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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 TRANSACTIONS
IN RELATION TO
THE SALE AND LEASEBACK OF TWO VESSELS**

The Board is pleased to announce that, on 30 September 2022 (after trading hours), Fortune Vision and Fortune Image, being the Company's wholly-owned SPVs, have entered into (i) the Memorandums of Agreement with the Sellers, pursuant to which Fortune Vision and Fortune Image have agreed to purchase the Vessels from the Sellers at the Consideration; and (ii) the Bareboat Charters with the Charterers, pursuant to which Fortune Vision and Fortune Image have agreed to lease the Vessels to the Charterers at a total estimated charterhire to be payable by the Charterers of approximately US\$71,812,000 (including estimated lease interest of approximately US\$10,126,000).

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters is more than 5% but less than 25%, the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters, on a standalone basis, constitute discloseable transactions of the Company under the Listing Rules. Further, the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters, when aggregated with the Previous Transaction (involving the purchase of one 85,000 DWT bulk carrier from GHA Shipping (one of the Sellers) and lease back the subject vessel to GHA Shipping within the past 12 months period), remain as discloseable transactions of the Company under the Listing Rules, and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement.

1. INTRODUCTION

The Board is pleased to announce that, on 30 September 2022 (after trading hours), Fortune Vision and Fortune Image, being the Company's wholly-owned SPVs, have entered into (i) the Memorandums of Agreement with the Sellers, pursuant to which Fortune Vision and Fortune Image have agreed to purchase the Vessels from the Sellers at the Consideration; and (ii) the Bareboat Charters with the Charterers, pursuant to which Fortune Vision and Fortune Image have agreed to lease the Vessels to the Charterers at a total estimated charterhire to be payable by the Charterers of approximately US\$71,812,000 (including estimated lease interest of approximately US\$10,126,000).

2. DETAILS OF THE MEMORANDUMS OF AGREEMENT AND THE BAREBOAT CHARTERS

Date

30 September 2022 (after trading hours)

Parties

Buyers/Owners

Fortune Vision and Fortune Image, being the Company's wholly-owned SPVs

Sellers/Charterers

GIA Shipping and GWA Shipping, companies incorporated under the laws of the Republic of the Marshall Islands. As at the date of this announcement, each of GIA Shipping and GWA Shipping is ultimately and wholly owned by Mr. Han Jia as to 54% and Mr. Zhu Wei as to 46%, respectively.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Sellers, the Charterers and their ultimate beneficial owners are Independent Third Parties.

Subject Matter

The Sellers have agreed to sell the Vessels to Fortune Vision and Fortune Image at the Consideration, which is expected to be settled with the internal funds of Fortune Vision and Fortune Image as well as bank borrowings. At the same time, Fortune Vision and Fortune Image have agreed to lease the Vessels to the Charterers at a total estimated charterhire to be payable by the Charterers of approximately US\$71,812,000 (including estimated lease interest of approximately US\$10,126,000). Upon expiration of the Charter Period, the Charterers has an option to purchase the Vessels from Fortune Vision and Fortune Image at a consideration as agreed by the parties under the Bareboat Charters.

Vessels

The Vessels are two 85,000 DWT bulk carriers and are of an aggregate value of US\$61,000,000, which was calculated based on the market value of the Vessels in the valuation report prepared by a qualified valuer appointed by Fortune Vision and Fortune Image.

Charter Period

The Charter Period shall be a period of 120 months commencing from the Delivery Date.

Charterhire and Interest

Pursuant to the Bareboat Charters, Fortune Vision and Fortune Image have agreed to lease back the Vessels to the Charterers at a total estimated charterhire to be payable by the Charterers of approximately US\$71,812,000 (including estimated lease interest of approximately US\$10,126,000), which shall be payable by the Charterers in 120 consecutive instalments.

The terms of the Memorandums of Agreement and the Bareboat Charters (including the purchase price of the Vessels, the charterhire, the charterhire interest and other expenses thereunder) were determined after arm's length negotiations between the Sellers, the Charterers, Fortune Vision and Fortune Image, with reference to the prevailing market price of comparable financial leasing services in the industry.

Guarantee and Other Security

In connection with the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters, the following guarantee and security documents are intended to be entered into:

- (i) a deed of share charge to be entered into between each of Mr. Han Jia and Mr. Zhu Wei as chargor and each of Fortune Vision and Fortune Image as chargee, pursuant to which each of Mr. Han Jia and Mr. Zhu Wei will, among others, by way of first fixed charge, charge to Fortune Vision and Fortune Image their respective shares in the Charterers;
- (ii) a deed of charter's assignment to be entered into between each of the Charterers as assignor and each of Fortune Image and Fortune Vision as assignee, pursuant to which each of the Charterers with full title guarantee will, among others, assign to Fortune Vision and Fortune Image absolutely and unconditionally all its rights, title and interest in and to the Vessels as at the date of the deed of charter's assignment and those coming into existence in the future; and
- (iii) a deed of charge over the earning account opened or to be opened in the name of each of the Charterers to be executed by each of the Charterers in favour of Fortune Vision and Fortune Image.

The Previous Transaction

On 22 June 2022, Fortune Idea, being the Company's wholly-owned SPV, has purchased a 85,000 DWT bulk carrier from GHA Shipping and leased the subject vessel to GHA Shipping at a total charterhire of approximately US\$41,925,000 (including estimated lease interest of approximately US\$5,517,000). The Previous Transaction, on a standalone basis, did not constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules at the relevant time.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE MEMORANDUMS OF AGREEMENT AND THE BAREBOAT CHARTERS

The Memorandums of Agreement and the Bareboat Charters were entered into by Fortune Vision and Fortune Image in their ordinary course of business. The Directors believe that the entering into of the Memorandums of Agreement and the Bareboat Charters will strengthen the Group's leasing business and is consistent with the Group's overall business development strategies.

The Directors are of the view that the terms of the Memorandums of Agreement and the Bareboat Charters are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

4. INFORMATION OF PARTIES

Information of the Company

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

Information of Fortune Vision and Fortune Image

Fortune Vision and Fortune Image are companies incorporated under the laws of the Republic of the Marshall Islands and are wholly-owned SPVs of the Company. They are principally engaging in ship leasing business.

Information of the Sellers

GIA Shipping and GWA Shipping are companies incorporated under the laws of the Republic of the Marshall Islands and each of them is ultimately and beneficially owned by Mr. Han Jia as to 54% and Mr. Zhu Wei as to 46%, respectively as at the date of this announcement. GIA Shipping and GWA Shipping are principally engaging in ship leasing business.

5. LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio of the transactions under the Memorandums of Agreement and the Bareboat Charters is more than 5% but less than 25%, the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters, on a standalone basis, constitute discloseable transactions of the Company under the Listing Rules. Further, the transactions contemplated under the Memorandums of Agreement and the Bareboat Charters, when aggregated with the Previous Transaction (involving the purchase of one 85,000 DWT bulk carrier from GHA Shipping (one of the Sellers) and lease back the subject vessel to GHA Shipping within the past 12 months period), remain as discloseable transactions of the Company under the Listing Rules, and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but are exempt from the shareholders' approval requirement.

6. DEFINITIONS

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

“Bareboat Charters”	the bareboat charters entered into between each of Fortune Vision and Fortune Image and the Charterers on 30 September 2022 (after trading hours) with respect to the Vessels
“Board”	the board of Directors
“Charter Period”	a period of 120 months commencing from the Delivery Date
“Charterers”	GIA Shipping and GWA Shipping
“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)

“Consideration”	US\$45,750,000, as stipulated in the Memorandums of Agreement and representing the fair market value of the Vessels based on the valuation reports prepared by qualified valuers appointed by Fortune Vision, Fortune Image and the Sellers, and the actual amount of financing provided by Fortune Vision and Fortune Image to the Sellers
“Delivery Date”	the date on which the Vessels are delivered by Fortune Vision and Fortune Image to the Charterers under the Bareboat Charters
“Director(s)”	the director(s) of the Company
“DWT”	Deadweight
“Fortune Idea”	Fortune Idea Shipping Limited, a company incorporated under the laws of the Republic of the Marshall Islands with limited liability and a wholly-owned SPV of the Company
“Fortune Image”	Fortune Image Shipping Limited, a company incorporated under the laws of the Republic of the Marshall Islands with limited liability and a wholly-owned SPV of the Company
“Fortune Vision”	Fortune Vision Shipping Limited, a company incorporated under the laws of the Republic of the Marshall Islands with limited liability and a wholly-owned SPV of the Company
“GHA Shipping”	GHA Shipping Co., Ltd, a corporation incorporated under the laws of the Republic of the Marshall Islands
“GIA Shipping”	GIA Shipping Co., Ltd, a corporation incorporated under the laws of the Republic of the Marshall Islands
“Group”	the Company and its subsidiaries
“GWA Shipping”	GWA Shipping Co., Ltd, a corporation incorporated under the laws of the Republic of the Marshall Islands

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any entity or person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning under the Listing Rules
“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
“Memorandums of Agreement”	the memorandums of agreement entered into between each of Fortune Vision and Fortune Image and the Sellers on 30 September 2022 (after trading hours) with respect to the Vessels
“Previous Transaction”	the acquisition of a 85,000 DWT bulk carrier from GHA Shipping by Fortune Idea and the lease back of the subject vessel from Fortune Idea to GHA Shipping on 22 June 2022
“Sellers”	GIA Shipping and GWA Shipping
“SPV(s)”	special purpose vehicle(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Vessels”	two 85,000 DWT bulk carriers

“%”

per cent

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

Hong Kong, 30 September 2022

As at the date of this announcement, the Board comprises Mr. Zhong Jian as executive Director, Ms. Zhang Yi and Mr. Zou Yuanjing as non-executive Directors, and Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji as independent non-executive Directors.