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(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 00317

Announcement on the Guarantee to be provided by the Company and its subsidiaries in 2021 and its Amounts

The board of directors of CSSC Offshore & Marine Engineering (Group) Company Limited (hereinafter referred to as the “**Company**”) and all its directors guarantee that, this announcement does not contain any false information, misleading statement or material omission, and severally and jointly accept responsibility for the authenticity, accuracy and completeness of the contents of this announcement.

Highlights:

- Expected names of guaranteed parties: CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文冲船舶有限公司), Guangzhou Wenchong Shipyard Co. Ltd* (廣州文冲船廠有限責任公司), Guangzhou Wenchuan Heavy Industrial Co., Ltd* (廣州文船重工有限公司), Guangzhou Huangchuan Ocean Engineering Co., Ltd.* (廣州黃船海洋工程有限公司), Wah Shun International Marine Limited* (華順國際船舶有限公司) and Wah Loong International Marine Limited* (華隆國際船舶有限公司)
- If the guarantee is completed in full, it is expected that the total amount of external guarantee provided by the Company and its subsidiaries would not be more than RMB4,763 million
- Neither the Company nor its subsidiaries have any overdue guarantee
- This proposal is subject to consideration at the Company's general meeting

To ensure the Company and its subsidiaries can smoothly launch their respective production and operation, it is expected that the Company and its subsidiaries are required to provide relevant guarantee to each other in the year ending 2021. Pursuant to the Company's “Articles of Association” and its relevant provisions, and taking into account the actual production and operation of the Company and its subsidiaries, the Company has considered and approved the “Resolution on the Framework for the Guarantee Proposed to be Provided by the Company and its Subsidiaries in the Year Ending 2021 and its Amounts” at the fourth meeting of the tenth session of the Board, details of which are as follows:

I. GUARANTEE TO BE PROVIDED BY THE COMPANY IN 2020 AND ITS BALANCE

In the 2019 annual general meeting, the Company passed the “Resolution on the Framework for the Guarantee Proposed to be Provided by the Company and its Subsidiaries in the Year Ending 2020 and its Amounts”, which authorized the Company and each of its subsidiaries to implement a guarantee of not more than RMB3,911 million in aggregate in the year ended 2020. The guarantee includes finance project guarantee, bank credit guarantee, parent company guarantee and other types of guarantee, which validity period is from 12 June 2020, the date on which the resolution is passed at the 2019 annual general meeting, until a new or amended resolution is passed at the 2020 annual general meeting.

From 12 June 2020 to the end of February 2021, the Company and its subsidiaries incurred a guarantee amount of RMB1,323 million in aggregate, which was mainly attributable to the finance guarantee and bank credit guarantee provided by CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司) (hereinafter referred to as “Huangpu Wenchong”), a subsidiary of the Company, to its subsidiaries, namely Guangzhou Wenchong Shipyard Co. Ltd* (廣州文沖船廠有限責任公司) (hereinafter referred to as “Wenchong Shipyard”) and Guangzhou Wenchuan Heavy Industrial Co., Ltd* (廣州文船重工有限公司) (hereinafter referred to as “Wenchuan Heavy Industrial”). The terms and amount of the guarantee are specified in the scope of the “Resolution on the Framework for the Guarantee Proposed to be Provided by the Company and its Subsidiaries for the Year Ending 2020 and its Amounts”.

As of the end of February 2021, the guarantee balance of the Company and its subsidiaries amounted to RMB922 million, which was mainly the guarantee, including guarantee in respect of finance project and bank credit, provided by Huangpu Wenchong, a subsidiary of the Company, to its subsidiaries, namely Wenchong Shipyard and Wenchong Heavy Industrial. The guarantee is not overdue.

II. SUMMARY OF THE ESTIMATED GUARANTEE IN THE YEAR ENDED 2021

The estimation is based on the production and operation capital requirement as well as the market financing environment. It is estimated that the total amount of new guarantee provide by the Company and its subsidiaries in the year ended 2021 would not exceed RMB4,763 million. The guarantee, which includes finance project guarantee, bank credit guarantee, parent guarantee and other types of guarantee, would be either provided by the Company to its subsidiaries or provided between the subsidiaries. The guarantee amount of each guarantee, if under the same guarantor, can be adjusted upward or downward within the aggregate guarantee amount.

III. OVERVIEW OF THE ESTIMATED GUARANTEE IN THE YEAR ENDING 2021

Guarantor	Guaranteed Party	Guarantee Amount (RMB100m)
CSSC Offshore & Marine Engineering (Group) Company Limited	CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)	8.00

CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)	Guangzhou Wenchong Shipyard Co. Ltd*(廣州文沖船廠有限責任公司)	27.00
CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)	Guangzhou Wenchuan Heavy Industrial Co., Ltd* (廣州文船重工有限公司)	6.00
CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)	Guangzhou Huangchuan Ocean Engineering Co., Ltd.* (廣州黃船海洋工程有限公司)	4.00
CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)	Wah Shun International Marine Limited* (華順國際船舶有限公司)	2.63
CSSC Huangpu Wenchong Shipbuilding Company Limited*(中船黃埔文沖船舶有限公司)	Wah Loong International Marine Limited*(華隆國際船舶有限公司)	

Total

47.63

The above guarantee represents the guarantee provided by the Company to Huangpu Wenchong, a subsidiary controlled by the Company, or the guarantees provided by Huangpu Wenchong to its subsidiaries.

IV. BASIC INFORMATION OF THE PROPOSED GUARANTOR AND GUARANTEED PARTIES

1. CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)

CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), a subsidiary controlled by the Company as to 54.5371%, was established in June 1981 with a registered capital of RMB3,619,183,201. Its legal representative is Xiang Huiming. Its principal activities are manufacturing of equipment for railways, ships, aerospace and other transport facilities. At the beginning of the year 2021, its gearing ratio was 72.93%.

2. Guangzhou Wenchong Shipyard Co. Ltd* (廣州文沖船廠有限責任公司)

Guangzhou Wenchong Shipyard Co. Ltd* (廣州文沖船廠有限責任公司), a wholly-owned subsidiary of the Company's subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), was established in August 1981 with a registered capital of RMB1,420,178,500. Its legal representative is Li Xi. Its principal activities are manufacturing of equipment for railways, ships, aerospace and other transport facilities. At the beginning of the year 2021, its gearing ratio was 60.41%.

3. Guangzhou Wenchuan Heavy Industrial Co., Ltd* (廣州文船重工有限公司)

Guangzhou Wenchuan Heavy Industrial Co., Ltd* (廣州文船重工有限公司), a wholly-owned subsidiary of the Company's subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), was established in November 1994 with a registered capital of RMB110,000,000. Its legal representative is Chen Hongling. Its principal activities are manufacturing of equipment for railways, ships, aerospace and other transport facilities. At the beginning of the year 2021, its gearing ratio was 92.84%.

4. Guangzhou Huangchuan Ocean Engineering Co., Ltd.* (廣州黃船海洋工程有限公司)

Guangzhou Huangchuan Ocean Engineering Co., Ltd.* (廣州黃船海洋工程有限公司), a wholly-owned subsidiary of the Company's subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), was established in January 2009 with a registered capital of RMB68,000,000. Its legal representative is Chen Biaohong. Its principal activities are manufacturing of equipment for railways, ships, aerospace and other transport facilities. At the beginning of the year 2021, its gearing ratio was 139.95%.

5. Wah Shun International Marine Limited* (華順國際船舶有限公司)

Wah Shun International Marine Limited* (華順國際船舶有限公司), a subsidiary controlled as to 99% by the Company's subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), was established in July 2017 with a registered capital of HK\$1,000,000. Its principal activities are ship sales and leasing. At the beginning of the year 2021, its gearing ratio was 96.25%.

6. Wah Loong International Marine Limited* (華隆國際船舶有限公司)

Wah Loong International Marine Limited* (華隆國際船舶有限公司), a subsidiary controlled as to 99% by the Company's subsidiary CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), was established in July 2017 with a registered capital of HK\$1,000,000. Its principal activities are ship sales and leasing. At the beginning of the year 2021, its gearing ratio was 88.63%.

V. REQUIREMENTS FOR EXTERNAL GUARANTEE CONTRACTS

If the Company and its subsidiaries provide guarantee to the above guaranteed party/ies, they are required to specify the following items in the guarantee contract:

1. Type of guarantee: financing or loan guarantee arising from working capital for production and operation or capital required for capital construction projects, or settlement guarantee, parent company guarantee or bank credit facility and other guarantees arising from the production and operation process;
2. The counterparty to the guarantee: financial or non-financial institutions established in accordance with the laws (including CSSC Finance Company Limited) or the buyers of engineering projects;
3. Method of guarantee: general guarantee or joint and several guarantee;
4. Maximum guarantee term: on the day falling two years after the due date of each debt under the main contract.

VI. REASONS FOR AND RISKS REGARDING THE GUARANTEE

In view of the fact that the Company is a holding company, in order to make the Company's subsidiaries efficient and smooth in their daily operations, and to safeguard the financing demands arising from the production and operation of related projects, each subsidiary intends to adopt general guarantee to guarantee the credit support of relevant financial institutions.

The above-mentioned implementation of the framework guarantee plan for 2021 will be carried out by the Company in contemplation of the guarantees of subsidiaries or between subsidiaries, and will be considered in accordance with the regulatory requirements for listing in Shanghai and Hong Kong and the relevant provisions of the Articles of Association, which are free from transfer of resources or benefits, and the risks are kept under control without jeopardising the interest of the Company and its shareholders as a whole.

VII. OTHERS

1. In order to improve the efficiency of decision-making, the Board and general meeting of the Company are requested to authorize the chairman of the Company or another executive director of the Company to sign relevant legal documents.
2. This proposal, if being passed at the general meeting, the term of the guarantee will be effective from the date on which the resolution is passed at the 2020 annual general meeting until a new or amended resolution is passed at the 2021 annual general meeting.

VIII. OPINION OF THE BOARD OF DIRECTORS

In view of the fact that the Company is a holding company, in order to make the Company's subsidiaries efficient and smooth in their daily operations, and to safeguard the financing demands arising from the production and operation of related projects, each subsidiary intends to adopt general guarantee to guarantee the credit support of relevant financial institutions. As this type of guarantee is free from transfer of resources or benefits, the risks are kept under control without jeopardising the interest of the Company and its shareholders as a whole.

Therefore, the Board approved and submitted the aforesaid resolution on guarantee for consideration at the 2020 annual general meeting of the Company.

IX. OPINION OF INDEPENDENT DIRECTORS

In 2021, the Company and its subsidiaries intended to provide guarantee for relevant matters, which proposed guarantee amount under the framework would not be more than RMB4,763 million in aggregate. The guarantee type, guaranteed parties and guarantee amount are specified in the framework which the guarantee is proposed to be provided in the year ending 2021. As the guarantee is either provided by the Company to Huangpu Wenchong, its controlled subsidiary, or by Huangpu Wenchong to its subsidiaries, thus the guarantee does not involve any transfer of resources or benefits. Given that the risks are under control, the interest of shareholders and the Company as a whole would not be affected.

We believe that the framework for the guarantee proposed to be provided by the Company for the year ending 2021 and its amount has complied with relevant requirements of the laws and regulations, the Listing Rules and the Articles of Association while it also meets with the production and operation requirements of the Company. We agree to this proposal and submit it to the Company's 2020 annual general meeting for consideration.

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

Guangzhou, March 30, 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.