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CSSC (Hong Kong) Shipping Company Limited

中國船舶集團(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3877)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTIONS IN RELATION TO LEASE OF EQUIPMENT

Reference is made to the announcement of the Company dated 20 November 2024 (the “**Announcement**”) in relation to lease of equipment. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

On 18 July 2024, CSSC Tianjin, an indirectly wholly-owned subsidiary of the Company, entered into the Lease Agreement I with (i) Guangxi Wenchuan, an indirectly wholly-owned subsidiary of China Shipbuilding Group, the controlling shareholder of the Company and (ii) Huangpu Wenchong Shipbuilding, an indirectly non-wholly-owned subsidiary of China Shipbuilding Group. Pursuant to the Lease Agreement I, CSSC Tianjin agreed to lease certain equipment to Guangxi Wenchuan and Huangpu Wenchong Shipbuilding for a period of 72 months with the total lease payment of RMB59,112,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, both of Guangxi Wenchuan and Huangpu Wenchong Shipbuilding are subsidiaries of China Shipbuilding Group, the controlling shareholder of the Company. Therefore, the transaction contemplated under the Lease Agreement I constitutes a connected transaction of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) for the transaction contemplated under the Lease Agreement I exceed 0.1% but are less than 5%, the transaction shall be subject to the reporting and announcement requirements but is exempted from circular (including independent financial advice) and the independent shareholders’ approval requirement under Rule 14A.76(2) of the Listing Rules. Accordingly, the Company should have disclosed the details of the transaction contemplated under the Lease Agreement I timely and the Company now issues this announcement disclosing details of the transaction contemplated under the Lease Agreement I to comply with the announcement requirement under the Listing Rules.

BACKGROUND

On 18 July 2024, CSSC Tianjin, an indirectly wholly-owned subsidiary of the Company, entered into the Lease Agreement I with (i) Guangxi Wenchuan, an indirectly wholly-owned subsidiary of China Shipbuilding Group, the controlling shareholder of the Company and (ii) Huangpu Wenchong Shipbuilding, an indirectly non-wholly-owned subsidiary of China Shipbuilding Group. Pursuant to the Lease Agreement I, CSSC Tianjin agreed to lease certain equipment to Guangxi Wenchuan and Huangpu Wenchong Shipbuilding for a period of 72 months with the total lease payment of RMB59,112,000.

LEASE AGREEMENT I

Details of the Lease Agreement I are as follows:

Date: 18 July 2024

Parties:

- (1) CSSC Tianjin (as lessor)
- (2) Guangxi Wenchuan (as co-lessee)
- (3) Huangpu Wenchong Shipbuilding (as co-lessee)

Leased Assets: the equipment of (i) three 350-tonne general-purpose overhead cranes; (ii) two 100-tonne general purpose overhead cranes; (iii) one 60-tonne semi-portal crane; and (iv) one gantry crane.

The cost of such equipment paid by CSSC Tianjin is RMB50,560,000.

Consideration: RMB50,560,000

Lease Period: The lease period shall be 72 months commencing from the date of the Lease Agreement I.

- Total amount of lease: The aggregate amount of lease payable by Guangxi Wenchuan and Huangpu Wenchong Shipbuilding to CSSC Tianjin shall be RMB59,112,000, comprising (i) the rental principal of RMB50,068,317; and (ii) the lease interest of approximately RMB9,043,683.
- Lease Payment: Guangxi Wenchuan shall pay each instalment of the lease to an account designated by CSSC Tianjin at three-monthly intervals.
- Deposit: Guangxi Wenchuan shall pay CSSC Tianjin an amount equivalent to 1% of the consideration no later than 10 business days from the date of the Lease Agreement I.
- Repurchase Options: At the end of the lease period, subject to payment of all moneys owing and payable to CSSC Tianjin under the Lease Agreement I, Guangxi Wenchuan may retain all of the equipment for nil consideration. Once Guangxi Wenchuan decides to exercise the right of retention, the ownership of the equipment is transferred to Guangxi Wenchuan on an as is basis and the Lease Agreement I will be terminated.

Basis of Consideration

The considerations of both the Lease Agreement I and the Lease Agreement II (represented the amount of RMB37,152,000, comprising (i) the principal of RMB31,466,260; and (ii) the lease interest of approximately RMB5,685,740) were determined after arm's length negotiations between CSSC Tianjin and the lessees on normal commercial terms with reference to (i) the model of the leased equipment and the prevailing market interest rate, i.e. the rentals charged by the Group is not less than the rental charged to an independent third party of the Group for the lease of the same or similar equipment at the same period of time; and (ii) the credibility of the lessees and risk factors. In addition, the lease interest is calculated based on the fixed interest rate of 6% per annum.

In arriving at total amounts of lease for both the Lease Agreement I and the Lease Agreement II, the Directors have considered the prevailing market interest rates for leases of comparable assets. For the purpose of the Lease Agreement I and the Lease Agreement II, market interest rates refer to rental paid by an independent third party for leasing equipment with same or similar functions and purposes with the leased equipment and with similar lease term. Taking into account the basis of the consideration and the reasons for and benefits of entering into the Lease Agreement I and the Lease Agreement II, the Board is of the view that the considerations were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT I

The Company is a ship leasing company that provides ship leasing services which include finance lease and operating lease and loan services. The entering into of the Lease Agreement I is part of the ordinary and usual course of business of the Group, which is in line with its business development needs and is expected to provide a stable revenue and cashflow to the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreement I are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON PARTIES TO THE LEASE AGREEMENT I

The Group

Established in June 2012, the Group conducts operating and finance lease of vessels as its principal business. Leveraging the robust industrial foundation and extensive maritime industry expertise of its controlling shareholder, the Group is dedicated to expanding its leasing and investment operations in vessels and marine equipment, offering tailored and adaptable integrated shipping services, along with financial solutions, to ship operators, shippers and traders worldwide.

Guangxi Wenchuan

Guangxi Wenchuan is an indirect non-wholly-owned subsidiary of China Shipbuilding Group, the controlling shareholder of the Company. Its principal activities are shipbuilding, maintenance, modification, dismantling and promoting dismantled materials recycling; marine engineering equipment manufacturing, maintenance and modification; steel structure engineering design, manufacturing, construction and maintenance; electrical and mechanical engineering equipment manufacturing and processing etc.

Huangpu Wenchong Shipbuilding

Huangpu Wenchong Shipbuilding is an indirect non-wholly-owned subsidiary of China Shipbuilding Group. The principal activities of Huangpu Wenchong Shipbuilding are manufacturing of equipment for railways, ships, aerospace and other transportation facilities.

LISTING RULES IMPLICATIONS

As at the date of this announcement, both of Guangxi Wenchuan and Huangpu Wenchong Shipbuilding are subsidiaries of China Shipbuilding Group, the controlling shareholder of the Company. Therefore, the transaction contemplated under the Lease Agreement I constitutes a connected transaction of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) for the transaction contemplated under the Lease Agreement I exceed 0.1% but are less than 5%, the transaction shall be subject to the reporting and announcement requirements but is exempted from circular (including independent financial advice) and the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules. Accordingly, the Company should have disclosed the details of the transaction contemplated under the Lease Agreement I timely and the Company now issues this announcement disclosing details of the transaction contemplated under the Lease Agreement I to comply with the announcement requirement under the Listing Rules. None of the Directors has a material interest in the connected transaction and therefore none of the Directors is required to abstain from voting on the resolution of the Board approving the Lease Agreement I and the transaction contemplated thereunder.

The Company is committed to ensuring full compliance with all regulatory requirements moving forward. The Company will conduct internal trainings to its employees, Directors and senior management on regulatory compliance matters relating to the Listing Rules (in particular, the size test calculation and the connected transactions) to promote their familiarity and raise their awareness with the Listing Rules and to enhance the disclosure practices. It is expected that the trainings will be completed by the end of December 2024 and the status of the training will be disclosed in the 2024 annual report of the Company.

By order of the Board
CSSC (Hong Kong) Shipping Company Limited
中國船舶集團(香港)航運租賃有限公司
Li Hongtao
Chairman

Hong Kong, 10 December 2024

As at the date of this announcement, the Board comprises Mr. Li Hongtao as executive Director, Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Chi Benbin as non-executive Directors, and Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne, BBS, JP and Mr. Li Hongji as independent non-executive Directors.

* *For identification purpose only*