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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 TRANSACTION AND MAJOR TRANSACTION**

### **REVISION OF EXISTING ANNUAL CAP UNDER THE 2024 FRAMEWORK AGREEMENT**

References are made to the announcement of the Company dated 27 October 2023 and the circular of the Company dated 7 December 2023 in relation to, among others, the 2024 Framework Agreement, which, together with the transactions and the annual caps contemplated thereunder, were approved by the Independent Shareholders on 29 December 2023.

The Board has reviewed the various existing continuing connected transactions of the Group contemplated under the 2024 Framework Agreement and anticipates that the demand of the Group for the Sales Agency Services will exceed the previous projection to the effect that the existing annual cap for such services under the 2024 Framework Agreement will not be sufficient to meet the demand of the Group.

Accordingly, the Company and CSSC entered into the Supplemental Agreement on 27 September 2024 to increase the existing annual cap for the Sales Agency Services for the year ending 31 December 2024 to the Revised Annual Cap in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

For the avoidance of doubt, the entering into and the implementation of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap), are conditional upon the approval by the Independent Shareholders at the EGM. In any event, prior to obtaining the approval from the 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 2024 Framework Agreement.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CSSC is an indirect controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2024 Framework Agreement constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As one or more of 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 guarantee services provided by CSSC and its member entities to the Group) under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) exceed 5% on annual basis, the Continuing Connected Transactions (save for the guarantee services provided by CSSC and its member entities to the Group) contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental 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.

The provision of guarantee services by the CSSC Group to the Group pursuant to the 2024 Framework Agreement constitutes financial assistance received by the Group from a connected person. As (i) the provision of guarantee 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 guarantee services, according to Rule 14A.90 of the Hong Kong Listing Rules, the provision of the guarantee services by the CSSC Group to the Group under the 2024 Framework Agreement are exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of 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 under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) are more than 25% but below 100% on annual basis, the Continuing Connected Transactions contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) constitute the major transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

## GENERAL INFORMATION

The Company will convene the EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to approve the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap).

China Shipbuilding Group and CSSC International Holding Company Limited (together holding 827,032,590 Shares of the Company, representing 58.51% of all the issued Shares of the Company as at the date of this announcement) will abstain from voting on the relevant resolution at the EGM. The Company confirms that each of China Shipbuilding Group and CSSC International Holding Company Limited controls the voting rights in respect of their Shares of the Company.

Save for (i) the above; and (ii) the announcements of the Company dated 27 September 2024 in relation to, among others, the 2025 Framework Agreement entered into between the Company and CSSC and the 2025 Financial Services Framework Agreement entered into between the Company and CSSC Finance Company Limited (which referred that China Shipbuilding Group and CSSC International Holding Company Limited will abstain from voting on the resolutions related to such agreements at the EGM, respectively), to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, 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.

As the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap) are subject to Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lin Bin, Mr. Nie Wei, Mr. Li Zhijian and Ms. Xie Xin, has been established to advise the Independent Shareholders in respect of the above transaction. Vinco Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transaction.

A circular containing, among others, (i) details of the Supplemental Agreement and the transaction contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) the advice of Vinco Financial to the Independent Board Committee and the Independent Shareholders will be posted on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.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) on or before 3 December 2024 and dispatched to the Shareholders who have indicated their wish to receive a printed copy as additional time is required to compile the data and prepare the circular.

## **BACKGROUND**

References are made to the announcement of the Company dated 27 October 2023 and the circular of the Company dated 7 December 2023 in relation to, among others, the 2024 Framework Agreement, which, together with the transactions and the annual caps contemplated thereunder, were approved by the Independent Shareholders on 29 December 2023.

The Board has reviewed the various existing continuing connected transactions of the Group contemplated under the 2024 Framework Agreement and anticipates that the demand of the Group for the Sales Agency Services will exceed the previous projection to the effect that the existing annual cap for such services under the 2024 Framework Agreement will not be sufficient to meet the demand of the Group.

Accordingly, the Company and CSSC entered into the Supplemental Agreement on 27 September 2024 to increase the existing annual cap for the Sales Agency Services for the year ending 31 December 2024 to the Revised Annual Cap in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

For the avoidance of doubt, the entering into and the implementation of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap) are conditional upon the approval by the Independent Shareholders at the EGM. In any event, prior to obtaining the approval from the 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 2024 Framework Agreement.

## THE SUPPLEMENTAL AGREEMENT

The principal terms of the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) are as follows:

Scope: **The 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 supplies, mainly shipping products and for complete sets of supporting equipment, steel, non-ferrous metals and other materials for ship, environmental protection and heavy equipment, as well as some marine electrical equipment. The CSSC Group has the need to purchase ship products, complete sets of or auxiliary equipment while the Group has the capability of designing and manufacturing such products and could provide such products to the CSSC Group, or when the CSSC Group in face of ordering insufficient equipment and auxiliary equipment, a delivery delay by suppliers or when it is under temporary urgent needs in its production, it is necessary for the Group to provide materials and equipment in stock in an emergency, including the temporary provision of accessories by the Group to assist the CSSC Group in completing the production plan, the sale of waste materials by the Group to logistics companies under the CSSC Group, disposing fixed assets that are not in use by the Group to units under the CSSC Group; and
- (b) Leasing, labour supply and technical services:
  - (i) Leasing: This mainly involves the provision of certain production areas and staff quarters leasing service by the Group to the CSSC Group;
  - (ii) Labour supply: This primarily involves the provision of training, shipbuilding and workforce lease. The Group can provide the CSSC Group with skills training and assessment, professional technical labour services related to the principal businesses of the Company, as well as provide labour leasing and labour service project contracting in the event of short-term surplus of labour;
  - (iii) Technical services: These mainly involve technical services such as product installation, usage, maintenance and repair provided by the Group to the CSSC Group, and provision of environmental protection services such as ship products and other engineering design, scientific research projects and professional services, self-produced software and relevant technical services.

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

- (c) Provision of equipment for ship, electrical and mechanical engineering equipment, accessories, materials and supplies etc., mainly providing materials, accessories, machinery production equipment, tools and related logistics and distribution services required for the production of complete sets or supporting equipment for ships, environmental protection and heavy equipment. Such supplies and distribution services are required for the daily production and operation of the Group, and the Group can provide such materials, supplies, equipment and related services. The Group has joined the centralized procurement plan of organised by CS Materials, a member unit of the CSSC Group, and CS Materials shall provide major materials, supplies, equipment and related logistics and distribution services to reduce procurement costs and resist risks in the ship market. In addition, due to the temporary impact of production capacity or delivery time, the Group is required to purchase complete sets or ancillary equipment and parts from the CSSC Group, or during the production process of the Group, due to insufficient procurement for materials required for production, late delivery by the supplier or temporary demand for the materials, the materials will be provided by the inventory of the members of the CSSC Group; and when the Group needs to invest in fixed assets for production and operation, including the purchase of production equipment and construction of production base projects, etc. the CSSC Group can provide the Group with the required production equipment as well as products and services related to infrastructure projects such as turnkey management of engineering construction, equipment manufacturing, design, exploration and audit consulting.
- (d) Leasing, labour supply and technical services, among which:
  - (i) Leasing: This mainly refers to the expansion of the Group's business scope by leasing the production sites, equipment and facilities of the CSSC Group and using utilities such as water and electricity to meet the needs of business development;

- (ii) Labour supply: This mainly refers to the provision of outsourcing for ship segments (or steel structure components) and comprehensive services, lease of labour, etc. Among them, (a) outsourcing of ship segments (or steel structure components) refers to the Group outsourcing of ship segments (or steel structure components) to the CSSC Group for building in order to keep up with the production plan, in the event that the Group is constrained by limited production resources (such as sites, equipment or manpower); (b) lease of labour, which refers to the secondment of labour and labour engineering contracting to the CSSC Group during the peak production period of the Group; (c) comprehensive services, which represent services provided by the CSSC Group to the Group, such as advertising, exhibitions, medical, catering, conferences, nursery, training, property management and water and electricity resale;
- (iii) Technical services: These mainly refer to the provision of design, scientific research project services, supporting software and related technical services for shipbuilding products or other projects, including in the event that the Group's production is constrained by design capability and time after receiving an order, the CSSC Group will provide such services in order to keep up with the production plan; the Group shall cooperate with the member units of the CSSC Group in research and development of new products and processes.

**Guarantee services to be provided by the CSSC Group to the Group:**

- (e) Guarantee services mean that when the Group accepts orders or borrows funds from banks, it may need a guarantor according to the regulations, and the CSSC Group can provide guarantees for such business.

**Sales agency services to be provided by the CSSC Group to the Group:**

- (f) Sales agency services (or commission), due to the reputation of the CSSC Group in the international shipping market and its long-term relationship with shipowners, which enables the Group to rely on the assistance of the CSSC Group in addition to its own external operations.

Items (a) to (f) are collectively referred to as the "Continuing Connected Transactions", and each a "Continuing Connected Transaction".



Pricing:

The Continuing Connected Transactions are to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and on arm's length basis (and if is no or not sufficient comparable transactions to assess whether they are 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 shall be fair and reasonable so far as the Shareholders are concerned. The parties shall enter into agreements for such transactions and the basis of pricing shall be specified in the agreements.

In respect of (a) above: for the provision of shipping products, electrical and mechanical equipment, and metallic materials by the Group to the CSSC Group, the pricing will be based on market price. The Group will determine the market price after taking into account of the following factors and after arm's length negotiation: (i) research on the prices of similar products on the market, including drawing reference from the public data of institutions such as the China Association of the National Shipbuilding Industry (中國船舶工業行業協會) (<http://www.cansi.org.cn>) and commissioning the China Shipbuilding Corporation Economic Research Center to collate industry price data and compile the research reports; and (ii) reference to the historical prices of similar products.

In respect of (b) above: for the provision of leasing, labour supply and technical services by the Group to the CSSC Group, the pricing will be no less favourable than that offered to independent third parties. The rental of the lease shall be based on market price obtained after market research of the Group with reference to the depreciation cost and amortization of assets and other expenses and after arm's length negotiation; the salary for labour supply is based on market price obtained after market research of the Group with reference to the average salary levels published by the Guangzhou Statistic Bureau (廣州市統計局) and after arm's length negotiation; the pricing of the technical service is based on the existing market standards of the shipping industry, the complexity of the work involved and specifications for the work and after arm's length negotiation.

In respect of (c) above: for the provision of equipment for ship, electrical and mechanical equipment, accessories, materials and supplies etc. by the CSSC Group to the Group,

- (i) The supply of electrical and mechanical engineering equipment, materials and supplies etc. will be based on market prices and not higher than those offered by Independent Third Parties. The market price is based on the market research of the Group on the prices of similar products and determined according to the production specifications and after arm's length negotiation;



- (ii) For ancillary parts for ships, iron outfittings etc., as the unit price is low, sporadic and complicated, and often in urgent needs, the ordering time is relatively short, the unit price is negotiated once a year through costing and the Group's supplies department shall negotiate the ordering price with the supplier accordingly taking into account the market price of raw materials with reference to public data of third party websites and specification of the supplies required for the Group's production. The Group will obtain one or more quotations from Independent Third Parties. If the price of raw materials in the market changes significantly, the Group will make appropriate adjustments in accordance with the changes in the market;
  
- (iii) For equipment for ships, if there is a member of the CSSC Group in the list of manufacturers for marine equipment, the member will participate in the competition between two or more manufacturers in the list of manufacturers comprising at least one Independent Third Party and the manufacturers under the CSSC Group, and the Group's supplies department shall negotiate the price in accordance with the normal practice, and the Group will determine the price according to the market price, but will also take into account factors such as the supply cycle, the quality of the manufacturer and the standard of services to select the manufacturer, but the prices are no less favourable than the conditions offered by Independent Third Party suppliers. If two or more competitors from CSSC Group are among the competitors, the pricing will be determined after arm's length negotiations with reference to historical transaction prices; if there is only one supplier from the CSSC Group for particular equipment (such as a specialized equipment where the CSSC Group has the proprietary ownership and/or right to exploit them) due to limitations in technical specifications or supply conditions and as a result, there will be only one associated supplier for a particular piece of equipment, the pricing will be negotiated by the Group with the supplier according to the recent contract of the equipment (with reference to its historical transaction prices) or a unit price converted from certain technical data for that piece of equipment, and taking into account the substantive circumstance including the market price of raw materials, to ensure that such price is fair and reasonable; and
  
- (iv) The prices of the supplies and related logistics and distribution services procured centrally by the CSSC Group will not be less favourable than the conditions offered by Independent Third Party suppliers.

In respect of (d) above: for the provision of leasing, labour and technical services by the CSSC Group to the Group,

- (i) Pricing of leases for production sites or dormitories provided by the CSSC Group to the Group. The lease prices are based on the market price or cost plus 10% management fee, and the market price is determined with reference to the property rent in the vicinity of the leased properties. The basis of the annual cap is the aggregate of annual depreciation expense and interest expenses calculated on the basis of the total value of the right-of-use assets recognized by the Group and the tax payable on the leased production bases and the dormitories;
- (ii) Pricing of the provision of labour and technical services. Labour services are provided at the market prices, which are determined after arm's length negotiation based on the prices of labour services procured from the Independent Third Parties, the required skill specifications, the availability of labour and the average salary level published by the Guangzhou Municipal Bureau of Statistics, and the prices of the integrated services are no less favourable than the terms offered by the Independent Third Parties; and
- (iii) Technical services: at market price, which is determined after arm's length negotiations with reference to the skill sets required by the prevailing market standards in the shipbuilding industry, the complexity of the work involved and the industry-specific job specifications.

In respect of (e) above: In accordance with the normal market practice and guarantee fee not higher than the CSSC Group's external guarantee fee rate, the relevant terms are no less favourable than the conditions offered by Independent Third Party guarantors.

In respect of (f) above: for provision of sales agency services by the CSSC Group to the Group, the pricing of sales agency fees (commissions) shall follow the international industry practice (i.e. the pricing shall be determined by the Group after conducting market research including by way of discussing with various independent third party shipowners on the normal sales agency fees charged and with other large corporate business owners in the industry on the agency fee rates charged by their internal sales agency entities) and in general will not exceed 1.5% of the contract price, and is payable in proportion to the progress payment per vessel. In addition, the intermediary agency fees received by the CSSC Group on behalf of foreign intermediaries shall be paid by the CSSC Group on behalf of the intermediaries.

Term:

The term of the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) shall be for the period from 1 January 2024 to 31 December 2024 (both days inclusive).

## Revision of annual cap

Pursuant to the Supplemental Agreement, conditional upon the approval by the Independent Shareholders at the EGM, the existing annual cap for the Sales Agency Services under the 2024 Framework Agreement for the year ending 31 December 2024 will be revised to the Revised Annual Cap as follows:

*Unit: RMB in ten thousand*

| <b>Transaction</b>  | <b>Existing Annual Cap<br/>For the year ending<br/>31 December 2024</b> | <b>Revised Annual Cap<br/>For the year ending<br/>31 December 2024</b> |
|---|---|--|
| <b>Sales Agency Services provided by the CSSC<br/>Group to the Group:</b> |   |  |
| Sales Agency Fees   | 3,200   | 4,132  |

Save for the above revision of the existing annual cap to the Revised Annual Cap, the other terms of the 2024 Framework Agreement, including the principal terms of the agreement, the pricing policy and the existing annual caps for such other transactions under the 2024 Framework Agreement remain unchanged.

## HISTORICAL AMOUNT

The table below sets out the historical amount of the Sales Agency Services for the eight months ended 31 August 2024 and the comparisons with the annual cap under the 2024 Framework Agreement for the year ending 31 December 2024.

*Unit: RMB in ten thousand*

| <b>Transaction</b>  | <b>Existing Annual Cap<br/>For the<br/>year ending<br/>31 December 2024</b> | <b>Historical Amount<br/>For the<br/>eight months ended<br/>31 August 2024<br/>(Note 1)</b> |
|---|---|---|
| <b>Sales Agency Services provided by the CSSC<br/>Group to the Group:</b> |   |   |
| Sales Agency Fees   | 3,200   | 2,032   |

*Note:*

1. The historical amount in respect of the Sales Agency Services for the eight months ended 31 August 2024 was an unaudited figure.

The actual transaction amounts for the Continuing Connected Transactions under the 2024 Framework Agreement for the eight months ended 31 August 2024 did not exceed their respective annual caps thereunder.

Prior to the obtaining of the approval of the Independent Shareholders at the EGM in relation to the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Cap), the Company will conduct the Continuing Connected Transactions in accordance with the terms of the 2024 Framework Agreement. The actual transaction amounts for the Continuing Connected Transactions from 1 January 2024 and up to the date of the EGM are not expected to exceed their existing annual caps under the 2024 Framework Agreement for the year ending 31 December 2024.

### **BASIS FOR DETERMINING THE REVISED ANNUAL CAP**

The Revised Annual Cap is determined taking into account primarily the historical transaction amounts, production orders in hand, expected orders and anticipated total production value of the Group. In particular, the market witnesses the acceptance of orders for civil vessels remaining on the higher side in 2024, and the production schedule for the orders on hand of the Company and the order acceptance plan for 2024 are better than expected. As there is an increase in the orders accepted by the Group, and the Sales Agency Fees payable in proportion to the progress payment per vessel (not exceeding 1.5% generally) will increase correspondingly, hence, the annual cap for the Sales Agency Fees for the Sales Agency Services provided by the CSSC Group to the Group under the 2024 Framework Agreement is required to be revised as the Revised Annual Cap, thereby meeting the needs of the Group on business development, order acceptance and product sales timely.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

The Group used to leverage on the CSSC Group's reputation in the international shipbuilding market, its long-established relationships with shipowners and its bargaining power to sell the Group's products. Therefore, the Directors are of the view that it is in the interests 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 the specific transactions. The rate of brokerage fees will vary according to the size and type of vessels. 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 interests of the Group.

Further, the Board has reviewed the continuing connected transaction for the Sales Agency Services under the 2024 Framework Agreement against the background of the Group's operations as mentioned above and anticipates that the demand of the Group for the Sales Agency Services provided by the CSSC Group pursuant to the 2024 Framework Agreement will exceed the previous projection to the effect that the existing annual cap for the Sales Agency Services under the 2024 Framework Agreement will not be sufficient to meet the demand of the Group. Accordingly, the Company entered into the Supplemental Agreement with CSSC in order to cater for the Group's demand for such services and to facilitate the Group in capturing its potential business growth.

On bases summarized above and given that (i) the Continuing Connected Transactions are entered into in 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 Directors who are required to abstain from voting on the relevant Board resolutions in relation to the Supplemental Agreement and the independent non-executive Directors, the views of whom will be included in the letter from the Independent Board Committee to the Shareholders) are of the view that the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) has been entered into in the normal and ordinary course of business on normal commercial terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL MEASURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS**

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:

- (i) each Continuing Connected Transaction 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;
- (ii) 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
- (iii) 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 according 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.

The details of the Group's monitoring mechanism and measures are as follows:

- (i) the Group consists of various units and each unit is assigned with its respective annual caps. The aggregate annual caps assigned to each unit shall be, and in any event shall not exceed, the proposed annual caps of the Group for a particular year;
- (ii) each unit has to ensure that the relevant transaction amount shall not exceed the assigned annual caps strictly; and
- (iii) in the event that there is a proposed increase in transaction amount due to production or operation need by a unit which might exceed the assigned annual caps to such unit, the proposed transaction shall not be conducted without prior approval from the Board office and the finance department of the Company. Such unit shall submit an application, together with a budget report, to the finance department of the Company at least 4 months prior to the proposed transaction.

The Group will also, through the Group's monitoring mechanism and measures, endeavour to ensure that the annual caps of each Continuing Connected Transaction would not be exceeded:

- (i) there is work allocation for each unit of the Company in relation to management of continuing connected transactions and a leader and responsible person will be appointed for the management of continuing connected transactions;
- (ii) in order to monitor the utilization rate of the annual caps, there is monthly reporting system with strict management and rigid control;
- (iii) each unit has to comply with the policy of the Company strictly for monitoring and inspection of the continuing connected transactions and issue warning when the utilization rate is close to the annual caps; and
- (iv) compliance with the internal policy in relation to continuing connected transactions of the Company is taken into account in the economic assessment of each unit of the Company.

The Board is of the view that there are adequate internal controls in place to ensure that the individual transactions are conducted within the 2024 Framework Agreement (as supplemented by the Supplemental Agreement).

## **INFORMATION ABOUT THE PARTIES**

### **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 had a major non-wholly owned subsidiary, namely 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.

### **CSSC**

CSSC is a state-authorized investment institution directly supervised and administered by the SASAC, and its 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 indirect controlling shareholder of the Company, controls 827,032,590 Shares of the Company indirectly through China Shipbuilding Group, representing 58.51% of the issued Shares of the Company.

### **DIRECTORS' INTEREST IN THE ABOVE TRANSACTION**

Since each of Mr. Chen Liping, Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu 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 resolution to approve the entering into of the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap). Save for the above, none of the Directors had or was deemed to have a material interest in the above transaction and was required to abstain from voting on the relevant Board resolution.

### **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As at the date of this announcement, CSSC is an indirect controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2024 Framework Agreement constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.



As one or more of 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 guarantee services provided by CSSC and its member entities to the Group) under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) exceed 5% on annual basis, the Continuing Connected Transactions (save for the guarantee services provided by CSSC and its member entities to the Group) contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental 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.

The provision of guarantee services by the CSSC Group to the Group pursuant to the 2024 Framework Agreement constitutes financial assistance received by the Group from a connected person. As (i) the provision of guarantee 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 guarantee services, according to Rule 14A.90 of the Hong Kong Listing Rules, the provision of the guarantee services by the CSSC Group to the Group under the 2024 Framework Agreement are exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of 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 under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) are more than 25% but below 100% on annual basis, the Continuing Connected Transactions contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement) constitute the major transactions of the Company that are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

## **GENERAL INFORMATION**

The Company will convene the EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to approve the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap).

China Shipbuilding Group and CSSC International Holding Company Limited (together holding 827,032,590 Shares of the Company, representing 58.51% of all the issued Shares of the Company as at the date of this announcement) will abstain from voting on the relevant resolution at the EGM. The Company confirms that China Shipbuilding Group and CSSC International Holding Company Limited control the voting rights in respect of their Shares of the Company.

Save for (i) the above; and (ii) the announcements of the Company dated 27 September 2024 in relation to, among others, the 2025 Framework Agreement entered into between the Company and CSSC and the 2025 Financial Services Framework Agreement entered into between the Company and CSSC Finance Company Limited (which referred that China Shipbuilding Group and CSSC International Holding Company Limited will abstain from voting on the resolutions related to such agreements at the EGM, respectively), to the best of the Director's knowledge, information and belief, having made all reasonable enquiries, 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.

As the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap) are subject to Independent Shareholders' approval, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lin Bin, Mr. Nie Wei, Mr. Li Zhijian and Ms. Xie Yin has been established to advise the Independent Shareholders in respect of the above transaction. Vinco Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid transaction.

A circular containing, among others, (i) details of the Supplemental Agreement and the transaction contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) the advice of Vinco Financial to the Independent Board Committee and the Independent Shareholders will be posted on the website of Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.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) on or before 3 December 2024 and dispatched to the Shareholders who have indicated their wish to receive a printed copy as additional time is required to compile the data and prepare the circular.

## **DEFINITIONS**

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

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|----------------------------|--|
| “2024 Framework Agreement” | the framework agreement for the Continuing Connected Transaction for the period from 1 January 2024 to 31 December 2024 (both days inclusive) entered into between the Company and CSSC on 27 October 2023, and approved by the Independent Shareholders on 29 December 2023 |
| “A Share(s)”               | domestic shares of the Company with nominal value of RMB1.00 each and are listed on the Shanghai Stock Exchange  |
| “associate(s)”             | has the meaning ascribed to it under the Hong Kong Listing Rules   |
| “Board”                    | the board of Directors   |

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| “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 held 827,032,590 Shares directly and indirectly, representing approximately 58.51% of all the issued Shares of the Company, and was a controlling Shareholder of the Company   |
| “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 Hong Kong 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  |
| “connected subsidiary(ies)”         | has the meaning ascribed to it under the Hong Kong Listing Rules  |
| “Continuing Connected Transactions” | the continuing connected transactions contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement, where applicable)   |
| “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”           | has the meaning ascribed to it under the Hong Kong Listing Rules  |
| “CS Materials”                      | China National Shipbuilding Equipment & Materials Co., Ltd. (中國船舶集團物資有限公司), a wholly-owned subsidiary of CSSC   |
| “CSSC”                              | China State Shipbuilding Corporation (中國船舶集團有限公司). As at the date of this announcement, CSSC controlled 827,032,590 Shares of the Company indirectly through China Shipbuilding Group, representing approximately 58.51% of the issued Shares of the Company, and was an indirect controlling Shareholder of the Company  |
| “CSSC Group”                        | CSSC and its subsidiaries (including connected subsidiaries of the Company)   |

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| “Director(s)”   | the director(s) of the Company  |
| “EGM”   | the extraordinary general meeting to be held by the Company for the Independent Shareholders to consider and, if thought fit, approve, among others, the Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap)  |
| “Group”   | the Company and its subsidiaries  |
| “H Shares”  | overseas listed foreign shares of the Company listed on the Hong Kong 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 Hong Kong Stock Exchange   |
| “Hong Kong Stock Exchange”                              | The Stock Exchange of Hong Kong Limited   |
| “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 Supplemental Agreement and the transaction contemplated thereunder (including the Revised Annual Cap)   |
| “Independent Financial Adviser” or<br>“Vinco Financial” | Vinco Financial Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement (including the Revised Annual Cap) |
| “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 resolutions  |
| “Independent Third Party(ies)”                          | party(ies) independent of the Company and its connected person(s)   |
| “PRC”   | the People’s Republic of China  |
| “Revised Annual Cap”                                    | the revised annual cap in respect of the Sales Agency Services contemplated under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement)  |
| “RMB”   | Renminbi, the lawful currency of the PRC  |

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| “Sales Agency Fees”      | service fees under the Sales Agency Services provided by CSSC Group to the Group pursuant to the 2024 Framework Agreement (as supplemented by the Supplemental Agreement)                    |
| “Sales Agency Services”  | the sales agency services provided by CSSC Group to the Group under the 2024 Framework Agreement (as supplemented by the Supplemental Agreement)   |
| “SASAC”                  | the State-owned Assets Supervision and Administration Commission of the State Council of the PRC   |
| “SFO”                    | the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)  |
| “Share(s)”               | share(s) of RMB1.00 each in the share capital of the Company   |
| “Shareholder(s)”         | holder(s) of Shares  |
| “subsidiary(ies)”        | has the meaning ascribed to it under the Hong Kong Listing Rules   |
| “Supplemental Agreement” | the supplemental agreement to the 2024 Framework Agreement entered into between the Company and CSSC on 27 September 2024 and conditional on approval by the Independent Shareholders at EGM |
| “%”                      | per cent.  |

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

Guangzhou, 27 September 2024

*As at the date of this announcement, the Board of the Company eight Directors, namely an executive Director Mr. Chen Liping; non-executive Directors Mr. Gu Yuan, Mr. Ren Kaijiang and Mr. Yin Lu; and independent non-executive Directors Mr. Lin Bin, Mr. Nie Wei, Mr. Li Zhijian and Ms. Xie Yin.*