials, labour, design, technology, financial and credit services and other services necessary for the Group to conduct its business, and allow flexibility for better allocation of resources between each other so as to meet the anticipated production schedules for shipbuilding in the next few years.

In addition, the Directors have taken into consideration the following regarding each of the Continuing Connected Transactions contemplated under the 2020-2022 Framework Agreement:

- (a) The CSSC Group has the need to purchase shipping products and production equipment while the Group has the capability of designing and manufacturing electrical and mechanical engineering products and could provide such products to the CSSC Group; or when the CSSC Group is facing a shortage in materials or equipment such as steel products, causing by insufficient procurements or delay in delivery of goods by suppliers or when it is urgently required to meet orders from its customers which temporarily exceeded its production capacity, the Group may provide various equipment, resources and accessories to the CSSC Group to meet its routine and urgent production needs, on terms to be determined based on market comparable prices. In addition, the Group could handle waste through the logistic company of the CSSC Group and sell fixed assets to the CSSC Group that are no longer applicable to the Group.
- (b) In the course of its operations and provision of services, the Group shall provide utilities facilities of wind, water, electricity and gas to the CSSC Group. The fees for provision of utilities (primarily supply of wind, water and electrical power and gas) by the Group to the CSSC Group is based on the utilities' costs of the Group supplied to the CSSC Group plus a management fee ranging from 20% to 25% above the cost of the relevant type of utilities or in terms no more favourable than those offered to Independent Third Parties.

Given that the Group is not principally engaged in provision of utilities facilities, the 20% to 25% margin on the fees primarily represents the CSSC Group's share of the expenses involved in overall generation of such utilities facilities. Such margin has been agreed after arm's length negotiation between the Group and the CSSC Group, is considered as fair and reasonable to defray the relevant administrative costs and the miscellaneous expenses (including maintenance costs and depreciation charges) from time to time incurred by the Group for provision of such utilities facilities the Group.

- (c) The primary purpose for provision of production areas and staff quarters leasing service by the Group to the CSSC Group is to fully utilize certain properties held by the Group to gain cost efficiency on those properties. The Group will provide to the CSSC Group labour supply services, primarily providing training and supplying short-term labourers, shipbuilding services etc. According to the demands for technicians, the Group may provide to CSSC Group services for staff training and appraisals and technical services relating to business of the Group and short-term labour supply when the CSSC Group is in short of labor force for shipbuilding services. Besides, the Group will provide technical services such as installation, usage and maintenance services and design, research and development, self-developed software and related technical services of shipping products or other engineering in relation to the business of the Group to the CSSC Group from time to time. The Directors are of the view that the provision of such services to the CSSC Group enable the Group to maximize the use of labour and to capitalise on its excess production capacity and existing shipbuilding-related techniques to earn additional revenue for the Group.
- (d) The provision of guarantee services in respect of the financial assistance to a connected person is for the benefit of the Group. Considering that (i) the provision of the guarantee or counter-guarantee service is to be provided by the Group on normal commercial terms that are no more favourable than those offered by Independent Third Parties for similar services in the PRC; and (ii) it is the market practice for the Group to provide the counter-guarantee to the CSSC Group upon a business that is jointly provided by the Group and the CSSC Group, the Directors consider that the guarantee to be provided by the Group is a practical need to enable an efficient joint provision of service to a business partner by the Group and the CSSC Group. The finance department and the relevant project manager will be responsible for reviewing and scrutinizing the terms offered by the Group to the CSSC Group against those provided to the Group by Independent Third Party for providing similar services in order to seek to ensure that the Group can provide no more favourable terms available at the relevant time and that, among others, the Contract Management Rules are complied with.

- (e) The Group sources from the CSSC Group shipping equipment, electrical and mechanical engineering equipment, accessories and resources mainly includes complete sets or accessories of resources, accessories, production equipment and tools for ship production, sale of waste materials, etc.. The Group also uses logistics and related services, etc. provided by the CSSC Group. The Group sources these types of equipment and services from the CSSC Group and also from other independent suppliers so as to meet its routine and urgent needs. Considering that (i) the CSSC Group is centralized in manufacturing some of such equipment and (ii) the CSSC Group is able to obtain competitive prices on certain materials by making bulk order through its centralized purchase system, the Directors are of the view that the CSSC Group has the capacity to supply various shipbuilding materials or to provide necessary services when the Group has the production needs. Likewise, the Directors are of the view that it is more cost-effective to purchase of materials and equipment through bulk purchase by the CSSC Group.
- (f) Labour services primarily include the borrowing of labour force from and subcontracting of shipbuilding works or steel structure works to the CSSC Group during the Group's peak production season. Given that the need for labour varies in different stages of production, the Directors consider that procurement of labour services with special skills from the CSSC Group during the Group's peak production season would be beneficial to the Group as it would not be required to maintain a large workforce of its own at all times. As the CSSC Group is specialised in the design of certain types of ship products or equipment, the Group also engages the CSSC Group to provide design and technical services to meet the requirements of different progresses of production. The Group has sourced the Comprehensive Services from the CSSC Group for years on terms no less favourable than terms available from Independent Third Parties, the Directors believe that it would be more cost-efficient for the Group to retain the CSSC Group for the Comprehensive Services.
- (g) (i) The Group maintains the Deposits with CSSC Finance from time to time. Interests on the Deposits are based on rates on deposits published by the POBC with appropriate upwards adjustments from time to time. The Directors are of the view that there are practical needs for the Group to continue to maintain the Deposits with CSSC Finance to enable an effective transmission of Government funds provided from CSSC Group to the Group via CSSC Finance to the Group.
- (ii) Apart from maintaining the Deposits with CSSC Finance, the Group also seeks the provision of Loans from CSSC Finance and CSSC for standby purpose in support of the operational and production needs and to maintain the liquidity of the Group from time to time. The Loans will be charged by CSSC Finance and CSSC at a lending rate not higher than interest rate on loans published by PBOC or on terms no favourable than the lending rate(s) offered by Independent Third Party service provider(s) proving similar services in the PRC.
- The Directors consider that the provision of the Loans Granted by CSSC and CSSC Finance is more efficient than the loans from other general domestic commercial banks that provide similar services for the Group. As such, the Directors are of the view that the provision of Loans Granted by CSSC and CSSC Finance will benefit the Group by increasing the operation efficiency in the use of fund.
- (iii) Due to the business operation needs, the Group has to enter into various commercial arrangements involving the Financial Services and the payment obligations such as loans, trade finance, bill financing, finance leases, overdrafts, trade advances, promissory notes, letters of credit, guarantees standby letters of credit, letters of credit confirmation, guarantees in bonds issuance, loan guarantees, asset sales with legal recourses, unused irrevocable loan commitments, etc. In the past, the Group uses to source provision of the

financial and credit services from Independent Third Parties and/or the CSSC Finance. The engagement of CSSC Finance for provision of the financial and credit services would enable the Group to obtain more competitive terms. Given the relationship between the Group and the CSSC Group, the Directors believe that the financial and credit services to be offered by CSSC Finance will be more efficient than the services offered by other general domestic commercial banks or institutions.

- (iv) The Company's ship export orders are denominated in US dollars and some domestic ship orders are also denominated in RMB with reference to US dollars. As such the Company was subject to high exchange rate risk. The Group entered into FX Forward Contracts with Independent Third Party banks and/or the CSSC Finance to hedge against its currency risk in the past. As CSSC Finance obtained the licence to trade in FX Forward Contract in July 2014, the Company proposes to enter into FX Forward Contracts with CSSC Finance. The FX Forward Contracts require no initial cash outlay or purchase cost. The principal terms of the FX Forward Contracts and the transaction process are as follows: the Group will first enquire from Independent Third Party bank and CSSC Finance as to the exchange rate, transaction period and transaction amount regarding specific currency whenever it intends to enter into a FX Forward Contract. If the terms are more favourable than those offered by Independent Third Parties to the Group, the Group will enter into FX Forward Contracts with CSSC Finance. For each FX Forward Contract with CSSC Finance, there will be one transaction between the Group and CSSC Finance. Such transaction will take place on a pre-agreed transaction date.

The number of contracts to be entered with CSSC Finance depends on the hedging needs of the Group. In particular, it depends on the timings of inflow of cash denominated in US dollars from the Group's operations and outflow of cash denominated in RMB for the Group's operating cost. In order to mitigate the currency risk having regard to the timing of operating cash inflows denominated in US dollars and outflows denominated in RMB and to lock up our profit margin, contracts of different size and timing may be needed. The Group will decide the number of contracts to be entered with CSSC Finance according to the schedule of payments from customers or to suppliers and/or subcontractors throughout the year.

The Group will also continue to enter into FX Forward Contracts with Independent Third Party banks if and when appropriate. The Group will compare the terms offered by Independent Third Party banks with the terms offered by CSSC Finance before deciding on whether to enter into FX Forward Contracts with CSSC Finance. In view of this, the Directors consider that the entering into of the FX Forward Contracts with CSSC Finance provide an extra option for the Group to fulfill its operational needs to hedge against risks relating to exchange rates and therefore it is in the interest of the Group and the Shareholders as a whole.

- (v) The Group has engaged CSSC Finance to provide entrusted assets management services in order to generate incomes from certain unutilised funds. The principal terms of the entrusted assets management service are as follows: the Group will entrust CSSC Finance with certain assets for an agreed period of time. CSSC Finance will invest the entrusted assets with designated types of low risk investment products available in the market in order to maximise the profitability of such entrusted assets. CSSC Finance will issue monthly statement to the Group to report the status of investments during the entrusted term. The Directors are of the view that it is in the interest of the Company and its Shareholders as a whole to continue to leverage on CSSC Finance's expertise to provide entrusted assets management services.
- (h) The provision of guarantee services or mortgages in respect of the Group's borrowings or operating activities by the CSSC Group constitutes financial assistance by a connected person for

the benefit of the Group. Considering that (i) the provision of the guarantee is to be provided by the CSSC Group for the benefit of the Group and on normal commercial terms that are comparable to or more favourable than those offered by Independent Third Parties for similar services in the PRC and (ii) no security over the assets of the Group is granted in respect of such service, the Directors consider that the guarantee to be provided by CSSC Group will be more efficient than the services offered by other Independent Third Parties. The finance department and the relevant project manager will be responsible for reviewing and scrutinizing the terms offered by the CSSC Group to the Group against those provided to the Group by Independent Third Party for providing similar services in order to seek to ensure that the Group can obtain the most favourable terms available at the relevant time and that, among others, the Contract Management Rules are complied with.

- (i) The Group uses to leverage on the CSSC Group's reputation in the international shipbuilding market, its long established relationships with ship owners and its bargaining power to sell the Group's products. Therefore, the Directors are of the view that it is in the interest of the Company and its Shareholders as a whole to continue to use the agency services provided by the CSSC Group.

Pricing of sales agency fees or commission is determined and agreed based on arm's length negotiation between the parties, having reference to the then prevailing rate of brokerage fees at the time of entering into specific transactions. The rate of brokerage fee will vary according to the size and type of vessels and usually a lower rate will be charged for sale of larger vessels or where the technical requirement is comparatively generic. The Group will also consider the terms offered by other independent service providers and choose to transact with the counterparty which offers more favourable terms that are in the Group's interest.

Pricing of purchase agency fee is also determined and agreed based on arm's length negotiation between the parties, having reference to the then prevailing market practices. However, counterparty which offers the lowest agency fee shall not be the sole determining factor. In deciding whether the Group will choose to transact with any particular counterparty, the Group will consider in totality the terms offered by counterparty for purchase of imported materials for the Group including the delivery schedule(s) of the imported materials, whether the counterparty will advance payment of the purchase price in foreign currency on the Group's behalf and the payment terms available to the Group, etc.. The purchasing department and the relevant deputy general manager of the Group will be responsible for reviewing and scrutinizing the terms offered by the CSSC Group to the Group against those provided to the Group by third party service providers for providing similar services in order to seek to ensure that the Group can obtain the most favourable terms available at the relevant time and that, among others, the Contract Management Rules are complied with.

On bases summarized above and given that (i) the Continuing Connected Transactions are entered into under the usual and ordinary course of business of the Group and the CSSC Group; and (ii) the Group will be benefited from better allocation of resources with the CSSC Group and hence enjoy competitive cost advantages, the Directors (excluding the view of the independent non-executive Directors who will provide their view based on the advice to be provided by the independent financial advisor of the Company) are of the view that the terms of the 2020-2022 Framework Agreement and each Continuing Connected Transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Risk control relating to the Deposit under the 2020-2021 Framework Agreement

In view of the significant amount of the Deposits placed or to be placed with CSSC Finance from time to time, CSSC Finance has provided an undertaking for, among other things, ensuring the safety of the Deposits:

- (i) provide to the Company, at any time, financial services with terms which are no less favourable than for comparable financial services provided to CSSC or members of the CSSC Group; and those of the comparable financial services the Company may obtain from other financial institutions;
- (ii) ensure that the Financial Operation Licence (金融許可證) and other business permits, approvals and filings, etc. have been lawfully obtained by CSSC Finance and will remain valid and effective;
- (iii) ensure the safe operations of its fund settlement and clearance network, assure the safety of funds, control the risk exposure and safety of the Deposits and will satisfy the requirements for the payment of the Deposits;
- (iv) ensure the strict compliance with the risk monitoring indicators for financial institutions promulgated by the CBRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations;
- (v) report its business and financial positions to the Company regularly, co-ordinate with the auditors of the Company in the course of their audit work to enable the Company to fulfil the requirements of the Hong Kong Listing Rules; and
- (vi) on happening of new, or special event that may possibly affect the Company, CSSC Finance shall proactively inform the Company on a timely basis.

In order to safeguard the interests of the Shareholders, the Group has adopted certain guidelines and principles in monitoring, amongst other things, the Deposits arrangements. These include an assessment of the fund operation and control of risk exposure of CSSC Group and evaluation of its services provided through its reports to be obtained regularly as mentioned above. Given SASAC's requirement of centralization of funds held by state-owned enterprises, the undertakings provided by CSSC Group on risk control on the financial services (including the Deposits) to be provided to the Group and that the Deposits will be subject to annual review conducted by the independent non-executive Directors, the auditors of the Company and strict compliance of risk monitoring by the CBRC on CSSC Group, the Directors (excluding the view of the independent non-executive Directors who will provide their view based on the advice to be provided by the independent financial advisor of the Company) are of the view that the arrangements for, amongst other things, the Deposits are in the interests of the Company and the Shareholders as a whole.

Additional Measures to safeguard interests of the Company and Independent Shareholders

The Group will, through the Group's internal control procedures (including the Contract Management Rules) and a series of risk management arrangements in accordance with the regulatory requirements, endeavor to maintain its independency in decision-making as well as the fairness of the prices and terms of each Continuing Connected Transaction.

Such arrangements shall include:

1. each Continuing Connected Transaction contemplated under the 2020-2022 Framework Agreement shall be conducted on a non-exclusive basis. The Group has the flexibility to enter into arrangement with third party for purchasing or selling equipment and materials and/or provision of services as it deems fit;
2. the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group's contract review committee involving specific functional departments, administrative departments, finance department and legal department, etc. of the

Group in accordance with the Contract Management Rules; and

3. apart from the annual review by all independent non-executive Directors and external auditors of the Group to confirm that, among others, the Continuing Connected Transactions are conducted in accordance with the terms including the pricing principles set out in the relevant framework agreement, the Continuing Connected Transactions are also subject to review by the Supervisory Committee of the Company to ascertain whether such Continuing Connected Transactions are conducted under fair and reasonable terms and accordingly whether the interest of the Company will be affected.

III. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The provision of Financial Services by CSSC Group provided by CSSC Group to the Group under the 2020-2022 Framework Agreement constitutes financial assistance received by the Group from a connected person. As (i) the provision of Financial Services by CSSC Group is to be provided to the Group on normal commercial terms that are comparable to or more favourable than those offered by Independent Third Parties for similar services in the PRC and (ii) no security over the assets of the Group is granted in respect of the Financial Services, the Financial Services by CSSC Group to be provided by CSSC Group to the Group under the 2020-2022 Framework Agreement are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules for the Proposed Annual Caps of the continuing connected transaction (save for the provision of the Financial Services by the CSSC Group) under the 2020-2021 Framework Agreement are higher than 5% on an annual basis, the transactions relating to the Continuing Connected Transactions (save for the provisions of the Financial Services by the CSSC Group) contemplated under the 2020-2022 Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios in relation to the provision of products and services provided by the Group to the CSSC Group and provision of products and services provided by the CSSC Group to the Group under the 2020-2022 Framework Agreement exceed 25% but less than 75% calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Proposed Annual Caps in relation to the provision of products and services provided by the Group to the CSSC Group and provision of products and services provided by the CSSC Group to the Group under the 2020-2022 Framework Agreement constitute a non-exempt continuing connected transaction and also a major transaction of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and subject to the relevant major transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

As the applicable percentage ratios in relation to the aggregate of maximum outstanding daily balance on the Deposits, Guarantee by the Group and the maximum value of the entrusted asset management under the 2020-2022 Framework Agreement exceed 25% pursuant to Rule 14.07 of the Hong Kong Listing Rules, the Proposed Annual Caps in relation to the Deposits, Guarantee by the Group and entrusted asset management under the 2020-2022 Framework Agreement constitutes a non-exempt continuing connected transaction and also a major transaction of the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and subject to the relevant major transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

The Company will comply with all relevant reporting and independent non-executive Directors' review requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the Continuing Connected Transactions (save for the provision of the Financial Services by the CSSC Group).

IV. INFORMATION ABOUT THE COMPANY, CSSC AND CSSC FINANCE

Information about 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 two major non-wholly owned subsidiaries, namely GSI and CSSC Huangpu Wenchong Shipbuilding Company Limited and their principal activities cover four major segments including defense equipment, shipbuilding, offshore engineering and non-ship business, with principal products of shipbuilding and marine products including military ships, special supporting ships, public services ships, oil tankers, feeder container ships, ro-ro passenger ships, semi-submerged ships and polar modul carriers, offshore platform, as well as non-ship products including steel structures and sets of electromechanical equipment.

Information about CSSC

CSSC is a State-authorized investment institution directly supervised and administered by SASAC whose 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 controlling shareholder of the Company, held 847,685,990 Shares of the Company, representing 59.97% of the issued Shares of the Company.

Information about CSSC Finance

CSSC Finance is a wholly-owned subsidiary of CSSC. The principal business of CSSC Finance includes deposit-taking, loans handling, acceptance and discounting of bills, inter-bank borrowing businesses and provision of other financial services.

Under the Hong Kong Listing Rules, CSSC is a connected person of the Company while the transactions between the Group and any of the CSSC Group (including CSSC Finance) constitute connected transactions of the Company, subject to the compliance with the relevant disclosures and/or Independent Shareholders' approval requirements of the Hong Kong Listing Rules.

VI. CIRCULAR AND EGM

The Company will convene the EGM to seek, among other things, the Independent Shareholders' prior approval on the entering into the 2017-2019 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. CSSC and its associates will abstain from voting on the approval of the relevant resolutions proposed at the EGM.

The Company has formed an Independent Board Committee comprising of all the independent non-executive Directors to advise the Independent Shareholders whether, among other things, the terms of the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on, among other things, the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

A circular containing, among others, details of the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser, will be dispatched to the H Shareholders and posted on the website of Hong Kong Stock Exchange www.hkexnews.com.hk, the website of the Shanghai Stock Exchange www.sse.com.cn and the website of the Company

comec.cssc.net.cn as soon as practicable.

V. DEFINITIONS

“2017-2019 Framework Agreement”	framework agreement for the continuing connected transactions for the period from 1 January 2017 to 31 December 2019 (both days inclusive) entered into between the Company and CSSC on 30 August 2016 and approved by the Independent Shareholders on 18 October 2016, as amended and supplemented;
“2020-2022 Framework Agreement”	framework agreement for the continuing connected transactions for the period from 1 January 2020 to 31 December 2022 (both days inclusive) entered into between the Company and CSSC on 18 November 2019 and conditional on approval by the Independent Shareholders at EGM;
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Board” or “Board of Directors”	the board of Directors of the Company;
“Business Day”	a day on which banks are open for business in the PRC, other than Saturdays, Sundays or public holidays in the PRC;
“CBRC”	China Banking Regulatory Commission;
“Company”	CSSC Offshore & Marine Engineering (Group) Company Limited, a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange;
“Comprehensive Services”	the medical services, catering services, infant care and nursery, property management, hydropower resale, training programs for skilled labour and management of staff quarters provided to the Group, the staff of the Group and their family members by the CSSC Group, advertisement service, exhibition service, etc.;
“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;
“CSSC”	China State Shipbuilding Corporation (中國船舶工業集團有限公司), a state-owned enterprise and a state-authorized investment

institution directly supervised and administered by the SASAC. As at the date of this announcement, CSSC holds 847,685,990 Shares of the Company, representing 59.97% of the issued Shares of the Company, and is a controlling shareholder of the Company;

“CSSC Holding”	China CSSC Holdings Limited* (中國船舶工業股份有限公司), a joint-stock company incorporated in the PRC with limited liability whose shares are listed on the SSE (stock code: 600150, abbreviated stock name: 中國船舶 (CSSC Holdings*));
“CSSC (HK) Shipping”	CSSC (Hong Kong) Shipping Company Limited;
“CSSC Finance”	CSSC Finance Company Limited (中船財務有限責任公司), a wholly-owned subsidiary of CSSC;
“CSSC Group”	CSSC and its subsidiaries;
“Deposits”	the deposits maintained by the Group from time to time with CSSC Finance under the financial services provided by the CSSC Group to the Group pursuant to the 2020-2022 Framework Agreement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and approve, if thought fit, the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps;
“Financial Services by the CSSC Group”	the financial services to be provided by CSSC Group and/or CSSC Finance to the Group, including the provision of Loans Granted by CSSC Group, financial and credit services and guarantee services but excluding the FX Forward Contracts and entrusted assets management services;
“FX Forward Contract(s)”	a foreign exchange forward contract or a set of such contracts proposed to be entered into by the Group to hedge against the Group's currency risk in relation to the possible appreciation/depreciation of RMB against foreign currencies;
“Group”	the Company and its subsidiaries;

* For identification purpose only

“GSI”	Guangzhou Shipyard International Company Limited* (廣船國際有限公司), a company established on 25 May 2006 in the PRC and as at the date of this announcement, a non-wholly owned subsidiary of the Company;
“Guarantee by the Group”	guarantee and counter-guarantee service to be provided by the Group to the CSSC Group from time to time
“H Shares”	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;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Third Party(ies)”	party who is a third party independent of the Company and its connected person(s)
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the 2020-2022 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps;
“Independent Shareholders”	Shareholders other than CSSC and its associates, none of them will be required to abstain from voting at the EGM to be convened for approval of the relevant transactions;
“Loans Granted by CSSC Group”	the loans advanced by CSSC Finance and/or CSSC Group to the Group from time to time under the financial services to be provided by the CSSC Group to the Group pursuant to the 2020-2022 Framework Agreement;
“Original Major Asset Restructuring Scheme”	has its meaning as defined in the circular of the Company dated 4 October 2019;
“PBOC”	the People’s Bank of China;
* For identification purpose only	

“PRC”	the People’s Republic of China and, for the sole purposes of this announcement, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the PRC;
“Proposed Annual Caps”	the proposed annual caps for the continuing connected transactions contemplated under the 2020-2022 Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
“Shareholder(s)”	holder(s) of Shares;
“Shares”	shares of RMB1.00 each in the share capital of the Company;
“%”	per cent.

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

Guangzhou, 18 November 2019

As at the date of this announcement, the Board comprises eleven Directors, namely executive Directors Mr. Han Guangde, Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Sheng Jigang, Mr. Xiang Huiming and Mr. Chen Ji, non-executive Director Mr. Shi Jun and independent non-executive Directors Mr. Wang Yichu, Mr. Min Weiguo, Mr. Liu Renhuai and Mr. Yu Shiyou.