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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)

MAJOR AND CONNECTED TRANSACTION

**ACQUISITIONS OF VESSELS AND
OPTIONS TO PURCHASE VESSELS**

THE ACQUISITIONS OF THE VESSELS AND THE OPTION VESSELS

The Board is pleased to announce that, on 1 August 2022 (after trading hours), CA Shipping (being an indirectly non-wholly owned subsidiary of the Company) or its nominee as purchaser has entered into four SPAs with Huangpu Wenchong Shipbuilding (being an indirect wholly-owned subsidiary of China Shipbuilding Group) as vendor to acquire the Vessels at a total consideration of US\$110.00 million (equivalent to approximately HK\$858.00 million).

Further, on 1 August 2022 (after trading hours), CA Shipping as purchaser has entered into an Option Agreement with Huangpu Wenchong Shipbuilding as vendor for the acquisition of the Purchase Options. Pursuant to the terms of the Option Agreement, CA Shipping will have the discretion to exercise the Purchase Options within two months since the condition precedents under the SPAs being fulfilled to acquire the Option Vessels at a total consideration of up to US\$110.00 million (equivalent to approximately HK\$858.00 million).

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, China Shipbuilding Group (through CSSC Group) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Huangpu Wenchong Shipbuilding, Huangpu Wenchong Shipbuilding is a connected person of the Company. Therefore, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute disclosable transactions and connected transactions of the Company and are therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the Group has entered into the December 2021 SPA and the May 2022 SPAs with associates of CSSC Group, the December 2021 Acquisition, the May 2022 Acquisition and the Acquisitions constitute a series of transactions conducted within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the December 2021 Acquisition, the May 2022 Acquisition and the Acquisitions on an aggregated basis exceed 25% but are less than 100%, the Acquisitions constitute major transactions and connected transactions of the Company and are therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

EGM

The EGM will be convened to, among other things, consider and, if thought fit, approve the SPAs, the Option Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the SPAs, the Option Agreement and the transactions contemplated thereunder. The Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, (i) further details in relation to the Acquisitions, (ii) the recommendation of the Independent Board Committee in relation to the SPAs, the Option Agreement and the transactions contemplated thereunder, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPAs, the Option Agreement and the transactions contemplated thereunder; and (iv) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 August 2022.

THE ACQUISITIONS OF THE VESSELS AND THE OPTION VESSELS

The Board is pleased to announce that, on 1 August 2022 (after trading hours), CA Shipping (being an indirectly non-wholly owned subsidiary of the Company) or its nominee as purchaser has entered into four SPAs with Huangpu Wenchong Shipbuilding (being an indirect wholly-owned subsidiary of China Shipbuilding Group) as vendor to acquire the Vessels at a total consideration of US\$110.00 million (equivalent to approximately HK\$858.00 million).

Further, on 1 August 2022 (after trading hours) , CA Shipping as purchaser has entered into an Option Agreement with Huangpu Wenchong Shipbuilding as vendor for the acquisition of the Purchase Options. Pursuant to the terms of the Option Agreement, CA Shipping will have the discretion to exercise the Purchase Options within two months since the condition precedents under the SPAs being fulfilled to acquire the Option Vessels at a total consideration of up to US\$110.00 million (equivalent to approximately HK\$858.00 million).

The Company will comply with Rule 14.77 of the Listing Rules to announce upon the earlier of (1) the expiry of the Purchase Options; (2) CA Shipping notifying Huangpu Wenchong Shipbuilding that any of the Purchase Options will not be exercised; or (3) the transfer by CA Shipping of the Purchase Options to a third party.

Principal terms of the SPAs and the Option Agreement are set out below.

THE SPAS

Each of the SPAs is legally binding, of broadly similar terms and conditions which are described below:

Parties : (i) CA Shipping or its nominee as purchaser
(ii) Huangpu Wenchong Shipbuilding as vendor

Assets to be acquired : the Vessels

Total Consideration

Pursuant to the SPAs, the consideration of one Vessel is US\$27.50 million and the total consideration of the Vessels is US\$110.00 million (equivalent to approximately HK\$858.00 million) (the “**Consideration**”) and shall be settled in the agreed milestones of the shipbuilding progress of the Vessels:

- (a) a sum equivalent to 20% of the Consideration shall be paid by CA Shipping to Huangpu Wenchong Shipbuilding within 5 banking days after the SPAs becoming effective;
- (b) a sum equivalent to 10% of the Consideration shall be paid by CA Shipping to Huangpu Wenchong Shipbuilding within 5 banking days after steel cutting of the Vessels;
- (c) a sum equivalent to 5% of the Consideration shall be paid by CA Shipping to Huangpu Wenchong Shipbuilding within 5 banking days after keel laying of the Vessels;
- (d) a sum equivalent to 5% of the Consideration shall be paid by CA Shipping to Huangpu Wenchong Shipbuilding within 5 banking days after launching of the Vessels; and
- (e) a sum equivalent to 60% of the Consideration shall be paid by CA Shipping to Huangpu Wenchong Shipbuilding upon delivery of the Vessels.

The Consideration has been determined by the parties after arm's length negotiations between the parties, taking into account the current market values of similar type of vessels by reference to the publicly available industry reports and recent comparable transactions in the industry, as well as payment terms and delivery dates that meet the Company's requirements and agreed between a willing buyer and a willing seller. The Directors consider that the terms of the SPAs (including the Consideration) are fair and reasonable, and the SPAs are in the interest of the Company and the Shareholders as a whole.

It is currently expected that the Consideration will be funded by shareholders' loan provided by the shareholders of CA Shipping or its nominee (as the case may be) and the banking facilities to be obtained by them. If the bank requires the shareholders of CA Shipping or its nominee (as the case may be) to provide guarantees and/or collaterals, the Company shall provide such guarantee and/or collaterals in proportion to its shareholding percentage in such entity.

Delivery time

It is currently expected that the Vessels will be delivered on or before 30 July 2024, 30 September 2024, 30 November 2024 and 30 March 2025, respectively.

Completion

Completion of the transaction contemplated under the SPAs is conditional upon the approval obtained from the Independent Shareholders at the EGM.

THE OPTION AGREEMENT

The terms and conditions of the Option Agreement as set out as follows:

- Parties** : (i) CA Shipping as purchaser
(ii) Huangpu Wenchong Shipbuilding as vendor
- Assets to be acquired under the Purchase Options** : the Option Vessels

Total Consideration

Pursuant to the Option Agreement, the consideration of one Option Vessel is US\$27.50 million and the total consideration of the Option Vessels is US\$110.00 million (equivalent to approximately HK\$858.00 million) (the “**Option Consideration**”).

The Option Consideration has been determined by the parties after arm’s length negotiations between the parties, taking into account the current market values of similar type of vessels by reference to the publicly available industry reports and recent comparable transactions in the industry, as well as payment terms and delivery dates that meet the Company’s requirements and agreed between a willing buyer and a willing seller. The Directors consider that the terms of the Option Agreement (including the Option Consideration) are fair and reasonable, and the Option Agreement is in the interest of the Company and the Shareholders as a whole.

It is currently expected that, upon exercise of the Purchase Options, the Option Consideration will be funded by shareholders’ loan provided by the shareholders of CA Shipping or its nominee (as the case may be) and the banking facilities to be obtained by them. If the bank requires the shareholders of CA Shipping or its nominee (as the case may be) to provide guarantees and/or collaterals, the Company shall provide such guarantee and/or collaterals in proportion to its shareholding percentage in such entity.

Exercise of the Purchase Options

Pursuant to the Option Agreement, CA Shipping shall declare its intention to exercise the Purchase Options in writing to Huangpu Wenchong Shipbuilding within two months since the condition precedents under the SPAs being fulfilled. Within 10 days of declaration of the Purchase Options, CA Shipping and Huangpu Wenchong Shipbuilding shall enter into an agreement in a form identical to the SPA for the Vessel bearing the builder’s hull number H2483 as suitably and logically amended.

If the Purchase Options are not exercised within the stipulated time, the Option Agreement shall become null and void.

Delivery time

If the Purchase Options are exercised within the stipulated time, it is currently expected that the Option Vessels will be delivered on or before 30 April 2025, 30 June 2025, 30 August 2025, and 30 October 2025, respectively.

INFORMATION OF THE PARTIES TO THE SPAS AND THE OPTION AGREEMENT

CA Shipping is a joint venture established by Fortune Vcontainer Carriers and ASL NAVIGATION. As at the date of this announcement, CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION. CA Shipping is a non-wholly owned subsidiary of the Company and its financial results are consolidated into the financial statements of the Group.

Fortune Vcontainer Carriers is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in the provision of leasing services.

ASL NAVIGATION is a company incorporated in Hong Kong with limited liability and is principally engaged in shipping business. As at the date of this announcement, ASL NAVIGATION is wholly-owned by ASL Shipping, Limited. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, ASL Shipping, Limited is ultimately owned as to approximately 55% by Hsing Tai-Ming and as to approximately 45% by Yang Xiaodong respectively. ASL NAVIGATION, ASL Shipping, Limited and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

Huangpu Wenchong Shipbuilding is a company established pursuant to the laws of the PRC and is principally engaged in shipbuilding business. It is an indirect wholly-owned subsidiary of China Shipbuilding Group, the sole shareholder of CSSC Group and one of the controlling shareholders of the Company. Accordingly, Huangpu Wenchong Shipbuilding is a connected person of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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

The Group is principally engaged in the provision of operating lease and financial lease. During the ordinary and usual course of business of the Group, the Group has been purchasing vessels from CSSC Group and/or its associates since its incorporation in 2012. The vessels purchased from CSSC Group and/or its associates have been used for the Group's operating lease business and for direct finance lease transactions (both being the Group's principal businesses). The Acquisitions enable the Group to generate leasing income by leasing the Vessels to its customer(s).

In addition, the Group has striven to maintain a diversified, modern and youthful vessel portfolio. It will regularly monitor and assess the age, conditions and utilisation of its vessels with a view to optimising its asset allocation and improving the risk resistance capability of assets on an on-going basis. Given that the container ship market has continued to recover and become the largest in the world trade volume in the past two years and the efficiency and security of global supply chain was raised to an unprecedented level of significance due to the COVID-19 impact, the Board considers that, the Acquisitions represent a strategic move for the Group to expand the proportion of feeder container ships in its vessel portfolio. In particular, the Option Agreement allows the Company to reserve business opportunities for further expansion of its vessel portfolio with the right to acquire more vessels at a pre-determined price at a later stage. In addition, CSSC Group together with its associates have consistently delivered quality vessels to the Group in a timely manner, and there is not any material breach of contractual terms of the shipbuilding agreements on the part of CSSC Group and/or its associates. Therefore, the purchase of vessels from CSSC Group and/or its associates enables the Group to secure the earliest possible ship delivery timetable, which will improve the ultimate operation efficiency. Having considered the above, the Directors believe that the terms of the SPAs and the Option Agreement are fair and reasonable, and the SPAs and the Option Agreement are in the interests of the Company and its Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As at the date of this announcement, China Shipbuilding Group (through CSSC Group) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Huangpu Wenchong Shipbuilding, Huangpu Wenchong Shipbuilding is a connected person of the Company. Therefore, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute disclosable transactions and connected transactions of the Company and are therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

In addition, as the Group has entered into the December 2021 SPA and the May 2022 SPAs with associates of CSSC Group, the December 2021 Acquisition, the May 2022 Acquisition and the Acquisitions constitute a series of transactions conducted within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the December 2021 Acquisition, the May 2022 Acquisition and the Acquisitions on an aggregated basis exceed 25% but are less than 100%, the Acquisitions constitute major transactions and connected transactions of the Company and are therefore subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

EGM

The EGM will be convened to, among other things, consider and, if thought fit, approve the SPAs, the Option Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the SPAs, the Option Agreement and the transactions contemplated thereunder. The Company has appointed Somerley Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, (i) further details in relation to the Acquisitions, (ii) the recommendation of the Independent Board Committee in relation to the SPAs, the Option Agreement and the transactions contemplated thereunder, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPAs, the Option Agreement and the transactions contemplated thereunder; and (iv) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 August 2022.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the Vessels and the Option Vessels
“ASL NAVIGATION”	ASL NAVIGATION LIMITED, a company incorporated in Hong Kong with limited liability
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“banking day(s)”	day(s) (other than Saturday(s), Sunday(s) and public holiday(s)) on which commercial banks are open for business among in Beijing and Hong Kong
“Board”	the board of directors of the Company
“CA Shipping”	CA Shipping Company Limited, the joint venture established by Fortune Vcontainer Carriers and ASL NAVIGATION in Hong Kong and is a non-wholly owned subsidiary of the Company
“China Shipbuilding Group”	China State Shipbuilding Corporation* (中國船舶集團有限公司), a wholly state-owned limited liability company established under the laws of the PRC, being the sole shareholder of CSSC Group and one of the controlling shareholders of the Company
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSSC Group”	China State Shipbuilding Corporation* (中國船舶工業集團有限公司), a wholly state-owned limited liability company established pursuant to the laws of the PRC and one of the controlling shareholders of the Company
“December 2021 Acquisition”	the acquisition of one liquefied natural gas carrier and bearing the builder’s hull number H1830A under the December 2021 SPA
“December 2021 SPA”	the agreement dated 6 January 2022 entered into between Fortune Pillar Shipping Limited (a wholly-owned special purpose vehicle of the Company) as purchaser and Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. (a subsidiary of CSSC Group) as vendor in respect of the acquisition of one liquefied natural gas carrier and bearing the builder’s hull number H1830A. For further details, please refer to the announcement of the Company dated 28 December 2021 and the circular of the Company dated 31 January 2022
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Acquisitions
“Fortune Vcontainer Carriers”	Fortune Vcontainer Carriers Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huangpu Wenchong Shipbuilding”	CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文冲船舶有限公司), a company established pursuant to the laws of the PRC and a subsidiary of CSSC Group
“Independent Board Committee”	the independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the SPAs, the Option Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong) and independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the SPAs, the Option Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who do not have a material interest in the SPAs, the Option Agreement and the transactions contemplated thereunder
“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
“May 2022 Acquisition”	the acquisition of four 1,100 TEU high-quality feeder container ships under the May 2022 SPAs

“May 2022 SPAs”	collectively, (i) the two novation agreements dated 27 May 2022 entered into among ASL Shipping, Limited, CA Shipping and Wuchang Shipbuilding Industry Group Co., Ltd.* (武昌船舶重工集團有限公司) for the transfer of rights and obligations of ASL Shipping, Limited regarding two 1,100 TEU container vessels under the initial shipbuilding contracts to CA Shipping, and (ii) two shipbuilding agreements dated 27 May 2022 as supplemented by addendum dated 13 June 2022 entered into between CA Shipping or its nominee as purchaser and Wuchang Shipbuilding Industry Group Co., Ltd.* (武昌船舶重工集團有限公司) as seller for the acquisition of two 1,100 TEU container vessels. For further details, please refer to the circular of the Company dated 16 June 2022
“Option Agreement”	agreement to be entered into between CA Shipping as purchaser and Huangpu Wenchong Shipbuilding as vendor on 1 August 2022 in respect of the proposed acquisition of the Purchase Options
“Option Vessels”	four 1,600 TEU container vessels which are expected to be delivered on or before 30 April 2025, 30 June 2025, 30 August 2025, and 30 October 2025, respectively, and an “Option Vessel” means any of them
“PRC”	the People’s Republic of China
“Purchase Options”	four options secured by CA Shipping under the Option Agreement for the rights to acquire the Option Vessels each for a consideration of US\$27.50 million (equivalent to approximately HK\$214.50 million), all of which are exercisable within two months since the condition precedents under the SPAs being fulfilled, and a “Purchase Option” means any of them
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“SPAs”	agreements entered into between CA Shipping or its nominee as purchaser and Huangpu Wenchong Shipbuilding as vendor on 1 August 2022 in respect of the proposed acquisition of the Vessels
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	twenty-foot equivalent unit, which is a standard of measurement used in container transport for describing the capacity of container vessels
“US\$”	United States dollars, the lawful currency of the United States of America
“Vessels”	four 1,600 TEU container vessels bearing the builder’s hull numbers H2483, H2484, H2485, and H2486, and unless otherwise stated, a “Vessel” means any of them
“%”	per cent

In this announcement, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

* *For identification purposes only*

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

Hong Kong, 1 August 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 Mdm. Shing Mo Han Yvonne, Mr. Li Hongji and Mr. Wang Dennis as independent non-executive Directors.