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

Stock Code: 00317

ANNOUNCEMENT IN RELATION TO THE PROFIT DISTRIBUTION PROPOSAL FOR THE YEAR OF 2020

This announcement is made by CSSC Offshore & Marine Engineering (Group) Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong).

Important notice:

- Distribution per share: a cash dividend of RMB1.66 (tax inclusive) will be declared per 10 shares.
- Brief explanation for the cash dividend distribution lower than 30% for the year

During the Reporting Period, the Company realized net profit attributable to shareholders of the Company of RMB3,662,334,382.03, which was mainly due to the cessation of the Company’s control over Guangzhou Shipyard International Company Limited (“**GSI**”) following the disposal of its 27.4214% equity interests. A gain on investment of RMB3.39 billion was recognised in accordance with the requirements of the Accounting Standards for Business Enterprises. The above disposal of equity interests was settled with the A shares (as the consideration) of China CSSC Holdings Limited (“**CSSC Holdings**”), which did not increase cash flow of the Company. During the Reporting Period, net profit attributable to shareholders of the Company amounted to RMB3,662,334,382.03, of which distributable profit of the parent amounted to RMB718,135,411.74. As a result, the condition for 30% cash dividend distribution was not fulfilled. Taking into account the Company’s production and operation as well as the protection of investors’ rights and interests, it was proposed that the 2020 Profit Distribution Plan shall be: to distribute cash dividend of RMB1.66 (tax inclusive) per 10 shares (RMB234,642,058.75 (tax inclusive) in total) to all shareholders based on the total share capital of 1,413,506,378 shares as at 31 December 2020. The remaining undistributed profits will be carried forward for distribution in subsequent years. The Company did not convert capital reserves into share capital during 2020.

I. CONTENT OF PROFIT DISTRIBUTION PROPOSAL

As audited by WUYIGE Certified Public Accountants LLP(大信會計師事務所 (特殊普通合伙)),

as of 31 December 2020, the Company's distributable profits of the parent of the Company at the end of the reporting period amounted to RMB718,135,411.74. Considered and approved at the Board meeting, the Profit Distribution Proposal for the Year of 2020 shall be as follows:

Cash dividend of RMB1.66 (tax inclusive) per 10 shares (RMB234,642,058.75 (tax inclusive) in total) was proposed to be distributed to all shareholders based on the total share capital of 1,413,506,378 shares as at 31 December 2020. The remaining undistributed profits will be carried forward for distribution in subsequent years. The Company did not convert capital reserves into share capital during 2020.

The 2020 Profit Distribution Proposal of the Company is subject to the consideration and approval at the 2020 annual general meeting of the Company.

II. EXPLANATION FOR THE CASH DIVIDEND DISTRIBUTION LOWER THAN 30% FOR THE YEAR (IF APPLICABLE)

During the Reporting Period, the net profit attributable to the listed Company amounted to RMB3,662,334,382.03. The accumulated undistributed profit of the parent company amounted to RMB718,135,411.74. The total cash dividend proposed to be distributed by the Company amounted to RMB234,642,058.75 (tax inclusive), accounting for lower than 30% of the net profit attributable to the shareholders of listed Company for the year. The specific reasons are set out below:

(I) Situation and characteristics of the industry of the listed company

The shipbuilding industry in which the Company operates is highly cyclical and features long production cycles and capital-intensive characteristics, which is mainly subject to factors including the development trend of global economy and trade, cyclical fluctuation in the shipping market, and international raw oil prices. In 2020, the worldwide outbreak of the COVID-19 Pandemic severely impacted international economy and trade, placing the international shipping industry in a difficult situation. As a result, the international shipping market remains at the cyclical bottom due to sluggish demand for new ships, continuous weak shipbuilding market and decline in new ship prices.

(II) Listed company's development stage and its own business mode

Principal products of the Company include marine and defense equipment (known as military ships, maritime police equipment, public service ships), ship building and marine products (known as feeder containerships, dredgers, marine engineering platforms, wind power installation platforms, and shipbuilding and offshore application service products (known as energy equipment, high-end steel structures, engineering machinery, environmental protection equipment, industrial internet platforms).

With a focus on shipbuilding, the Company provides its customers with high-quality products through research and development of ships, order seeking, and adoption of production method with customized orders. The Company has been mainly engaged in assembly and construction in the shipbuilding and offshore engineering industrial chain. The Company extended its business scope to shipbuilding and offshore supporting products at the front end of the industrial chain and full life guarantee at the back end of the industrial chain. Various products of the Company have won the National Technology Advancement Award and the Gold Prize for National Research and Development. Certain products have turned into distinctive brand products in market segments, or have even become international brand products. The Company has national technology centers, which are currently in a mature development stage.

(III) Profitability level and demands on the funds of the listed company

In 2020, the Company realized operating income of RMB11.608 billion, representing a year-on-year decrease of 46.82%. The main reason for the decrease was that GSI, a subsidiary of the Company, was no longer included in the scope of merger from 1 March 2020, as a result of the cease of the Company's control over GSI following the disposal of its 27.4214% equity interests. The net income flow arising from operating activities amounted to RMB-1.24 billion, representing a year-on-year decrease of RMB4.76 billion and an acute shortage of operating capital.

(IV) Reasons for the listed company's low level of cash dividends

During the Reporting Period, the Company realized net profit attributable to shareholders of the Company of RMB3,662,334,382.03, which was mainly due to the cease of the Company's control over GSI following the disposal of its 27.4214% equity interests. A gain on investment of RMB3.39 billion was recognised in accordance with the requirements of the Accounting Standards for Business Enterprises. The above disposal of equity interests was settled with A shares (as the consideration) of CSSC Holdings, which did not increase cash flow of the Company. During the Reporting Period, net profit attributable to shareholders of the Company amounted to RMB3,662,334,382.03, of which distributable profit of the parent amounted to RMB718,135,411.74. As a result, the condition for 30% cash dividend distribution was not fulfilled.

(V) The exact purpose of the listed company's retained undistributed profits and estimated earnings

The remaining undistributed profits will be carried forward to the next year for working capital replenishment, use for production and operation development, and profit distribution in subsequent years. Hence, a reliable guarantee is provided for smooth implementation of medium to long-term development strategies and sustainable development of the Company.

In summary, the 2020 Profit Distribution Plan of the Company is determined based on the current production and operation and financial positions of the Company, with full consideration of its current and long-term development needs. The profit distribution plan of the Company complies with the Articles of Association and the Decision on Certain Rules for the Modification of Cash Bonus Distribution of Listed Companies, but does not fulfil the requirement that 30% of the net profit attributable to the then shareholders of the listed company shall be distributed in cash dividend. The decisions made by the Company are beneficial to maintaining stable production and operation, facilitating sustainable development, and protecting the rights and interests of investors.

III. DECISION-MAKING PROCEDURES PERFORMED BY THE COMPANY

(I) Convening, consideration and voting of the Board meeting

On 30 March 2021, the Company held the 4th meeting of the tenth session of the Board, at which the Profit Distribution Proposal for the Year of 2020 was considered and approved, agreeing the Profit Distribution Proposal for the Year of 2020, and agreeing to submit the Proposal to the 2020 annual general meeting of the Company for consideration.

(II) Opinion of independent directors

The Profit Distribution Proposal for the Year of 2020 of the Company is established based on the operating results and financial status of the Company in 2020, balances the development of the Company and the reasonable returns for shareholders, which is beneficial to the long-term development of the Company, in line with the actual situations such as the Company's capital needs for production and operation, and will not prejudice the interests of the Company's minority shareholders. Therefore, the Profit Distribution Proposal for the Year of 2020 was submitted to the 2020 annual general meeting of the Company for consideration.

(III) Opinion of the Supervisory Committee

On 30 March 2021, the Company held the 4th meeting of the tenth session of the Supervisory Committee, at which the Profit Distribution Proposal for the Year of 2020 was considered and approved. The Supervisory Committee is of the view that the Profit Distribution Proposal for the Year of 2020 has adequately considered factors such as the profitability, liquidity and capital needs of the Company, is in line with the operation of the Company, and is beneficial to the continuous, sustainable and healthy development of the Company, and will not prejudice the interests of the Company's minority shareholders.

IV. DISCLOSURE OF RELEVANT RISKS

(I) Effect analysis of cash dividend on earnings per share, liquidity and production and operation of the listed company

The Profit Distribution Plan has thoroughly considered factors including the capital needs of the Company for current and future development based on its development stage. The Profit Distribution Plan will not have a significant impact on the earnings per share and operating cash flow of the Company, nor affect general production and operation as well as long-term development of the Company.

(II) Explanation for other risks

The Company's Profit Distribution Proposal for the Year of 2020 will be implemented after and is subject to the consideration and approval at the 2020 annual general meeting of the Company. Investors are advised to pay attention to risks.

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

Guangzhou, 30 March 2021

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