
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CSSC (Hong Kong) Shipping Company Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF VESSELS AND OPTIONS TO PURCHASE VESSELS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 15 of this circular.

A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, is set out on page 16 of this circular.

A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 28 of this circular.

A notice convening the EGM to be held at 1801, 18/F, World-wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 29 September 2022 at 2:30 p.m. is set out on pages 34 to 36 of this circular. A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Precautionary measures for the EGM: In order to prevent and control the Coronavirus pandemic as well as safeguard public health, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Seating at the EGM venue will be arranged so as to allow for appropriate social distancing.
- (ii) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM venue.
- (iii) Every attendee is required to wear a face mask at any time within the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iv) Any attendee who declines any of the abovementioned measures will be refused admission to the EGM venue.
- (v) No refreshment will be served, and there will be no corporate gifts.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person, by completing and returning the form of proxy attached to this circular. If any Shareholder chooses not to attend the EGM in person but has any question about the resolutions set out in the notice of EGM or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our registered office.

In the event that the Coronavirus situation requires the date or/and venue of the EGM to be changed, the Company will, as soon as practicable, publish a notice on the website of the Stock Exchange at www.hkexnews.hk and its website at <http://www.csscshipping.cn> to notify Shareholders of the date, time and venue of the rescheduled meeting.

9 September 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms 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
“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

DEFINITIONS

“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 dollars, 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* (中船黃埔文沖船舶有限公司), 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

DEFINITIONS

“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
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, supervisors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Latest Practicable Date”	7 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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

DEFINITIONS

“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 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, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of share(s) of the Company
“SPAs”	four 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
“subsidiary” or “subsidiaries”	has the same meaning as ascribed to it under the listing Rules
“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.

For the purpose of this circular, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 = HK\$7.80. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

** For identification purposes only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

LETTER FROM THE BOARD

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)

Executive Director:

Mr. Zhong Jian (*Chairman*)

Non-executive Directors:

Mr. Li Wei

Mr. Zou Yuanjing

Independent Non-executive Directors:

Mr. Wang Dennis

Mdm. Shing Mo Han Yvonne

Mr. Li Hongji

Registered Office:

1801, 18/F, World-wide House

19 Des Voeux Road Central

Hong Kong

9 September 2022

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
INVOLVING ACQUISITIONS OF VESSELS AND
OPTIONS TO PURCHASE VESSELS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 1 August 2022 and 8 September 2022 in relation to, amongst others, the Acquisitions.

The main purpose of this circular is to provide you with, among other things, (1) further information of the SPAs, the Option Agreement and the Acquisitions; (2) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (3) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (4) the notice of the EGM.

LETTER FROM THE BOARD

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 (being “SPA I”, “SPA II”, “SPA III” and “SPA IV”, respectively) 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 and of broadly similar terms and conditions. Principal terms of the SPAs are as follows:

- | | | | |
|-----------|---|------|-------------------------------|
| Purchaser | : | (i) | CA Shipping or its nominees |
| Vendor | : | (ii) | Huangpu Wenchong Shipbuilding |

Vessels to be acquired

The vessels to be acquired under the SPAs are four 1,600 TEU container vessels bearing the vendor’s hull numbers H2483, H2484, H2485, and H2486.

LETTER FROM THE BOARD

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.

Pursuant to the SPAs, all payments made by CA Shipping or its nominees prior to the delivery of the Vessels shall be in the nature of advance payment to Huangpu Wenchong Shipbuilding. In the event the SPAs are justifiably cancelled or rescinded by CA Shipping or its nominees in accordance with the terms of the SPAs, Huangpu Wenchong Shipbuilding shall refund to CA Shipping or its nominees all sums paid to it, together with interest, from the date of receipt by Huangpu Wenchong Shipbuilding to the date of refund. Huangpu Wenchong Shipbuilding shall deliver a refund guarantee to CA Shipping or its nominees according to the term of SPAs for the aforesaid refund.

As at the Latest Practicable Date, Huangpu Wenchong Shipbuilding had yet to deliver the refund guarantee to CA Shipping or its nominees. As such, no instalments of the Consideration were paid by CA Shipping or its nominees to Huangpu Wenchong Shipbuilding.

LETTER FROM THE BOARD

Adjustment to the Consideration

Pursuant to SPA I, the consideration shall be adjusted downward if there is a delay of delivery for more than 45 days (the “**45-Day Grace Period**”). The consideration shall be reduced by US\$5,000 per day if there is a delay of delivery for up to 180 days since the 45-Day Grace Period. CA Shipping or its nominees may terminate SPA I if there is a delay in delivery for more than 225 days.

Pursuant to SPA II, SPA III and SPA IV, the consideration shall be adjusted downward if there is a delay of delivery for more than 30 days (the “**30-Day Grace Period**”). The consideration shall be reduced by US\$5,000 per day if there is a delay of delivery for up to 180 days since the 30-Day Grace Period. CA Shipping or its nominees may terminate the SPAs if there is a delay in delivery for more than 210 days.

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 (such as the then most recent Clarksons Shipping Intelligence Weekly where it reported that the average newbuilding price for container vessel which is similar to the Vessel is approximately US\$28.0 million for year 2021) 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 as to approximately 30% by shareholders’ loan to be provided by the shareholders of CA Shipping or its nominee (as the case may be) and as to approximately 70% by banking facilities to be obtained by them. The Company shall provide the aforesaid shareholders’ loan to CA Shipping in proportion to its shareholding percentage by its internal resources if so required. 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 transactions contemplated under the SPAs is conditional upon the approval obtained from the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

THE OPTION AGREEMENT

Principal terms of Option Agreement are as follows:

Purchaser : (i) CA Shipping

Vendor : (ii) Huangpu Wenchong Shipbuilding

Vessels to be acquired

Under the Option Agreement, the vessels to be acquired upon exercise of the Purchase Options are four 1,600 TEU container vessels.

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 (such as the then most recent Clarksons Shipping Intelligence Weekly where it reported that the average newbuilding price for container vessel which is similar to the Vessel is approximately US\$28.0 million for year 2021) 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 as to approximately 30% by shareholders’ loan to be provided by the shareholders of CA Shipping or its nominee (as the case may be) and as to approximately 70% by banking facilities to be obtained by them. The Company shall provide the aforesaid shareholders’ loan to CA Shipping in proportion to its shareholding percentage by its internal resources if so required. 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.

LETTER FROM THE BOARD

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 Latest Practicable Date, CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION.

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 Latest Practicable Date, ASL NAVIGATION is wholly-owned by ASL Shipping, Limited. ASL Shipping, Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in shipping business. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the Latest Practicable Date, ASL Shipping, Limited is ultimately owned as to approximately 55% by Hsing Tai-Ming and as to approximately 45% by Yang Xiangdong 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.

LETTER FROM THE BOARD

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 will continue to pursue the challenge of maintaining a diversified, modern and youthful vessel portfolio. It will regularly monitor and assess the age, conditions, utilisation and lifespan of its vessels to optimise its presence worldwide. Given that (i) the container ship market was fully recovered from the COVID-19 pandemic since 2021 and become the largest in the world trade volume in the past two years and (ii) the efficiency and security of global supply chain was tremendously raised to an unprecedented level of significance at this juncture, 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 as well as to allow the Group to be well-placed to capture opportunities rising in the post-COVID-19 recovery effectively. The supply and demand side of feeder container vessels, especially the regional trade of Southeast Asia are dynamically healthy, within which areas those vessels will operate. The global containers seaborne trade are improving fundamentally, especially the Regional Comprehensive Economic Partnership (RCEP) policy benefits stimulate multilateral trade volume. The efficiency and security of global supply chain had been raised to an unprecedented significance level due to the COVID-19 impact. All those have created new chances and prosperity for feeder container market. 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 predetermined 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.

LETTER FROM THE BOARD

THE LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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, on a standalone basis, constitute discloseable transactions of the Company which is subject to notification and announcement requirements under Chapter 14 of the Listing Rules. Further, the Acquisitions also constitute 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. Given that the Company has complied with the major transaction requirements for the December 2021 Acquisition and the May 2022 Acquisition and that the Acquisitions would not result in a higher transaction classification under the Listing Rules, therefore, the Acquisitions and this circular are only subject to the relevant requirements for discloseable and connected transactions under the Listing Rules.

China Shipbuilding Group, through its direct wholly-owned subsidiary, namely, CSSC Group holds 4,602,046,234 Shares, representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date. Therefore, CSSC Group is an associate of China Shipbuilding Group and a connected person of the Company. As such, China Shipbuilding Group and CSSC Group control or are entitled to exercise control over the voting rights in respect of 4,602,046,234 Shares, representing 75% of the entire issued share capital of the Company as at the Latest Practicable Date and shall abstain from voting at the EGM. Mr. Zhong Jian is an executive Director and chairman of the Board who is also a supervisor of China CSSC Holdings Ltd.* (中國船舶工業股份有限公司), which is a subsidiary of CSSC Group. Mr. Zou Yuanjing is a non-executive Director who is also a director of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司), which is a subsidiary of CSSC Group. Mr. Zhong Jian and Mr. Zou Yuanjing are considered to have material interest and had abstained from voting at the Board meeting with respect to the review and approval of the SPAs and the Option Agreement.

LETTER FROM THE BOARD

Save as disclosed above, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, none of the Shareholders and any of their respective close associates has any material interest in the SPAs and the Option Agreement and is required to abstain from voting in respect of the shareholders' resolutions to approve the same.

EGM AND PROXY ARRANGEMENT

A notice convening the EGM to be held at 1801, 18/F, World-wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 29 September 2022 at 2:30 p.m. is set out on pages 34 to 36 of this circular. At the EGM, ordinary resolutions will be proposed to approve the SPAs, the Option Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed in this circular. Whether or not you are able to attend such meeting, please complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The Chairman of the meeting will therefore demand a poll for every resolution to be passed at the EGM pursuant to the Articles of Association of the Company. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To ascertain the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 26 September 2022 to Thursday, 29 September 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2022.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 16 of this circular; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 28 of this circular; and (iii) the additional information set out in the appendix to this circular.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that (i) the entering into of the SPAs and the Option Agreement is in the Group's ordinary course of business; and (ii) the terms of the SPAs and the Option Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Independent Shareholders to attend and vote at the EGM in favour of the ordinary resolutions set out in the notice of the EGM.

Yours faithfully,

By order of the Board

CSSC (Hong Kong) Shipping Company Limited

Zhong Jian

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

9 September 2022

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
INVOLVING ACQUISITIONS OF VESSELS AND
OPTIONS TO PURCHASE VESSELS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 9 September 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the SPAs, the Option Agreement and the transactions contemplated thereunder.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in this regard. We wish to draw your attention to the “Letter from Somerley Capital Limited” as set out in the Circular. Having considered the principal factors and reasons, and the advice of the Independent Financial Adviser as set out in their letter of advice, we are of the opinion that the terms of the SPAs and the Option Agreement are on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM approving the SPAs, the Option Agreements and the transactions contemplated thereunder.

Yours faithfully,

the Independent Board Committee

Mr. Wang Dennis
*Independent non-executive
Director*

Mdm. Shing Mo Han Yvonne
*Independent non-executive
Director*

Mr. Li Hongji
*Independent non-executive
Director*

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

9 September 2022

To: the independent board committee and the independent shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF VESSELS AND OPTIONS TO PURCHASE VESSELS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of CSSC (Hong Kong) Shipping Company Limited (the “**Company**”) in relation to the proposed acquisition of vessels from CSSC Huangpu Wenchong Shipbuilding Company Limited (the “**Acquisitions**”). Details of the Acquisitions are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 9 September 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

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 (the four agreements are referred as the “**SPA I**”, “**SPA II**”, “**SPA III**” and “**SPA IV**” respectively) with Huangpu Wenchong Shipbuilding (being an indirect wholly-owned subsidiary of China Shipbuilding Group), as seller, to acquire the Vessels at a total consideration of US\$110.00 million (equivalent to approximately HK\$858.00 million). On the even date, CA Shipping has entered into the Option Agreement with Huangpu Wenchong Shipbuilding, pursuant to which CA Shipping will have the discretion to exercise the Purchase Options within two months after the effectiveness of the SPAs at a total consideration of up to US\$110.00 million (equivalent to approximately HK\$858.00 million).

LETTER FROM SOMERLEY CAPITAL LIMITED

According to the Board Letter, as at the Latest Practicable Date, China Shipbuilding Group (through CSSC Group) is interested in approximately 75% of the issued share capital of the Company and is the indirect shareholder of Huangpu Wenchong Shipbuilding. Huangpu Wenchong Shipbuilding is a connected person of the Company. The Acquisitions constitute discloseable transactions and connected transactions of the Company and are subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji, has been established to advise the Independent Shareholders in relation to the Acquisitions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) notifiable and connected transactions involving acquisition of vessels (details of which are set out in the Company's circular dated 31 January 2022); and (ii) major and connected transaction in relation to the proposed acquisition of vessels (details of which are set out in the Company's circular dated 16 June 2022). Such past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Somerley Capital Limited received normal professional fees from the Company. Given the independent advisory nature of the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and Huangpu Wenchong Shipbuilding that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the matters set out above.

In formulating our opinion, we have relied on the information as contained in the Circular and the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "**Management**"). We have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or Huangpu Wenchong Shipbuilding, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Acquisitions, we have taken into account the principal factors and reasons set out below.

1. Information on the parties to the Acquisitions

The Group

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

CA Shipping is a joint venture established by Fortune Vcontainer Carriers and ASL NAVIGATION. As at the date of the Latest Practicable Date, CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION.

Fortune Vcontainer Carriers is a company established 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 Latest Practicable Date, ASL NAVIGATION is wholly-owned by ASL Shipping Limited (“**ASL Shipping**”). As set out in the Board Letter, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the Latest Practicable Date, ASL Shipping is ultimately owned as to approximately 55% by Hsing Tai-Ming and as to approximately 45% by Yang Xiangdong, respectively. ASL NAVIGATION, ASL Shipping and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

Huangpu Wenchong Shipbuilding (the shipbuilder)

Huangpu Wenchong Shipbuilding is a company incorporated 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.

LETTER FROM SOMERLEY CAPITAL LIMITED

2. Reasons for and benefits of the Acquisitions

As advised by the Management, CSSC Group is a leading state-owned shipbuilding conglomerate in the PRC. CSSC Group has solid experience and substantial expertise in shipbuilding and is equipped with capabilities in constructing a wide range of vessels. 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 (either through entering into direct shipbuilding contract with the shipbuilders or novation of shipbuilding contracts previously entered into between the Group's lessee customers and the shipbuilders) since its establishment 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). When the vessels purchased under the Acquisitions are delivered from the shipbuilder, the Group would be able to generate leasing income by leasing the vessels to customer(s).

To understand the shipping market, we have performed an analysis on the ClarkSea Index, a weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector created by the Clarkson Research Services Limited ("Clarkson"). Clarkson is the research arm of Clarkson Plc (<https://www.clarksons.com/>), an international provider of integrated shipping services. Since the listing of the Company on the Stock Exchange on 17 June 2019, the average ClarkSea Index increased from approximately US\$13,050/day in June 2019 to approximately US\$41,364/day in June 2022. The ClarkSea Index remained stable from 2019 to 2020, with an average of approximately US\$15,082/day in 2019 and an average of approximately US\$14,839/day in 2020. The average ClarkSea Index then increased to approximately US\$28,700/day in 2021 and approximately US\$38,802/day during January to June 2022. The ClarkSea Index increased significantly since 2021, from approximately US\$15,386/day in January 2021 to approximately US\$41,364/day in June 2022. The shipping industry was on a positive trend recently based on the statistics above.

As advised by the Management, it is the Group's strategy to continue strengthening its fleet size so as to expand its business. According to the Company's 2021 annual report, the Group will continue to maintain continuous investment in new ship leasing assets. With reference to the Company's 2020 annual report and 2021 annual report, the Group' fleet size increased from 136 vessels (90 of which were chartered for operation and 46 of which were under construction) as at 31 December 2020 to 158 vessels (130 of which were under lease and 28 of which were under construction) as at 31 December 2021. As further mentioned in the Company's 2021 annual report, the audited net profit of the Group for the year ended 31 December 2021 increased by approximately 24.6% as compared to that of 2020. As advised by the Management, such increase in profit was mainly attributable to, among other things, (i) the substantial increase of demand of the Group's self-operating bulk carrier fleet; and (ii) the growth of the Group's operating fleet, which is up to 130 vessels as of 31 December 2021, representing an increase of approximately

LETTER FROM SOMERLEY CAPITAL LIMITED

44.4% from 90 vessels as of 31 December 2020. In light of the above, we consider that the Acquisitions are in line with the Group's development strategy to continue strengthening its fleet size. We are also of the view that the Group's strategy to continue strengthening its fleet size is in the interests of the Company and the Shareholders as a whole having considered (i) that the Group conducts operating and finance lease of vessels as its principal business, the acquisition/construction of vessels is prerequisite to the Group's ordinary business operation; and (ii) the recent positive industry trend as mentioned above.

Taking into account that (i) the Acquisitions are in line with the Group's principal business (as the Group purchases vessels for its operating lease business and/or for direct finance lease transactions); (ii) when the vessels purchased under the Acquisitions are delivered from the shipbuilder, the Group would be able to generate leasing income by leasing the vessels to customer(s); (iii) the Group has been purchasing vessels from CSSC Group and/or its associates over the past years; and (iv) the Acquisitions are in line with the Group's development strategy to continue strengthening its fleet size, we concur with the Management's view that the Acquisitions are in the interests of the Company and the Shareholders as a whole and is in the ordinary and usual course of business of the Group.

3. Principal terms of the Acquisitions

Set out below is a summary of principal terms of the Acquisitions, details of which are set out in the Board Letter.

(a) The SPAs

On 1 August 2022, CA Shipping or its nominee entered into four SPAs with Huangpu Wenchong Shipbuilding in relation to the acquisition of four Vessels at a consideration of US\$110.00 million (equivalent to approximately HK\$858.00 million). The SPAs are of broadly similar terms and conditions, except for the delivery dates and certain terms for delay in delivery.

Vessels to be acquired

The Vessels, being four 1,600 TEU container vessels

Delivery date

Pursuant to the SPA I, the vessel shall be delivered on or before 30 July 2024, subject to extension in accordance with the terms of the SPA I.

Pursuant to the SPA II, the vessel shall be delivered on or before 30 September 2024, subject to extension in accordance with the terms of the SPA II.

Pursuant to the SPA III, the vessel shall be delivered on or before 30 November 2024, subject to extension in accordance with the terms of the SPA III.

LETTER FROM SOMERLEY CAPITAL LIMITED

Pursuant to the SPA IV, the vessel shall be delivered on or before 30 March 2025, subject to extension in accordance with the terms of the SPA IV.

Consideration

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) and shall be settled in following 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 effectiveness of the SPAs;
- (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.

Pursuant to the SPAs, all payments made by CA Shipping prior to the delivery of vessels shall be in nature of advance to the shipbuilder (i.e., Huangpu Wenchong Shipbuilding). In the event the SPAs are justifiably cancelled, rescinded or terminated by the purchaser in accordance with the terms of the SPAs, the shipbuilder shall refund to the buyer the full amount of all sums paid by the purchaser to the shipbuilder, together with interest, from the date of receipt by the shipbuilder to the date of remittance. The shipbuilder shall deliver a refund guarantee (securing refund of 1st, 2nd, 3rd and 4th installments of the consideration) to the buyer according to the term of SPAs for the aforesaid refund.

LETTER FROM SOMERLEY CAPITAL LIMITED

Pursuant to the SPA I, no adjustment to the consideration shall be made for the 45 days of delay in delivery beyond the delivery date as defined in the SPA I. If the delivery is delayed more than 45 days after the delivery date as defined in the SPA I, the consideration shall be reduced by US\$5,000 per day (the total reduction shall not be more than 180 days at the specified rate of reduction after the 45 days of allowance). If the delay in delivery continues for a period of 225 days after the delivery date as defined in the SPA I, the buyer may rescind or cancel the SPA I according to the terms therein.

Pursuant to the SPA II/SPA III/SPA IV, no adjustment to the consideration shall be made for the 30 days of delay in delivery beyond the delivery date as defined in the SPA II/SPA III/SPA IV. If the delivery is delayed more than 30 days after the delivery date as defined in the SPA II/SPA III/SPA IV, the consideration shall be reduced by US\$5,000 per day (the total reduction shall not be more than 180 days at the specified rate of reduction after the 30 days of allowance). If the delay in delivery continues for a period of 210 days after the delivery date as defined in the SPA II/SPA III/SPA IV, the buyer may rescind or cancel the SPA II/SPA III/SPA IV according to the terms therein.

(b) *The Option Agreement*

On 1 August 2022, CA Shipping has entered into the Option Agreement with Huangpu Wenchong Shipbuilding, pursuant to which CA Shipping will have the discretion to enter into shipbuilding contracts with Huangpu Wenchong Shipbuilding for the construction of further four vessels (i.e. the Option Vessels).

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 after the effectiveness of the SPAs; and within 10 days of declaration of the Purchase Options, CA Shipping and Huangpu Wenchong Shipbuilding shall enter into shipbuilding contracts in substantially identical principal terms to the SPA I suitably and logically amended, at a consideration of US\$27.50 million per Option Vessel. If the Purchase Options are not exercised within the stipulated time, the Option Agreement shall become null and void.

Pursuant to the Option Agreement, the Option Vessels shall be delivered on or before 30 April 2025, 30 June 2025, 30 August 2025 and 30 October 2025 respectively.

LETTER FROM SOMERLEY CAPITAL LIMITED

Analysis on the consideration

Under the Acquisitions, the consideration shall be paid by the buyer to the shipbuilder in instalments according to the shipbuilding progress of vessels, with majority of the consideration payable on the delivery of vessels. As advised by the Management, such payment schedule (i.e., payment in instalments according to the shipbuilding progress with majority of the consideration payable on the delivery of vessels) was determined based on arm's length negotiation with the shipbuilder; and was in line with market practice. For our due diligence purpose, we have identified transactions in relation to the acquisition of vessels from shipbuilders announced by other companies listed on the Stock Exchange during one year prior to the announcement of Acquisitions dated 1 August 2022 (the “**Market Transactions**”). To the best of our knowledge and as far as we are aware of, we found 7 transactions which met the aforesaid criteria. We consider the one-year period to be fair and reasonable as it can demonstrate the trend of transactions of similar nature as the Acquisitions conducted by companies under proximate timeframe prior to the entering into of the Acquisitions. Accordingly, we also consider the Market Transactions to be fair and representative for our analysis.

Purchaser	Vendor	Date of announcement	Payment Terms
An indirect subsidiary of Xiamen International Port Co., Ltd (3378)	Jiangsu Zhenjiang Shipyard Group Co., Ltd.*	3 August 2021	Consideration of each vessel will be settled in four instalments according to the stages of construction, representing 10%, 10%, 40% and 40% of the consideration.
Ten indirect wholly-owned subsidiaries of Orient Overseas (International) Limited (316) and COSCO SHIPPING Holdings Co., Ltd. (1919 & 601919)	Dalian COSCO KHI Ship Engineering Co., Ltd.* and Nantong COSCO KHI Ship Engineering Co., Ltd.*	2 September 2021	The relevant buyer shall pay the respective consideration in cash in five instalments based on progress intervals on the construction of each vessel, with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable upon delivery of the vessel.
Nine wholly-owned special purpose companies of China Development Bank Financial Leasing Co., Ltd. (1606)	New Dayang Shipbuilding Co., Ltd.	30 September 2021	The consideration will be paid according to the agreed milestones in the building progress under the vessel purchase agreements.

LETTER FROM SOMERLEY CAPITAL LIMITED

Purchaser	Vendor	Date of announcement	Payment Terms
Three indirect non-wholly-owned subsidiaries of COSCO SHIPPING Energy Transportation Co., Ltd. (1138 & 600026)	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.* and China Shipbuilding Trading Co., Ltd.*	7 December 2021	The consideration is payable in four instalments of 10%, 10%, 10% and 70%, respectively based on the shipbuilding progress.
A wholly-owned subsidiary of COSCO SHIPPING Development Co., Ltd. (2866)	COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd.*	18 March 2022	The consideration will be payable in five instalments in accordance with the following manner: (i) 30% of the total consideration would be payable upon signing of the vessel building contract; (ii) 20% of the total consideration would be payable when commencing building of the vessel; (iii) 20% of the total consideration would be payable when keeling the vessel; (iv) 10% of the total consideration would be payable when launching the vessel; and (v) 20% of the total consideration would be payable when delivering the vessel.
An indirect wholly-owned subsidiary of COSCO SHIPPING Energy Transportation Co., Ltd. (1138 & 600026)	Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.* and China Shipbuilding Trading Co., Ltd.*	12 May 2022	The consideration is payable in five instalments of 10%, 20%, 10%, 10% and 50%, respectively based on the shipbuilding progress
Four wholly-owned special purpose vehicles of China Development Bank Financial Leasing Co., Ltd. (1606)	New Dayang Shipbuilding Co., Ltd.	24 June 2022	The consideration will be paid according to the agreed milestones in the building progress under the shipbuilding contract

Source: the Stock Exchange's website

LETTER FROM SOMERLEY CAPITAL LIMITED

We noted from the Market Transactions that, (i) the purchase price of vessels are paid according to the agreed milestones of the shipbuilding progress; and (ii) in 4 out of 5 Market Transactions (excluding 2 transactions with no disclosure on detailed payment schedule), majority of the consideration is payable on the delivery of vessels. Accordingly, we are of the view that the payment terms of the Acquisition are fair and reasonable.

For our due diligence purpose, we enquired of the Management the internal procedures of the Group in relation to the purchase of vessels for leasing purpose. As advised by the Management, for the Group's leasing projects, the business department shall prepare the relevant project reports and/or other supporting documents (such as price justification documents) for the assessment of the risk management department; and the projects shall be reviewed and approved by the Board/general manager's committee (which is a committee comprising the Company's managers and chaired by the Company's general manager). The project reports and/or the relevant supporting documents include relevant assessment of the leasing project, such as analyses of the vessel purchase prices. When preparing the project reports and the relevant supporting documents, the business department would refer to, among other things, prevailing market values for the construction of similar vessels, as ascertained from industry reports prepared by research companies and/or recent comparable transactions in the industry announced by Clarkson (the "**Internal Procedures**").

The Management confirmed that the Company followed the Internal Procedures when entering into the Acquisitions. For our due diligence purpose, we obtained from the Company the internal price justification document in relation to the Acquisitions. We noted from such document that the Company considered, among other things, (i) newbuilding prices of the relevant container vessels as published by Clarkson; and (ii) shipbuilding prices of similar vessels in the market as noticed by the Company. For our due diligence purpose, we obtained data as extracted from Clarkson regarding newbuilding price in the market. According to Clarkson's data, the market newbuilding price for comparable container vessels (i) ranged from US\$28 million to US\$29 million during the period from January to July 2022; and (ii) was US\$29 million in July 2022. The purchase price of the Vessels and Option Vessels of US\$27.50 million each was lower than the aforesaid recent newbuilding prices in the market. Having considered (i) the aforesaid background of Clarkson; and (ii) that the aforesaid data from Clarkson represents the market shipbuilding prices, we consider it fair and reasonable to make reference to the Clarkson's data. Accordingly, we are also of the view that the consideration of the Acquisitions is fair and reasonable.

Having considered the above, we are of the view that the terms of the Acquisitions are fair and reasonable.

LETTER FROM SOMERLEY CAPITAL LIMITED

4. Possible financial effects of the Acquisitions

According to the Board Letter, it is currently expected that the consideration of the Acquisitions will be funded as to approximately 30% by shareholders' loan to be provided by the shareholders of CA Shipping or its nominee (as the case may be) and as to approximately 70% by banking facilities to be obtained by them. The Company shall provide the aforesaid shareholders' loan to CA Shipping by its internal resources if so required. 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. As advised by the Management, CA Shipping will liaise with the banks regarding the bank facilities and terms of such bank financing will be determined subject to negotiation between CA Shipping and the bank. When determining the terms of the bank financing, CA Shipping would refer to the term of the relevant vessel lease.

As advised by the Management, the Group's bank borrowings mainly represent bank financing for the construction of vessels in its ordinary and usual course of business. For illustration purpose only, according to the 2021 annual report of the Company, the Group had bank borrowings of approximately HK\$19.6 billion as at 31 December 2021, with weighted average interest rates ranging from 0.96% to 2.27% per annum.

Upon completion of the Acquisitions and delivery of the vessels, the Group's fixed assets shall increase by the amount of the consideration for acquisition; the Group's current assets shall decrease by the amount of the consideration to be funded by internal resources; and the Group's liabilities shall increase by the amount of the consideration to be funded by bank financing.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable; and (ii) the Acquisitions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

LETTER FROM SOMERLEY CAPITAL LIMITED

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

* *For the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80. 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 purpose only*

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**Interest of Directors and chief executive of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity/ Nature of interests	Number of Shares	Long/Short position	Approximate percentage of shareholding in the Company (%)
Zhong Jian	Beneficial owner	12,650,000	Long position	0.21

Interest of substantial shareholders of the Company

As at the Latest Practicable Date, the interests and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company were as follows:

Name	Capacity/ Nature of interests	Number of Shares	Long/ Short position	Approximate percentage of shareholding in the Company (%)
State-owned Assets Supervision and Administration Commission	Interest in controlled corporation ⁽¹⁾	4,602,046,234	Long position	75.00
China Shipbuilding Group	Interest in controlled corporation ⁽¹⁾	4,602,046,234	Long position	75.00
CSSC Group	Interest in controlled corporation ⁽¹⁾	4,602,046,234	Long position	75.00
CSSC International Holding Company Limited ("CSSC International")	Beneficial owner ⁽¹⁾	4,602,046,234	Long position	75.00
Central Huijin Investment Ltd.	Interest in controlled corporation ⁽²⁾	522,490,000	Long position	8.52
China Re Asset Management (Hong Kong) Company Limited	Investment manager ⁽²⁾	522,490,000	Long position	8.52
China Reinsurance (Group) Corporation (中國再保險 (集團)股份有限公司) ("China Reinsurance")	Beneficial owner ⁽²⁾	522,490,000	Long position	8.52

Notes:

- (1) CSSC International is a wholly-owned subsidiary of CSSC Group, which is wholly owned by the State-owned Assets Supervision and Administration Commission. As such, by virtue of the SFO, CSSC Group, China Shipbuilding Group and the State-owned Assets Supervision and Administration Commission are deemed to be interested in the 4,602,046,234 Shares held by CSSC International.
- (2) Central Huijin Investment Ltd. holds 71.56% of the equity interest in China Reinsurance. As such, by virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 522,490,000 Shares held by China Reinsurance. The shares held by China Re Asset Management (Hong Kong) Company Limited are the same batch as those held by China Reinsurance.

As at Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors has or has had direct or indirect interest in any assets acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Group since the date to which the latest published audited annual financial statement of the Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors are materially interested and which is significant to the business of the Group.

INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates are interested in any business (apart from the Group's business) which competes or is likely to compete, directly or indirectly, with the business of the Group.

SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

EXPERT AND CONSENT

The following are the qualifications of the expert whose letter or advice is contained in this circular:

Name	Qualifications
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 SFO

The letter or advice from the Independent Financial Adviser is given as of the date of this circular for incorporation in this circular. The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up).

DOCUMENTS ON DISPLAY

Copies of the following documents published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.csscshipping.cn>) for 14 days from the date of this circular:

- (i) the annual reports of the Company for the three years ended 31 December 2021;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 28 of this circular;
- (iii) the December 2021 SPA;
- (iv) the May 2022 SPAs;
- (v) the SPAs; and
- (vi) the Option Agreement.

NOTICE OF EGM

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of CSSC (Hong Kong) Shipping Company Limited (the “**Company**”) will be held at 1801, 18/F, World-wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 29 September 2022 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions below as ordinary resolutions. Unless otherwise defined herein, the terms herein shall have the same meanings as defined in the circular to the shareholders of the Company dated 9 September 2022 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT**,
 - (a) the SPAs (as defined in the Circular), copies of which have been produced to the EGM marked “A” and initialed by the chairman of the EGM for identification purposes) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
 - (b) any one director of the Company (the “**Director**”) be and is/are hereby authorised to do all such acts and things and sign and execute all such documents and to take such steps as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of the SPAs and the transactions contemplated thereunder or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith.”

2. “**THAT**,
 - (a) the Option Agreement (as defined in the Circular), a copy of which has been produced to the EGM marked “B” and initialed by the chairman of the EGM for identification purposes) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any Director be and is/are hereby authorised to do all such acts and things and sign and execute all such documents and to take such steps as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of the Option Agreement and the transactions contemplated thereunder or in connection therewith and to agree to and make such variation, amendments or waiver of matters relating thereto or in connection therewith.”

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

Hong Kong, 9 September 2022

Notes:

1. The resolutions set out in this notice will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
2. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares in the Company may appoint more than one proxy to represent him/her and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must be present in person to represent him/her.
3. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's share registrar in Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint registered holders of a share in the Company, any one of such joint holders may vote, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
6. For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 26 September 2022 to Thursday, 29 September 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 September 2022.

NOTICE OF EGM

7. References to times and dates in this notice are to Hong Kong time and dates.
8. Precautionary measures for the EGM: In order to prevent and control the Coronavirus pandemic as well as safeguard public health, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:
 - (i) Seating at the EGM venue will be arranged so as to allow for appropriate social distancing.
 - (ii) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM venue.
 - (iii) Every attendee is required to wear a face mask at any time within the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
 - (iv) Any attendee who declines any of the abovementioned measures will be refused admission to the EGM venue.
 - (v) No refreshment will be served, and there will be no corporate gifts.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolution at the EGM instead of attending the EGM in person, by completing and returning the form of proxy attached to this circular. If any Shareholder chooses not to attend the EGM in person but has any question about the resolutions set out in this notice or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our registered office.

In the event that the Coronavirus situation requires the date or/and venue of the EGM to be changed, the Company will, as soon as practicable, publish a notice on the website of the Stock Exchange at www.hkexnews.hk and its website at <http://www.cssshipping.cn> to notify Shareholders of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the board of directors of the Company 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.