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

**(H Shares Stock Code: 00317)**

## **CONTINUING CONNECTED TRANSLATION AND MAJOR TRANSACTION**

### **2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**



**Vinco Financial Limited**

As the 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement) which governs the continuing connected transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022 will expire on 31 December 2022, the Company and CSSC Finance has entered into the 2023 Financial Services Framework Agreement to continue and to govern the continuing connected transactions between the Group and CSSC Finance for the period from 1 January 2023 to 31 December 2023.

The entering into and the implementation of the 2023 Financial Services 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.

Pursuant to the Hong Kong Listing Rules, CSSC Finance is a connected person of the Company. Therefore, the transactions between the Group and CSSC Finance constitute connected transactions for the Company. Pursuant to Rule 14.07 of the Hong Kong Listing Rules, as one or more of the applicable percentage ratios on an annual basis for the Proposed Annual Caps for the continuing connected transactions under the 2023 Financial Services Framework Agreement (save for the provision of the loans, other and financial and credit services by CSSC Finance to the Group) exceed 5%, the continuing connected transactions (save for the provision of the loans, other and financial and credit service by CSSC Finance to the Group) contemplated under the 2023 Financial Services Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of the lending services, other and bank credit services by CSSC Finance to the Group pursuant to 2023 Financial Services Framework Agreement constitutes financial assistance received by the Group from a connected person. As (i) the provision of abovementioned services 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 such financial services, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of the loans, other and financial and credit services by CSSC Finance to the Group pursuant to 2023 Financial Services Framework Agreement is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 25% but less than 100% for each of the maximum outstanding daily balance of the relevant Deposits and the maximum outstanding daily balance of the forward settlement and sale of foreign exchange under the 2023 Framework Agreement, the Proposed Annual Caps for each of the maximum outstanding daily balance of the relevant Deposits and the maximum outstanding daily balance of the forward settlement and sale of foreign exchange under the 2023 Framework Agreement constitute the non-exempt continuing connected transactions and major transaction of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and 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 2023 Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. A circular containing, among others, details of the 2023 Financial Services 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 Vinco Financial will be despatched to the Shareholders on or before 1 December 2022 as additional time is required to compile the information and prepare the circular. Pursuant to the Hong Kong Listing Rules, China Shipbuilding Group and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the 2023 Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. Vinco Financial has been appointed as the independent financial adviser 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 announcement of the Company dated 30 December 2019, the circular of the Company dated 5 February 2020, the announcement of the Company dated 10 September 2020 and the circular of the Company dated 8 October 2020 in relation to, among others, 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement).

Pursuant to the latest Rules Governing the Listing of Stocks and Guideline No. 5 on Self-regulation of Listed Companies-Transactions and Connected Transactions on the Shanghai Stock Exchange as amended and relevant regulatory requirements, the Group shall enter into separate agreements for financial services with CSSC Finance. As the 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement) governing the continuing connected transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022 will be completed on 31 December 2022, the Company and CSSC Finance have entered into the 2023 Financial Services Framework Agreement to continue and govern the financial services between the Group and CSSC Finance for the period from 1 January 2023 to 31 December 2023.

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 2023 Financial Services 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 interests of the Company and its shareholders as a whole.

The entering into and the implementation of the 2023 Financial Services 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, pending approval by the Independent Shareholders at the EGM, the Company shall continue to comply with the terms of the 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement) and the continuing connected transactions contemplated thereunder (together with the relevant annual caps).

## **II. 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement) which governs the continuing connected transactions between the Group and the CSSC Group for the period from 1 January 2020 to 31 December 2022 will expire on 31 December 2022. To continue the provision of financial services by CSSC Finance to the Group, on 28 October 2022, the Company and CSSC Finance entered into the 2023 Financial Services Framework Agreement to continue and to govern the financial services incurred between the Group and the CSSC Finance for the period from 1 January 2023 to 31 December 2023.

## Principal Terms of the 2023 Financial Services Framework Agreement

Scope: The services to be provided by CSSC Finance to the Group:

- (a) Deposit services: The Group has opened a deposit account with CSSC Finance, and under the principle of free access, the funds are deposited with CSSC Finance. CSSC Finance provides the Group with various types of deposit business services, including demand deposits, call deposits, time deposits and agreement deposits;
- (b) Lending services: CSSC Finance shall, to the extent as permitted by laws, regulations and policies, in accordance with the requirements of the China Banking and Insurance Regulatory Commission and in conjunction with its own operating principles and credit policies, fully support the Group's capital needs in its business development, design scientific and reasonable financing solutions and provide loan services for the Group. For business applications that meet the conditions for loans from CSSC Finance, the Group will be given priority under the same conditions;
- (c) Other and bank credit services: CSSC Finance shall provide collection and payment services and auxiliary services related to settlement business to the Group. Based on a comprehensive evaluation of the Group's operation and management and risk profile, CSSC Finance shall approve a consolidated credit line for the Group, which guarantees made by CSSC Finance for the Group's potential liabilities for compensation and payment arising from relevant economic activities, including on-balance sheet businesses such as loans, trade finance, bill financing, financing leases, overdrafts and various advances, and off-balance sheet businesses such as acceptance of bills, issuance of letters of credit, letters of guarantee, standby letters of credit, confirmation of letters of credit, guarantees on bond issues, guarantees on borrowings, sales of assets with recourse, and unused irrevocable loan commitments.

(d) Foreign exchange services such as forward settlement and sale of foreign exchange: CSSC Finance shall, to the extent as permitted by laws, regulations and policies of the State, provide the Group with various types of foreign exchange business such as forward settlement and sale of foreign exchange, including forward settlement and sale of foreign exchange, spot settlement and sale of foreign exchange, RMB foreign exchange swaps, foreign exchange trading and other foreign exchange related ancillary services. The Group negotiates and enters into contracts such as forward settlement and sale of foreign exchange with CSSC Finance, agreeing on the currency, amount and exchange rate of RMB against foreign exchange for future settlement and the completion deadline.

Pricing:

The Continuing Connected Transactions of Financial Services shall be conducted in the usual course of business and on normal commercial terms on the basis that are fair (and if there are no or not sufficient comparable transactions to assess whether they are conducted on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties), such transactions shall be fair and reasonable so far as the shareholders of the Group are concerned. The parties shall enter into an agreement in respect of such transactions and the basis of pricing shall be specified in the agreement.

In respect of (a) above, the interest rate at which CSSC Finance takes the Group's Deposits is based on the deposit rate standard set by the People's Bank of China, which should be no less favourable than the terms offered by Independent Third Parties.

In respect of (b) above, the Group's borrowings from CSSC Finance are at rates no higher than the lending rates prescribed by the People's Bank of China, which should be no less favourable than the terms offered by Independent Third Party lenders.

In respect of (c) above, the charges are based on the standards set by the People's Bank of China; the Group's financial handling charge standards for banking credit services with CSSC Finance should not be less favourable than the conditions offered by Independent Third Parties for credit services.

In respect of (d) above, the Group's handling fee rates for foreign exchange business such as forward settlement and sale of foreign exchange with CSSC Finance should not be less favourable than those charged by Independent Third Parties.

Term: Conditional upon approval by the Independent Shareholders at the EGM, the term of the 2023 Financial Services Framework Agreement shall be for the period from 1 January 2023 to 31 December 2023 (both days inclusive).

## Historical Amounts and Proposed Annual Caps

### *Historical Amounts*

The table below sets out the amounts of each category of the Continuing Connected Transactions of Financial Services for the two years ended 31 December 2020 and 2021 and the 9 months ended 30 September 2022 and the comparison with the respective annual caps approved by the Independent Shareholders under the 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement). The Directors will closely monitor that the transaction amounts of the Continuing Connected Transactions of Financial Services for the year ending 31 December 2022 to ensure the amounts will not exceed their respective annual caps for 2022 under the 2020-2022 Framework Agreement (as supplemented by the Supplemental Agreement). The audited transaction amounts for the Continuing Connected Transactions of Financial Services for the two years ended 31 December 2020 and 2021 and the unaudited transaction amounts for the Continuing Connected Transactions of Financial Services for the nine months ended 30 September 2022 did not exceed the annual caps for those transactions.

*Unit: RMB million*

Transactions	Historical Annual Caps			Historical Amounts		
	For the year ended			For the year ended		
	2020	2021	2022	2020	2021	For the nine months ended 30 September 2022
						(Note 1)

### Financial services provided by CSSC Finance to the Group:

(a) (1) Maximum outstanding daily balance on the Deposits	6,235.00	6,235.00	6,235.00	6,179.87	6,191.94	619,194
(2) Aggregate interest on the Deposits for the year	81.65	86.75	86.75	67.06	64.83	60.56

Transactions	Historical Annual Caps			Historical Amounts		
	For the year ended			For the year ended		For the
	2020	2021	2022	2020	2021	nine months ended 30 September 2022 <i>(Note 1)</i>
(b) (1) Maximum outstanding daily balance on loans	5,029.00	1,873.00	1,800.00	899.90	1,565.00	1,140.00
(2) Aggregate interest on loans for the year	105.86	70.56	70.56	7.13	28.86	13.39
(c) (1) Maximum limit on other and credit services	6,570.00	3,350.00	3,350.00	2,441.07	3,057.73	1,995.48
(2) Aggregate fees on financial and bank credit services	3.62	4.22	4.82	2.23	1.72	0.86
(d) Maximum outstanding daily balance of forward settlement and sale of foreign exchange	4,740.56	2,000.00	2,000.00	3,475.65	1,889.16	1,993.03
(e) (1) Maximum limit of entrusted assets management services (maximum outstanding balance of a single day for the year) <i>(Note 2)</i>	3,000.00	3,500.00	3,500.00	2,150.00	3,450.00	1,640.00
(2) Proceeds from entrusted assets	44.55	73.50	73.50	15.47	27.74	10.92

*Notes:*

1. The figures for the nine months ended 30 September 2022 were unaudited figures.
2. No entrusted asset services will occur between the Group and CSSC Finance under the 2023 Financial Services Framework Agreement.

## Proposed Annual Caps

The table below sets out the Proposed Annual Caps for Continuing Connected Transactions of Financial Services for 2023.

*Unit: RMB million*

<b>Transaction</b>	<b>Proposed Annual Cap For the year ended 31 December 2023</b>
<b>Financial services provided by CSSC Finance to the Group:</b>	
(a) (1) Maximum outstanding daily balance on the Deposits	7,500.00
(2) Aggregate interest on the Deposits for the year	111.00
(b) (1) Maximum outstanding daily balance on loans	1,800.00
(2) Aggregate interest on loans for the year	60.00
(c) (1) Maximum limit on other and credit services	5,720.00
(2) Aggregate fees on other and credit services	3.90
(d) Maximum outstanding daily balance of forward settlement and sale of foreign exchange	3,000.00

In determining the Proposed Annual Caps, the Directors have taken into account the expected year-on-year increase in production value in 2023 in accordance with Huangpu Wenchong's arrangements on the production and operation plan for 2023 and the corresponding increase in capital stock, capital requirements and relevant businesses at various stages during the year in accordance with the general plan for capital receipts and expenditures for 2023.

### **Reasons for Entering into 2023 Financial Services Framework Agreement**

The Continuing Connected Transactions of Financial Services allow the Group to fully leverage the financial services resources of CSSC Finance in order to provide a full range of financial services to the Group's business operations to support the Group's development. In addition, the Directors have taken into consideration the following regarding the Continuing Connected Transactions of Financial Services contemplated under the 2023 Financial Services Framework Agreement:

- (a) The Group maintains the Deposits with CSSC Finance from time to time. The interest rate on the Deposits is based on the deposit rates published by the People's Bank of China from time to time and is no less favourable than the conditions offered by Independent Third Parties. 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 funds provided by the CSSC Group to the Group via CSSC Finance to the Group.



- (b) 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 necessary for the Group from time to time. The loans will be charged by CSSC Finance and CSSC at a lending rate not higher than lending rate prescribed by the People's Bank of China or on terms no less favourable than the lending rate(s) offered by Independent Third Parties providing similar services in the PRC.

The Directors consider that the provision of the loans granted by the CSSC Group 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 the CSSC Group and CSSC Finance will benefit the Group by increasing the operation efficiency in the use of fund.

- (c) Due to the business operation needs, the Group has to enter into various commercial arrangements involving various financial services, including on-balance sheet businesses such as loans, trade finance, bill financing, financing leases, overdrafts and various advances, and off-balance sheet businesses such as acceptance of bills, issuance of letters of credit, letters of guarantee, standby letters of credit, confirmation of letters of credit, guarantees on bond issues, guarantees on borrowings, sales of assets with recourse, and unused irrevocable loan commitments. In the past, the Group used the other and bank credit services provided by Independent Third Parties and/or CSSC Finance. The engagement of CSSC Finance for provision of the other and bank credit services would enable the Group to obtain more competitive terms. Given the business relationship between the Group and the CSSC Group, the Directors believe that the financial and bank credit services to be offered by CSSC Finance will be more efficient than the services offered by other general domestic commercial banks or institutions.
- (d) 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 higher exchange rate risk. The Group entered into FX Forward Contracts with Independent Third Party banks and/or CSSC Finance to hedge against its currency risk in the past. 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 banks or 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.

On bases summarized above and given that (i) the Continuing Connected Transactions of Financial Services are entered into under the usual and ordinary course of business of the Group and the CSSC Finance; and (ii) the Group will be benefited from cooperation with CSSC Finance 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) are of the view that the terms of the 2023 Financial Services Framework Agreement and each of the 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 Deposits under the 2023 Financial Services 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 CBIRC and that the major regulatory indicators such as gearing ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the CBIRC 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 arrangements for the Deposits. These include an assessment of the fund operation and control of risk exposure of the 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 the 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 and the auditors of the Company and strict compliance of risk monitoring by the CBIRC on the 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 Adviser) 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.

### **III. INFORMATION ABOUT THE PARTIES**

#### **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 a major non-wholly owned subsidiary, Huangpu Wenchong. The Group's principal products of shipbuilding and marine products include military ships, marine police equipment and public service ships as the representative defense equipment, feeder containerships, dredgers, offshore engineering platforms and wind power installation platforms as the representative marine offshore products as well as energy equipment, high-end steel structures, construction machinery, environmental protection equipment and industrial internet platforms as the representative marine application business products.

## **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.

Pursuant to the Hong Kong Listing Rules, CSSC is a connected person of the Company while the transactions between the Group and any members 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.

## **IV. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CSSC is an indirect controlling shareholder of the Company and CSSC Finance is a wholly-owned subsidiary of the CSSC Group and therefore CSSC Finance is a connected person of the Company. Accordingly, the transactions contemplated under the 2023 Financial Services Framework Agreement constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, CSSC Finance is a connected person of the Company. Therefore, the transactions between the Group and CSSC Finance constitute connected transactions for the Company. Pursuant to Rule 14.07 of the Hong Kong Listing Rules, as one or more of the applicable percentage ratios on an annual basis for the Proposed Annual Caps for the continuing connected transactions under the 2023 Financial Services Framework Agreement (save for the provision of the loans, other and financial and credit services by CSSC Finance to the Group) exceed 5%, the continuing connected transactions (save for the provision of the loans, other and financial and credit services by CSSC Finance to the Group) contemplated under the 2023 Financial Services Framework Agreement constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of the loans, other and financial and credit services by CSSC Finance to the Group pursuant to 2023 Financial Services Framework Agreement constitutes financial assistance received by the Group from a connected person. As (i) the provision of abovementioned services 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 such financial services, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the provision of the loans, other and financial and credit services by CSSC Finance to the Group pursuant to 2023 Financial Services Framework Agreement is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 25% but less than 100% for each of the maximum outstanding daily balance of the relevant Deposits and the maximum outstanding daily balance of the forward settlement and sale of foreign exchange under the 2023 Framework Agreement, the Proposed Annual Caps for each of the maximum outstanding daily balance of the relevant Deposits and the maximum outstanding daily balance of the forward settlement and sale of foreign exchange under the 2023 Framework Agreement constitute the non-exempt continuing connected transactions and major transaction of the Company that are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules and the relevant major transaction requirements under Chapter 14 of the Hong Kong Listing Rules.

China Shipbuilding Group and its associates (together holding 827,278,590 Shares of the Company, representing 58.52% of the issued Shares of the Company, as at the date of this announcement) will abstain from voting in relation to the resolution in respect of the terms and Proposed Annual Caps of the transactions contemplated under the 2023 Financial Services Framework Agreement at the forthcoming EGM.

Since each of Mr. Chen Zhongqian, Mr. Chen Liping, Mr. Xiang Huiming, Mr. Chen Ji, Mr. Gu Yuan and Mr. Ren Kaijiang holds managerial positions at the CSSC Group and/or its associates, in accordance with the Company's internal control policy on connected transactions, they had abstained from voting on relevant Board resolutions to approve (among others) the entering into of the 2023 Financial Services Framework Agreement, the terms and Proposed Annual Caps of the transactions contemplated under the 2023 Financial Services Framework Agreement.

Save for the above, to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, (i) none of the Shareholders has a material interest in the resolution to be proposed at the EGM and will abstain from voting at the EGM, and (ii) none of the Shareholders has a material interest in the transactions in relation to the terms and Proposed Annual Caps of the Continuing Connected Transaction contemplated under the 2023 Financial Services Framework Agreement and have to abstain from voting on the Board resolution.

## **V. CIRCULAR AND EGM**

The Company will convene the EGM to seek, among other things, the Independent Shareholders' prior approval on the entering into of the 2023 Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. China Shipbuilding Group 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 2023 Financial Services 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. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among other things, the 2023 Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps. A circular containing, among others, details of the 2023 Financial Services 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 at [www.hkexnews.com.hk](http://www.hkexnews.com.hk), the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Company at [comec.cssc.net.cn](http://comec.cssc.net.cn) by 1 December 2022 as additional time is required to compile the information and prepare the circular.

## VI. DEFINITIONS

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

“2020-2022 Framework Agreement (as supplemented by the Supplemental 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 30 December 2019 and approved by Independent Shareholders on 26 February 2020 and the supplemental agreement (the “Supplemental Agreement”) entered into between the Company and CSSC on 10 September 2020 and approved by the Independent Shareholders on 23 October 2020
“2023 Financial Services Framework Agreement”	framework agreement for the financial service transactions for the period from 1 January 2023 to 31 December 2023 (both days inclusive) entered into between the Company and CSSC Finance on 28 October 2022 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
“CBIRC”	China Banking and Insurance 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
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transactions of Financial Services”	the continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement, including the financial services to be provided by CSSC Finance to the Group, further details of which are set out in the section headed “Principal Terms of the 2023 Financial Services Framework Agreement” in this announcement
“Contract Management Rules”	the contract management rules under the Group’s internal procedures which were designed to seek to ensure that the contracts from time to time entered into by the Group are in compliance with the Contract Law of the PRC (中華人民共和國合同法), the Practice Note No. 16 – Contract Management of the Enterprise Internal Control (企業內部控制應用指引第 16 號-合同管理) and other relevant PRC laws and regulations. Such rules are applicable to all sale and purchase contracts of the Group so that all the suppliers or purchasers (as the case may be) would be treated equally and would submit their respective tender and compete with each other through the same platform
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“China Shipbuilding Group”	China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司). As at the date of this announcement, China Shipbuilding Group holds 827,278,590 Shares of the Company directly or indirectly, representing approximately 58.52% of the issued Shares of the Company, and is a controlling shareholder of the Company
“CSSC”	China State Shipbuilding Corporation Limited* (中國船舶集團有限公司). As at the date of this announcement, CSSC controls 827,278,590 Shares of the Company indirectly through China Shipbuilding Group, representing approximately 58.52% of the issued Shares of the Company, and an indirect controlling shareholder of the Company
“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 CSSC Finance to the Group pursuant to the 2023 Financial Services 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 2023 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 2023 Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the 2023 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
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps for the continuing connected transactions contemplated under the 2023 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
“Share(s)”	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, 28 October 2022

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