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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

PROPOSED ACQUISITION OF VESSELS

INTRODUCTION

The Board is pleased to announce that Fortune Vcontainer Carriers, a wholly-owned subsidiary of the Company has formed a joint venture, namely CA Shipping, with ASL NAVIGATION for the purpose of acquiring and operating the Vessels. As at the date of this announcement, CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION. Accordingly, CA Shipping is an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

THE PROPOSED ACQUISITION OF THE VESSELS

It is intended that CA Shipping (being an indirectly non-wholly subsidiary of the Company) or its nominees as purchasers will enter into the SPA(s) with Wuchang Shipbuilding (being an indirect wholly-owned subsidiary of China Shipbuilding Group) as vendor to acquire the Vessels at a total consideration of up to US\$91.92 million (equivalent to approximately HK\$716.98 million).

THE LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the formation of CA Shipping and the capital injection by the Company to the registered capital of CA Shipping is less than 5%, the formation of CA Shipping does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

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 Wuchang Shipbuilding, Wuchang Shipbuilding is a connected person of the Company. Therefore, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a disclosable transaction and connected transaction of the Company and is 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 July 2021 SPA and the December 2021 SPA with an associate of CSSC Group, the July 2021 Acquisition, the December 2021 Acquisition and the Proposed Acquisition constitute a series of transactions conducted within 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 July 2021 Acquisition, the December 2021 Acquisition and the Proposed Acquisition on an aggregated basis exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major transaction and connected transaction of the Company and is 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 SPA(s) 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 SPA(s) and the transactions contemplated thereunder. The Company will appoint an 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 Proposed Acquisition, (ii) the recommendation of the Independent Board Committee in relation to the SPA(s) 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 SPA(s) 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 14 June 2022, as additional time will be required to prepare the relevant information to be included in the circular.

INTRODUCTION

The Board is pleased to announce that Fortune Vcontainer Carriers, a wholly-owned subsidiary of the Company has formed a joint venture, namely CA Shipping, with ASL NAVIGATION for the purpose of acquiring and operating the Vessels. As at the date of this announcement, CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION. Accordingly, CA Shipping is an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

THE PROPOSED ACQUISITION OF THE VESSELS

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THE SPA(S)

Parties : (i) CA Shipping or its nominees as purchasers
(ii) Wuchang Shipbuilding as vendor

Assets to be acquired : the Vessels

Total consideration

Pursuant to the SPA(s), the consideration of one Vessel is US\$22.98 million and the total consideration of the Vessels is up to US\$91.92 million (equivalent to approximately HK\$716.98 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 Wuchang Shipbuilding on the date of the SPA(s);
- (b) a sum equivalent to 10% of the Consideration shall be paid by CA Shipping to Wuchang Shipbuilding upon steel cutting of the Vessels;
- (c) a sum equivalent to 5% of the Consideration shall be paid by CA Shipping to Wuchang Shipbuilding upon keel laying of the Vessels;
- (d) a sum equivalent to 5% of the Consideration shall be paid by CA Shipping to Wuchang Shipbuilding upon launching of the Vessels; and

- (e) a sum equivalent to 60% of the Consideration shall be paid by CA Shipping to Wuchang 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 SPA(s) (including the Consideration) are fair and reasonable and the SPA(s) is 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 nominees (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 nominees (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 between 31 January 2024 to 31 August 2024.

INFORMATION OF THE PARTIES TO THE SPA(S)

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. Accordingly, CA Shipping is a non-wholly owned subsidiary of the Company and its financial results will be 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. 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.

Wuchang Shipbuilding is a company incorporated under 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, Wuchang Shipbuilding is a connected person of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

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

The Group has striven to maintain a diversified, modern and youthful vessel portfolio. The Board considers that, the Proposed Acquisition represents a strategic move for the Group to expand the proportion of feeder container ships in its vessel portfolio. Having considered the above, the Directors believe that the terms of the SPA(s) are fair and reasonable and the SPA(s) is in the interests of the Company and its Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the formation of CA Shipping and the capital injection by the Company to the registered capital of CA Shipping is less than 5%, the formation of CA Shipping does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

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EGM

The EGM will be convened to, among other things, consider and, if thought fit, approve the SPA(s) 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 SPA(s) and the transactions contemplated thereunder. The Company will appoint an 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 Proposed Acquisition, (ii) the recommendation of the Independent Board Committee in relation to the SPA(s) 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 SPA(s) 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 14 June 2022, as additional time will be required to prepare the relevant information to be included in the circular.

DEFINITIONS

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

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
“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 under 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
“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 Proposed Acquisition
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

“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 SPA(s) and the transactions contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the SPA(s) and the transactions contemplated thereunder
“Independent Shareholder”	Shareholders who do not have a material interest in the SPA(s) and the transactions contemplated thereunder
“July 2021 Acquisition”	the acquisition of one liquefied natural gas carrier and bearing the builder’s hull number H1829A under the July 2021 SPA
“July 2021 SPA”	the agreements dated 2 July 2021 entered into between Fortune Magnificent 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 H1829A. For further details, please refer to the announcement of the Company dated 28 December 2021
“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
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the Vessels
“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)
“SPA(s)”	agreement(s) to be entered into between CA Shipping or its nominees as purchasers and Wuchang Shipbuilding as vendor in respect of the Proposed Acquisition
“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”	up to four 1,100 TEU high-quality feeder container ships; and “Vessel” means any of them
“Wuchang Shipbuilding”	Wuchang Shipbuilding Industry Group Co., Ltd.* (武昌船舶重工集團有限公司), a company established under the laws of the PRC and is an indirect wholly-owned subsidiary of China Shipbuilding Group
“%”	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, 18 May 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.