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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)

**NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2019
TO BE HELD ON MONDAY, 30 SEPTEMBER 2019
AND CLOSURE OF REGISTERS OF MEMBERS**

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of 2019 (the “EGM”) of CSSC Offshore & Marine Engineering (Group) Company Limited (the “Company”) will be held at Conference Room, 15/F Shipping Building, 137 Gexin Road, Haizhu District, Guangzhou, the People’s Republic of China (the “PRC”) at 10:00 a.m. on Monday, 30 September 2019, at which the following matters will be proposed for consideration:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution on the adjustments to the Major Asset Restructuring and such adjustments that constituted as significant adjustments (note 1);
2. To consider and approve the resolution on the Major Asset Disposal that constituted a related transaction (note 2);
3. To consider and approve the resolution that the Major Asset Disposal of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司) complies with relevant laws and regulations (note 3);
4. To consider and approve the resolution on the specifics of the Major Asset Disposal and the related transaction (note 4);
5. To consider and approve the resolution on the “Report on the Major Asset Disposal and the Related Transaction of CSSC Offshore & Marine Engineering (Group) Company Limited (Draft)”(《中船海洋與防務裝備股份有限公司重大資產出售暨關聯交易報告書(草案)》) and its excerpts (note 5);
6. To consider and approve the resolution on signing the “Conditional Agreement on the Acquisition of Part of the Equity Interests in Guangzhou Shipyard International Company Limited by China State Shipbuilding Corporation Limited by way of Issuance of Shares to CSSC Offshore & Marine Engineering (Group) Company Limited” 《中國船舶工業股份有限公司向中船海洋與防務裝備股份有限公司發行股份購買廣船國際有限公司部分股權之附條件生效協議》 (note 6);

7. To consider and approve the resolution that the Major Asset Disposal complies with the requirements of Article 4 of the Provisions on Issues Concerning Regulating the Material Asset Restructuring of Listed Companies (note 7);
8. To consider and approve the resolution on the Major Asset Disposal not constituting as restructuring and listing under Article 13 of the Administrative Measures for the Material Asset Reorganisation of Listed Companies (note 8);
9. To consider and approve the resolution on relevant entities involved in the Restructuring are not subject to restriction from participating major asset restructuring by any listed companies pursuant to Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Restructuring of Listed Companies (note 9);
10. To consider and approve the resolution that the Major Asset Disposal complies with Article 11 of the Administrative Measures for the Material Asset Reorganisation of Listed Companies (note 10);
11. To consider and approve the resolution on the pricing basis of assets under the Major Asset Disposal and its fairness and reasonableness (note 11);
12. To consider and approve the resolution on the audit report, pro forma report and valuation report in relation to the Major Asset Restructuring (note 12);
13. To consider and approve the resolution on the independence of the valuer, the reasonableness of the assumption of the valuation, the relevance of valuation methods and valuation objectives, as well as the fairness of estimated pricing (note 13);
14. To consider and approve the resolution on the completeness and compliance of the legal procedures of the restructuring and the validity of the submitted legal documents (note 14);
15. To consider and approve the resolution on the general meeting granting full authorisation to the board of directors and the management to deal with matters relating to the Major Asset Disposal (note 15);
16. To consider and approve the resolution on the non-exercise of Right of First Refusal and the related transaction (note 16); and
- 17.00 Election of supervisor of the Company
- 17.01 To consider and approve the resolution on the election of supervisor of the Company (note 17).

In order to determine the shareholders of overseas listed foreign shares (“**H Shares**”) entitled to attend the EGM, the register of members of Shares of the Company will be closed from 1 September 2019 to 30 September 2019 (both days inclusive). Holders of H Shares who have lodged the duly completed transfer documents accompanied by the relevant share certificates with the Company’s H share registrar, Hong Kong Registrars Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by 4:30 p.m. on 30 August 2019, the transferee but not the transferor shall be regarded as holder of the relevant H Shares and will be entitled to attend and vote at the EGM.

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

Guangzhou, 14 August 2019

As at the date of this notice, 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 Shiyong.

Notes:

1. Adjustment to the restructuring plan

When comparing the major asset restructuring proposal with the restructuring plan as disclosed under the previous proposal, adjustments have been primarily made on the following items:

Item	Prior to the adjustment	After the adjustment
Method	Major asset swap	Major asset disposal
Counterparty	China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) (“CSSC”)	China CSSC Holdings Limited (中國船舶工業股份有限公司) (“CSSC Holdings”)
Subject asset	Outgoing assets: Partial equity interests in Guangzhou Shipyard International Company Limited (廣船國際有限公司) (“GSI”) and CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司) Incoming assets: 100% equity interest in CSSC Marine Power Co., Ltd. (中船動力有限公司), 51% equity interest in CSSC Marine Power Institute Co., Ltd. (中船動力研究院有限公司), 15% equity interest in CSSC-MES Diesel Co., Ltd. (上海中船三井造船柴油機有限公司) and 100% equity interest in Hudong Heavy Machinery Co., Ltd. (滬東重機有限公司)	27.4214% equity interests in GSI

Details of the transaction after the adjustments are as follow:

In respect of the disposal of 27.4214% equity interest in GSI by the Company to CSSC Holdings, payment shall be made by CSSC Holdings through non-issuance of A shares (the “Major Asset Disposal”).

The Major Asset Disposal in respect of the acquisition of assets through issuance of shares by CSSC Holdings is subject to approval by China Securities Regulatory Commission.

- CSSC Holdings is the counterparty of the Major Asset Disposal, and CSSC is the controlling shareholder of both CSSC Holdings and the Company. Pursuant to relevant laws and regulations including the Administrative Measures for the Material Asset Reorganisation of Listed Companies, the Guidelines of Shanghai Stock Exchange for Related Party Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as relevant rules under regulatory documents, CSSC Holdings is a related party of the Company. Hence, the Major Asset Disposal constitutes a related transaction.
- The Company intends to dispose its 27.4214% equity interest in GSI to CSSC Holdings. The consideration of the aforesaid transaction shall be payable by CSSC Holdings through non-public issuance of A shares to the Company.

Pursuant to relevant laws and regulations including the Company Law of the People’s Republic of China, the Securities Laws of the People’s Republic of China, the Administrative Measures for the Material Asset Reorganisation of Listed Companies, the Guidelines of Shanghai Stock Exchange for Related Party Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as relevant rules under regulatory documents, based on the actual operation condition of the Company and upon careful self-verification, the Major Asset Disposal is in compliance with relevant laws, regulations and rules under regulatory documents.

4. In order to enhance the operating efficiency and profitability of the listed company, as well as to resolve the horizontal competition between the listed company and the controlling shareholder, the Company intends to dispose its 27.4214% equity interest in GSI to CSSC Holdings. The consideration of the aforesaid transaction shall be payable by CSSC Holdings through non-public issuance of A shares to the Company. Upon the completion of the transactions, the Company will acquire approximately 5.28% equity interest in CSSC Holdings.

For details of the resolution, please refer to the announcement published by the Company on 7 August 2019 and the circular to be published by the Company.

5. Pursuant to rules under relevant laws and regulations of China Securities Regulatory Commission, in order to ensure smoother implementation of the Major Asset Disposal and fully prepared for relevant transaction, the Company has prepared the Report on Major Asset Disposal and Related Transaction of CSSC Offshore & Marine Engineering (Group) Company Limited (Draft) and its excerpts. For details of the resolution, please refer to the announcement published by the Company on 7 August 2019 and the circular to be published by the Company.
6. In respect of the Major Asset Disposal, the Conditional Agreement on the Acquisition of Part of the Equity Interests in Guangzhou Shipyard International Company Limited by China CSSC Holdings Limited by way of Issuance of Shares to CSSC Offshore & Marine Engineering (Group) Company Limited entered into between the Company and CSSC Holdings has been submitted for approval. For details of the resolution, please refer to the announcement published by the Company on 7 August 2019 and the circular to be published by the Company.
7. Pursuant to Article 4 of the Provisions on Issues Concerning Regulating the Material Asset Reorganisation of Listed Companies, upon item-by-item comparison and careful analysis and judgment, the major asset disposal to be conducted by the Company is in compliance with Article 4 of the Provisions on Issues Concerning Regulating the Material Asset Reorganisation of Listed Companies. Details are as follow:
 - (I) The Major Asset Disposal involves the disposal of 27.4214% equity interest in GSI, which is not subject to filing or approval in relation to project initiation, environmental protection, industry access, use of land, planning, construction and other matters.
 - (II) The Company has legitimate full rights over the 27.4214% equity interest in GSI to be disposed, which is free from restriction or transfer prohibition. There is no fault capital contribution or any circumstances that affect the legitimate continuation of the target company.
 - (III) The Major Asset Disposal will help to improve financial condition and sustainable profitability of the listed company, which will be favourable for the listed company to focus on the development of other operations, enhance risk-aversion ability and reduce connected transaction without affecting the independence of the listed company. Upon the completion of the Transactions, there will be no change in controlling shareholder and de facto controller of the Company, which will be favourable for eliminating the stage horizontal competition in supertankers, large or carriers and hand-sized bulk carriers between the Company and other enterprises within the group of companies of CSSC Holdings.
8. Upon the completion of the disposal of 27.4214% equity interest in GSI by the Company, CSSC will remain as the controlling shareholder of the Company, while the State-owned Assets Supervision and Administration Commission of the State Council will remain as the de facto controller of the Company. Hence, the Major Asset Disposal does not fulfil the condition under Article 13 of the Administrative Measures for the Material Asset Reorganisation of Listed Companies and does not constitute a restructuring or listing.
9. Relevant entities under the Major Asset Disposal are not prohibited from participating in any major asset restructuring of listed companies pursuant to Article 13 of the Interim Provisions on Strengthening the Supervision over Abnormal Stock Trading Related to the Material Asset Reorganisation of Listed Companies. Details are as follow:

At present, relevant entities under the Major Asset Disposal (including the Company, the counterparties, and the controller shareholder, de facto controller of the aforesaid entities and their controlling entities; directors, supervisors and senior management of the Company and the target company; security firms, accounting firms, law firms, asset evaluation companies and officers offering services in respect of the major asset restructuring, as well as other entities involved in the major asset restructuring) are not subject to filed investigation or filed inspection for suspected insider transaction in relation to the major asset restructuring, nor subject to any administrative penalty imposed by the CSRC or being accused of accountable for criminal liability by judicial authorities in respect of insider transaction in relation to the major asset restructuring of listed companies within the last 36 months.

10. Pursuant to relevant rules under the Administrative Measures for the Material Asset Reorganisation of Listed Companies, after careful consideration, the Board of the Company is of the view that the Major Asset Disposal is in compliance with Article 11 of the Material Asset Reorganisation of Listed Companies. Details are as follow:
 1. the Major Asset Disposal is in compliance with relevant state industry policies, as well as laws and administrative rules in relation to environmental protection, land management and anti-monopoly;
 2. the Major Asset Disposal will not result in non-fulfilment of listing of shares of the Company;
 3. the pricing principle for assets involved in the Major Asset Disposal is fair and does not harm the legitimate rights of the Company and shareholders;
 4. there is distinct ownership rights of assets involved in the Major Asset Disposal, and should not be any legal obstacles for asset transfer. Disposal of relevant creditors' rights and debts is lawful;
 5. the Major Asset Disposal will not affect the ability of the Company's operation on going concern. There will not be any circumstances resulting in cash becoming the major asset the Company or no specific operation upon reorganisation. Upon the Major Asset Disposal, the Company will hold 49% equity interest in GSI and approximately 5.28% equity interest in CSSC Holdings;
 6. the Major Asset Disposal will not affect the independence of the Company with its de facto controller and associates in terms of business, asset, financial, personnel and institution; and
 7. the Major Asset Disposal will not affect the sound and effective governance structure of the Company.
11. The price of subject assets under the Major Asset Disposal shall be determined based on the evaluation results of the Asset Valuation Report issued by Shanghai Orient Asset Appraisal Co., Ltd., and finalised upon negotiation between the Company and the counterparties. The final transaction consideration shall be determined upon the valuation report filed with SASAC of the State Council. The pricing basis of the subject assets under the transactions shall be in compliance with relevant laws and regulations and articles under the Articles of Association. The consideration and procedure are fair, and do not harm the interests of the Company and its shareholders.
12. In view of the objectives of the transactions, pursuant to relevant rules under the Administrative Measures for the Material Asset Reorganisation of Listed Companies, the Board of the Company has approved the audit report, the listing review report and the asset evaluation report of the subject companies in relation to the Reorganisation, and agreed to submit the aforesaid matters for consideration and approval at the general meeting of the Company.
13. The Board of the Company has conducted the analysis on the independence of valuer of the transactions, the reasonableness of assumptions of the valuation, the relevance of valuation methods and objectives, as well as the fairness of the appraised value in accordance with relevant rules under the Administrative Measures for the Material Ass Reorganisation of Listed Companies. The Board is of the view that the valuer selected by the Company in respect of the transactions is independent; the assumptions of the valuations are reasonable; the valuation methods and objectives are related to each other; the conclusion of the asset evaluation report is reasonable; and the appraised value is fair.
14. The Company has performed necessary legal procedures in respect of matters regarding the Major Asset Disposal at current stage in accordance with relevant laws, regulations and regulatory documents such as the Company Law of the People's Republic of China, the Securities Laws of the People's Republic of China, the Administrative Measures for the Material Asset Reorganisation of Listed Companies and the Administrative Measures for the Information Disclosure of Listed Companies, as well as the Articles of Association. Full legal procedures have been conducted in relation to the Major Asset Disposal, which is in compliance with relevant laws, regulations, regulatory documents and the Articles of Association. Legal documents in respect of the Major Asset Disposal submitted to regulators are lawful and effective.

15. In order to ensure the effective and smooth implementation of the transactions, the Board of the Company has proposed the resolution on the authorisation to be granted to the Board and the management in handling matters in relation to the Major Asset Disposal, at their sole discretion, at the general meeting of the Company. Such matters include, but not limited to:
- (I) authorise the Board and the management to formulate and implement specific proposals and transaction details in relation to the Major Asset Disposal, including, but not limited to, determining specific details or making adjustments to transaction-related matters, in accordance with laws, regulations and regulatory documents and the resolutions passed at the general meeting;
 - (II) authorise the Board and the management to fully responsible for handling and making decision on details in relation to the Major Asset Disposal within the scope considered and approved at the general meeting;
 - (III) authorise the Board and the management to amend, supplement, sign, announce and execute all agreements and documents in relation to the Major Asset Disposal;
 - (IV) in response to the policies and regulations of regulatory departments and changes in market condition, authorise the Board and the management to make corresponding proposal of the Major Asset Disposal, and to approve and execute the amendments to all agreements and documents in relation to the Major Asset Disposal including the audit report and evaluation report;
 - (V) authorise the Board and the management to handle and cooperate with CSSC Holdings in handling procedures in relation the Articles of Association, Change in Industrial and Commercial Registration and the registration for the acquisition of approximately 5.28% equity interest in CSSC Holdings regarding the Major Asset Disposal; and
 - (VI) within the scope permitted under laws, regulations, relevant regulatory documents and the Articles of Association, to handle all other matters regarding the Major Asset Disposal.

The above authorisation will be effective for 12 months from the date on which this resolution has been considered and passed at the general meeting of the Company.

16. The Company intends not to exercise the Right of First Refusal in respect of the transfer of the 30.9836% equity interest in Huangpu Wenchong and 23.5786% in GSI held by market-based debt to equity swap investors of GSI and Huangpu Wenchong. As CSSC Holdings is the transferee of the aforesaid transaction, such transaction constitutes a related transaction.

As the Company intends to dispose its 27.4214% equity interest in GSI to CSSC Holdings, the Company will hold 49% equity interest in GSI upon the non-exercise of Right of First Refusal. The financial statements of GSI will no longer be consolidated with that of the Company, which will be favourable for eliminating the horizontal competition between the Company and CSSC Holdings, improving the financial condition of the Company and enhancing its profitability. The Company will hold 69.0164% equity interest in Huangpu Wenchong, which will be still a controlling subsidiary within the consolidation scope of the Company. There will be no effect on the ordinary production, operation and financial condition of the Company

There is no class-related related transaction between the Company and the above related person and other related person within 12 months prior to the transactions. For details of the resolution, please refer to the announcement published by the Company on 7 August 2019 and the circular to be published by the Company.

17. For details of the resolution, please refer to the announcement published by the Company on 19 July 2019 and the circular to be published by the Company.
18. This notice shall replace the notice of extraordinary general meeting of the Company dated 9 August 2019.
19. Shareholders who intend to attend the EGM are requested to send a written reply, whether in person, by post, by cable or by fax to the registered office of the Company at least 20 days before the EGM (i.e. before 10 September 2019). Completion and return of such written reply will not preclude the shareholders who are entitled from attending the EGM.

20. Any shareholder who is entitled to attend and vote at the EGM has the right to appoint one or more proxies to do so on behalf of himself, and the proxy need not be a shareholder of the Company. In order to ensure validity, a completed proxy form and other authorization documents (if any) must be delivered to the registered office of the Company not less than 24 hours before the time scheduled for the holding of the EGM. Holders of H shares must deliver completed proxy forms and other authorization documents (if any) to the Company's H share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude the shareholders from attending and voting in person at EGM should they so wish.
21. All resolutions at the EGM will be voted on by poll.
22. Shareholders and proxies must show their identification documents when attending the EGM.
23. The EGM will last for half a day. Shareholders and proxies attending the EGM shall be responsible for their own traveling and accommodation expenses.
24. The contact address of the Company: Board of Directors' Office of CSSC Offshore & Marine Engineering (Group) Company Limited, 15/F Shipping Building, 137 Gexin Road, Haizhu District, Guangzhou, the PRC.

Contact persons: Li Zhidong/Yu Wenbo
Telephone: (8620) 8163 6688-2962, (020) 8163 6688-3168
Fax: (8620) 8189 6411