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CSSC (Hong Kong) Shipping Company Limited

中國船舶(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3877)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE SALE AND LEASEBACK OF ONE VESSEL**

The Board is pleased to announce that, on 27 June 2022 (after trading hours), Fortune HLC, being the Company's wholly-owned SPV, has entered into (i) the Memorandum of Agreement with the Seller, pursuant to which Fortune HLC has agreed to purchase the Vessel from the Seller at the Consideration; and (ii) the Bareboat Charter with the Charterer, pursuant to which Fortune HLC has agreed to lease the Vessel to the Charterer at a total estimated charterhire to be payable by the Charterer of approximately US\$65,900,000 (including estimated lease interest of approximately US\$18,930,000).

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the transaction contemplated under the Memorandum of Agreement and the Bareboat Charter is more than 5% but less than 25%, the transaction contemplated under the Memorandum of Agreement and the Bareboat Charter constitutes a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement.

1. INTRODUCTION

The Board is pleased to announce that, on 27 June 2022 (after trading hours), Fortune HLC, being the Company's wholly-owned SPV, has entered into (i) the Memorandum of Agreement with the Seller, pursuant to which Fortune HLC has agreed to purchase the Vessel from the Seller at the Consideration; and (ii) the Bareboat Charter with the Charterer, pursuant to which Fortune HLC has agreed to lease the Vessel to the Charterer at a total estimated charterhire to be payable by the Charterer of approximately US\$65,900,000 (including estimated lease interest of approximately US\$18,930,000).

2. DETAILS OF THE MEMORANDUM OF AGREEMENT AND THE BAREBOAT CHARTER

Date

27 June 2022

Parties

Buyers/Owners

Fortune HLC, being the Company's wholly-owned SPV

Seller

United Faith Group, a company incorporated under the laws of British Virgin Islands, is ultimately and wholly owned by Mr. Liu Ying as at the date of this announcement.

Charterer

United Faith Offshore, a company incorporated under the laws of Hong Kong, is ultimately and wholly owned by Mr. Liu Ying as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Seller, the Charterer and their ultimate beneficial owner are Independent Third Parties.

Subject Matter

The Seller has agreed to sell the Vessel to Fortune HLC at the Consideration, which is expected to be settled with the internal funds of Fortune HLC as well as bank borrowings. At the same time, Fortune HLC has agreed to lease the Vessel to the Charterer at a total estimated charterhire to be payable by the Charterer of approximately US\$65,900,000 (including estimated lease interest of approximately US\$18,930,000). Upon expiration of the Charter Period, the Charterer is obliged to purchase the Vessel from Fortune HLC at a consideration as agreed by the parties under the Bareboat Charter.

Vessel

The Vessel is a 50,000 DWT semi-submersible vessel and is of an aggregate value of US\$68,270,000, which was determined based on the construction cost of similar type of vessel.

Charter Period

The Charter Period shall be a period of 96 months commencing from the Delivery Date.

Charterhire and Interest

Pursuant to the Bareboat Charter, Fortune HLC has agreed to lease back the Vessel to the Charterer at a total estimated charterhire to be payable by the Charterer of approximately US\$65,900,000 (including estimated lease interest of approximately US\$18,930,000), which shall be payable by the Charterer in 96 instalments.

The terms of the Memorandum of Agreement and the Bareboat Charter (including the purchase price of the Vessel, the charterhire, the charterhire interest and other expenses thereunder) were determined after arm's length negotiations between the Seller, the Charter and Fortune HLC, with reference to the prevailing market price of comparable financial leasing services in the industry.

Guarantee and Other Security

In connection with the transactions contemplated under the Memorandum of Agreement and the Bareboat Charter, the following guarantee and security documents are intended to be entered into:

- (i) a deed of guarantee to be entered into between United Faith Group as guarantor in favor of Fortune HLC, pursuant to which United Faith Group will irrevocably and unconditionally guarantee, among others, the due and punctual performance by the Seller, the Charterer, and the Personal Guarantor of all their obligations under or in connection with the Memorandum of Agreement, the Bareboat Charter and payment on the due date of all sums payable now or in the future; and
- (ii) a deed of guarantee to be entered into by the Personal Guarantor in favor of Fortune HLC, pursuant to which the Personal Guarantor will irrevocably and unconditionally guarantee, the punctual performance by the Charterer of all its obligations under or in connection with the Bareboat Charter and ancillary security documents.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE MEMORANDUM OF AGREEMENT AND THE BAREBOAT CHARTER

The Memorandums of Agreement and the Bareboat Charter were entered into by Fortune HLC in ordinary course of business. The Directors believe that the entering into of the Memorandum of Agreement and the Bareboat Charter will strengthen the Group's leasing business and is consistent with the Group's overall business development strategies.

The Directors are of the view that the terms of the Memorandum of Agreement and the Bareboat Charter are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

4. INFORMATION OF PARTIES

Information of the Company

The Company is a shipyard-affiliated leasing company and is principally engaged in the provision of leasing services.

Information of Fortune HLC

Fortune HLC is a company incorporated in the Republic of Liberia and is a wholly-owned SPV of the Company and is principally engaged in ship leasing business.

Information of the Seller

United Faith Group is a company incorporated under the laws of the British Virgin Islands and is ultimately and wholly owned by Mr. Liu Ying as at the date of this announcement. It is principally engaging in ship leasing business.

Information of the Charterer

United Faith Offshore is a company incorporated under the laws of Hong Kong is ultimately and wholly owned by Mr. Liu Ying as at the date of this announcement. It is principally engaging in ship leasing business.

5. LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the transaction under the Memorandum of Agreement and the Bareboat Charter is more than 5% but less than 25%, the transaction contemplated under the Memorandum of Agreement and the Bareboat Charter constitutes a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement.

6. DEFINITIONS

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

“Bareboat Charter”	the bareboat charter entered into between Fortune HLC and the Charterer on 27 June 2022 (after trading hours) with respect to the Vessel
“Board”	the board of Directors
“Charter Period”	a period of 96 months commencing from the Delivery Date
“Charterer”	United Faith Offshore
“Company”	CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司), a company incorporated under the laws of Hong Kong with limited liability on 25 June 2012, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3877)
“Consideration”	US\$47,000,000
“Delivery Date”	the actual date on which the Vessel is delivered by Fortune HLC to the Charterer under the Bareboat Charter
“Director(s)”	the director(s) of the Company
“DWT”	deadweight

“Fortune HLC”	Fortune HLC Shipping Limited, a company incorporated in the Republic of Liberia and a wholly-owned SPV of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any entity or person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Memorandum of Agreement”	the memorandum of agreement entered into between Fortune HLC and the Seller on 27 June 2022 (after trading hours) with respect to the Vessel
“Personal Guarantor”	Mr. Liu Ying
“Seller”	United Faith Group
“SPV”	special purpose vehicle
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United Faith Offshore”	United Faith Offshore Co., Limited, a company incorporated under the laws of Hong Kong
“United Faith Group”	United Faith Group Limited, a company incorporated under the laws of British Virgin Islands

“US\$”	United States dollars, the lawful currency of the United States of America
“Vessel”	one 50,000 DWT semi-submersible vessel
“%”	per cent

By order of the Board
CSSC (Hong Kong) Shipping Company Limited
Zhong Jian
Chairman

Hong Kong, 27 June 2022

As at the date of this announcement, the Board comprises Mr. Zhong Jian as executive Director, Mr. Li Wei and Mr. Zou Yuanjing as non-executive Directors, and Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji as independent non-executive Directors.