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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report (the "**2021 Annual Report**") of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") for the year ended 31 December 2021. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the 2021 Annual Report.

The Board would like to provide additional information to the 2021 Annual Report.

PRINCIPAL BUSINESS

The Company is a ship leasing company, together with its subsidiaries (collectively, the "**Group**") provides ship leasing services (the "**Leasing Services**") which include finance lease and operating lease and loan services (the "**Loan Services**", together with the Leasing Services, the "**Principal Business**") which include pre-delivery loan, secured loan and factoring services.

The loans granted under the Leasing Services primarily consisted of long-term loans with tenure of up to 8 years and secured by collaterals, including corporate guarantees, refund guarantees, personal guarantees, mortgage and/or assignment of the underlying shipbuilding agreements and/or vessels while the loans granted under the Loan Services consisted of short-term loans with tenure of less than 5 years and secured by mortgage only. The customers of the Leasing Services and the Loan Services are similar and generally include ship operators and trading companies. The operation of the Principal Business is primarily funded by bank borrowings, cash generated from the operation of the Group, share capital from shareholders and bond issuance.

For further details of the Principal Business implemented by the Group, please refer to the section headed "Business" in the prospectus of the Company dated 28 May 2019.

CREDIT RISK ASSESSMENT POLICY

The Group has adopted various policies and procedures to identify, manage and mitigate its credit risk relating to the Principal Business. In particular, it assesses the creditworthiness of the lessees on an on-going basis and closely monitor their payment records to regulate the Principal Business operation with the aim of safeguarding the Group's and the Shareholders' interests. Further, the Group have established an asset quality classification system which allows it to evaluate the quality of its asset portfolio and take appropriate risk mitigation measures in a timely manner.

In general, each lease and/or loan transaction must go through two stages before granting to the lessee/borrower, namely, (i) due diligence; and (ii) project assessment and approval.

The business unit of the Group is responsible for conducting due diligence against the lessees/borrowers, their guarantors and the underlying leased assets in business, financial and legal aspects to evaluate the creditworthiness of the lessees/borrowers. The due diligence is typically conducted by obtaining information through public sources (such as Clarkson Research Tradewinds, and Drewery) and official channels (such as National Bureau of Statistics of China) and from the lessees/borrowers; interviews with the lessees' management, customers, advisers and banks; and on-site investigations. Further, the Group also consults experts and engages third party consultants to obtain professional opinions and advice and conducts additional investigations (if needed).

After conducting due diligence, the project manager prepares a preliminary project assessment report and submits a project approval application to the risk management department. The risk management department together with asset management and accounting and treasury departments review the lease/loan application from different perspectives, for instance, the risk management department is responsible for evaluating the overall risk profile of the subject project, in particular, the lessees' repayment capabilities, credit record and likelihood of default, the asset management department focuses on the risk associated with the acquisition or construction of assets, while the accounting and treasury department considers the funding requirements, source of repayment, loan-to-value ratio and commercial benefits of the lease/loan applications. The risk management department shall then compile a formal project assessment report based on the analysis from the abovesaid departments and submit the same to the senior management or the Board for consideration and approval, depending on the importance of the project. The leases and/or loan projects shall be approved on a case-by-case basis.

For further details of the risk management measures implemented by the Group, please refer to the section headed "Risk Management" in the prospectus of the Company dated 28 May 2019.

INTERNAL CONTROL MEASURES

The Group has persistently implemented internal control measures in relation to the Principal Business and remains sensitive in minimizing the credit risk it is exposed to and is persistent in following this approach in operating the Principal Business, including but not limited to:

(i) establish the customer credit rating model through qualitative and quantitative customer dimension indicators score, forming the final customer evaluation results. The quantitative results are effectively applied to the pre-loan and post-loan stages of the "full life cycle of business". The pre-loan stage of the customer credit rating includes the review of data of the customers from the industry and the public, credit analysis, assessment of collectability of customers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. During the tenure of contracts and/or projects, the Group will monitor the cash flow, operation status and loan/asset portfolio of each customer. In the post-loan stage of the customer credit rating, the Group will keep monitoring its credit exposure on an on-going basis and take into accounts factors associated with the expected credit loss, such as change in market conditions, expected cash flows, passage of time and the likelihood of defaults;

(ii) yearly review of project status on an on-going basis and prepares regular project reports to monitor the leased assets and collateral value and quality;

(iii) perform evaluation of the classification of the leased assets and collaterals in accordance with the asset quality classification system which was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions（非銀行金融機構資產風險分類指導原則）published by the China Banking Regulatory Commission（中國銀行業監督管理委員會）on an annual basis, during which the Group generally takes into consideration factors such as the lessees' ability and willingness to make lease payment, credit records as well as operating and financial conditions. Where necessary, the Group may re-classify the underlying leased assets and take appropriate measures to mitigate its potential loss;

(iv) stress testing on borrowers' repayment ability and collateral value; and

(v) loan collection management including issuing payment demands, negotiating a new repayment schedule with defaulting lessees/borrowers, taking possession or disposing of the leased assets and/or collaterals, enforcing security rights and initiating legal proceedings against default lessees.

SHARE OPTION SCHEME

The Company would also like to provide additional information in respect of the share options during the year ended 31 December 2021 pursuant to Rules 17.07 and 17.08 of the Listing Rules.

The details of the fair value of share options granted during the year ended 31 December 2021 are set out as follows:

Directors	**Grant Date**	**Share options granted during the year ended 31 December 2021**	**Estimated fair value per share option** *HK$*	**Fair value as at the grant date** *HK$'000*
Mr. Zhong Jian	2021/4/30	12,650,000	0.277	3,504
Mr. Hu Kai	2021/4/30	12,650,000	0.277	3,504
Sub-total		25,300,000		7,008
Employees in aggregate	2021/4/30	118,240,000	0.303	35,874
Total		143,540,000		42,882

Notes:

(i) The closing price of the Shares immediately before 30 April 2021, being the date on which the share options were granted, was HK$1.32.

The Board confirms that the abovementioned changes do not affect other information contained in the 2021 Annual Report. Save for the aforesaid, all other information in the 2021 Annual Report remains unchanged.

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

Hong Kong, 16 September 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.