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Seacon Shipping Group Holdings Limited

洲際船務集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2409)

MAJOR TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

Reference is made to the announcement of the Company dated 27 April 2023 in relation to the Previous Finance Lease Arrangements.

The Board announces that on 16 June 2023 (after trading hours of the Stock Exchange), the Charterer, an indirect wholly-owned subsidiary of the Company, and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) the Charterer agreed to sell the Vessel to the Owner for a consideration of USD27,000,000 under the Memorandum of Agreement; (ii) the Owner agreed to charter the Vessel to the Charterer under the Bareboat Charter; and (iii) the Company entered into the Deed of Guarantee in favour of the Owner.

LISTING RULES IMPLICATIONS

Since both the Finance Lease Arrangement and the Previous Finance Lease Arrangements were entered into with indirect wholly-owned subsidiaries of BOCOM within a 12-month period, the Finance Lease Arrangement shall be aggregated with the Previous Finance Lease Arrangements pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Finance Lease Arrangement, when aggregated with the Previous Finance Lease Arrangements, exceeds 25% but is less than 100%, the Finance Lease Arrangement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the Finance Lease Arrangement. As such, no Shareholder is required to abstain from voting if a general meeting of the Company is to be convened for the approval of the Finance Lease Arrangement. The Company has obtained an irrevocable and unconditional written approval for the Finance Lease Arrangement from the Closely Allied Group who together held 288,750,000 Shares (representing 57.75% of the issued share capital of the Company as at the date of this announcement). Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders' approval requirement in respect of the Finance Lease Arrangement has been satisfied in lieu of a general meeting of the Company.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Finance Lease Arrangement; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 10 July 2023.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 April 2023 in relation to the Previous Finance Lease Arrangements.

The Board announces that on 16 June 2023 (after trading hours of the Stock Exchange), the Charterer, an indirect wholly-owned subsidiary of the Company, and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) the Charterer agreed to sell the Vessel to the Owner for a consideration of USD27,000,000 under the Memorandum of Agreement; (ii) the Owner agreed to charter the Vessel to the Charterer under the Bareboat Charter; and (iii) the Company entered into the Deed of Guarantee in favour of the Owner.

FINANCE LEASE ARRANGEMENT

The principal terms of the Finance Lease Arrangement are as follows:

Date

16 June 2023 (after trading hours of the Stock Exchange)

Parties

The Charterer, as seller under the Memorandum of Agreement and as charterer under the Bareboat Charter

The Owner, as buyer under the Memorandum of Agreement and as owner under the Bareboat Charter

Subject matter

The Vessel, an 85,000 dwt bulk carrier under construction and expected to be delivered on or before 31 October 2023. As the Vessel is still under construction, no profit was generated by the Vessel for the two financial years immediately preceding the Finance Lease Arrangement.

Consideration

USD27,000,000, which is payable by the Owner to the Charterer in cash after deducting the Advance Hire and an arrangement fee payable by the Charterer to the Owner under the Bareboat Charter in two (2) instalments as follows, subject to the terms and conditions of the Memorandum of Agreement:

- (1) USD17,955,000, being the amount payable to the builder of the Vessel under the shipbuilding contract of the Vessel on delivery of the Vessel, is payable three (3) banking days prior to the scheduled delivery date of the Vessel; and
- (2) the remaining balance is payable within two (2) banking days after (i) the delivery by the Charterer and acceptance by the Owner of the Vessel; and (ii) the registration of the Vessel in the name and ownership of the Owner with the specified shipping registry.

The consideration was determined after arm's length negotiations between the Owner and the Charterer taking into account the acquisition cost of the Vessel of USD25,650,000.

Charter period

120 months commencing on the Actual Delivery Date

Charter hire

The charter hire payable by the Charterer to the Owner consists of:

- (1) Advance Hire;

- (2) a fixed hire of USD372,500 payable on each Hire Payment Date (“**Fixed Hire**”), the amount of which is calculated using the following formula:

$$(A - B)/40$$

whereby:

A = Actual Owners’ Cost

B = Balloon

40 = The number of Hire Period during the Charter Period

The total amount of the Fixed Hire payable over the Charter Period is USD14,900,000, being the Fixed Hire payable on each Hire Payment Date multiplied by 40. The Company is of the view that the total amount of the Fixed Hire is fair and reasonable as it is equal to the consideration payable by the Owner under the Memorandum of Agreement after deducting the Balloon; and

- (3) a variable hire (“**Variable Hire**”) calculated using the following formula payable on each Hire Payment Date:

$$(A \times B/360) \times C$$

whereby:

A = (in relation to the first Hire Payment Date) Actual Owners’ Cost; or

(in relation to any other subsequent Hire Payment Date) the Cost Balance on the immediately preceding Hire Payment Date

B = the Interest Rate applicable to that Hire Period

C = the actual number of days during that Hire Period

The Company is of the view that the Interest Rate applicable to the Hire Period of the Finance Lease Arrangement is fair and reasonable based on the quotation provided by another finance lease company for finance lease arrangement in relation to another vessel of similar type and size.

Purchase option

During the period between the date immediately after the third anniversary and the last day of the Charter Period (inclusive) and with at least three (3) months irrevocable prior written notice (or, in the case the Charterer intends to exercise the purchase option at the expiry of the Charter Period, at least six (6) months irrevocable prior written notice), the Charterer has the option to purchase the Vessel for the Purchase Option Price, subject to the conditions set out in the Bareboat Charter (the “**Purchase Option**”).

Ancillary documents

In connection with the Finance Lease Arrangement, the following ancillary documents (the “**Ancillary Documents**”), among others, have been or will be entered into:

- (1) a deed of assignment by the Charterer in favour of the Security Trustee in relation to certain of the Charterer’s rights and interest in and to, among other things, the earnings, insurances, requisition compensation and any sub-charter which may have a duration of twelve (12) months or more (including any option to renew or extend) in respect of the Vessel to secure the payment of the liabilities and the performance by the Charterer of all of its obligations under or arising out of the Transaction Documents and the transaction documents under the Previous Finance Lease Arrangements;
- (2) a deed of undertakings by each approved manager in favour of the Owner and the Security Trustee;
- (3) a deed of charge over the shares in the Charterer by Seacon Shipping in its capacity as chargor in favour of the Security Trustee; and
- (4) a security trust deed among the Owner, the Charterer, the owners and the charterers under the Previous Finance Lease Arrangements, the Company, Seacon Shipping, each approved manager and the Security Trustee, pursuant to which the Security Trustee agrees to hold all of the benefits of the Owner and the owners under the Previous Finance Lease Arrangements arising under (including, without limitation, all proceeds of the enforcement of) each of the Ancillary Documents and the ancillary documents under the Previous Finance Lease Arrangements on trust for the Owner and the owners under the Previous Finance Lease Arrangements absolutely.

The nature of the Ancillary Documents is to provide security for the liabilities incurred by any Obligor to any of the Owner and the owners under the Previous Finance Lease Arrangements in connection with any of the Transaction Documents and the transaction documents under the Previous Finance Lease Arrangements.

Guarantee

The Company has entered into the Deed of Guarantee in favour of the Owner, pursuant to which the Company agreed to, among other things:

- (1) guarantees to the Owner punctual performance by the Charterer, the Company, Seacon Shipping, the approved managers and any party (other than the Owner and the Security Trustee) to the Transaction Documents (collectively, the “**Obligors**”) of all the Obligors’ obligations under the Transaction Documents and of the amount due from the Obligors under the Transaction Documents;
- (2) undertakes with the Owner that whenever any Obligor does not pay any amount when due under or in connection with any Transaction Documents, it shall immediately on demand pay that amount as if it were the principal obligor; and
- (3) indemnifies the Owner immediately on demand against any cost, loss or liability suffered by the Owner if any of the amount due under the Transaction Documents is or becomes unenforceable, invalid or illegal.

REASONS AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group has historically financed the acquisition of controlled vessels and its operations through finance lease arrangements. The Finance Lease Arrangement enables the Group to obtain additional working capital as well as financing for the acquisition of vessels, which is in line with the ongoing strategy of the Group to optimize its vessel fleet by gradually phasing out its older controlled vessels and replacing them with newer vessels and expand its controlled vessel fleet. The Directors believe that through such fleet optimization, the Group will be able to enhance its competitiveness in the maritime shipping industry and to cope with the market demand for its shipping services.

According to the Hong Kong Financial Reporting Standards, the Finance Lease Arrangement are accounted for as financing arrangements and therefore would not give rise to any gain or loss.

In light of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Finance Lease Arrangement are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company, the Group and the Charterer

The Company is an exempted company incorporated under the laws of the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange (stock code: 2409). The Group is principally engaged in the provision of shipping services and ship management services.

The Charterer is a company incorporated in Liberia with limited liability and an indirect wholly-owned subsidiary of the Company. The Charterer is principally engaged in vessel holding and the provision of chartering services.

The Owner

The Owner is a private company limited by shares incorporated in Singapore and an indirect wholly-owned subsidiary of BOCOM. The Owner is principally engaged in shipping business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Owner and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

USE OF PROCEEDS

The net proceeds from the Finance Lease Arrangement will be used to finance potential acquisition of vessels and as general working capital of the Group. As at the date of this announcement, the Company has not identified any potential targets of vessels for acquisition.

LISTING RULES IMPLICATIONS

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As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Finance Lease Arrangement, when aggregated with the Previous Finance Lease Arrangements, exceeds 25% but is less than 100%, the Finance Lease Arrangement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder has a material interest in the Finance Lease Arrangement. As such, no Shareholder is required to abstain from voting if a general meeting of the Company is to be convened for the approval of the Finance Lease Arrangement. The Company has obtained an irrevocable and unconditional written approval for the Finance Lease Arrangement from the Closely Allied Group who together held 288,750,000 Shares (representing 57.75% of the issued share capital of the Company as at the date of this announcement). The Closely Allied Group comprises the following Shareholders:

Name of the Shareholders	Number of Shares interested	Percentage of shareholding
Jin Qiu Holding Ltd. ^(Note 1)	247,500,000	49.5%
Jin Chun Holding Ltd. ^(Note 2)	11,250,000	2.25%
Jovial Alliance Limited ^(Note 2)	30,000,000	6.0%

Notes:

1. The entire share capital of Jin Qiu Holding Ltd. is held by Shining Friends Limited, which is wholly-owned by Tricor Equity Trustee Limited, the trustee of The J&Y Trust, which was established by Mr. Guo Jinkui (as the settlor and protector) as a discretionary trust for the benefit of himself and his family members.
2. Both Jin Chun Holding Ltd. and Jovial Alliance Limited are directly wholly-owned by Mr. Guo Jinkui.

Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders' approval requirement in respect of the Finance Lease Arrangement has been satisfied in lieu of a general meeting of the Company.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Finance Lease Arrangement; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 10 July 2023.

DEFINITIONS

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

“Actual Delivery Date”	the date of delivery of the Vessel by the Owner to the Charterer under the Bareboat Charter
“Actual Owners' Cost”	USD23,900,000, being the consideration of the Vessel of USD27,000,000 less the Advance Hire

“Advance Hire”	an advance hire of USD3,100,000 payable by the Charterer to the Owner on the Actual Delivery Date, which shall be set off against the consideration payable by the Owner under the Memorandum of Agreement
“Ancillary Documents”	has the meaning ascribed to it in the section headed “Finance Lease Arrangement — Ancillary documents”
“Balloon”	USD9,000,000
“Bareboat Charter”	the bareboat charter entered into between the Charterer and the Owner in respect of the charter of the Vessel under the Finance Lease Arrangement
“Board”	the board of Directors
“BOCOM”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Stock Exchange (stock code: 3328)
“Charter Period”	120 months commencing on the Actual Delivery Date
“Charterer”	Seacon Oslo Ltd, a company incorporated in Liberia with limited liability and an indirect wholly-owned subsidiary of the Company
“Closely Allied Group”	a closely allied group of the Shareholders comprising Jin Qiu Holding Ltd., Jin Chun Holding Ltd. and Jovial Alliance Limited which together held 288,750,000 Shares (representing 57.75% of the issued share capital of the Company as at the date of this announcement)
“Company”	Seacon Shipping Group Holdings Limited (洲際船務集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange (stock code: 2409)
“Cost Balance”	an amount equal to the Actual Owners’ Cost as may be reduced by payment of the Fixed Hire over the Charter Period
“Deed of Guarantee”	the deed of guarantee entered into by the Company in favour of the Owner in relation to the Finance Lease Arrangement
“Directors”	the director(s) of the Company

“dwt”	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship’s carrying capacity, including cargoes, bunker, fresh water, crew and provisions
“Finance Lease Arrangement”	the finance lease arrangement in relation to the Vessel
“Fixed Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangement — Charter hire”
“Group”	the Company and its subsidiaries
“Hire Payment Date”	the last day of the relevant Hire Period
“Hire Period”	each and every consecutive three (3)-month period during the Charter Period, the first Hire Period to commence on the Actual Delivery Date and each and every successive Hire Period to commence forthwith upon the expiration of the immediately previous Hire Period, provided that if a Hire Period would otherwise extend beyond the expiration of the Charter Period, then such Hire Period shall terminate on the expiration of the Charter Period
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Rate”	the percentage rate per annum which is the aggregate of (a) the applicable term secured overnight financing rate (SOFR) reference rate administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant period published (before any correction, recalculation or republication by the administrator) by CME Group Benchmark Administration Limited as of three (3) US Government Securities business days before the first day of the relevant Hire Period for a period of three (3) months, or as otherwise determined in accordance with the Bareboat Charter; and (b) a margin of 2.60% per annum
“Liberia”	the Republic of Liberia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Agreement”	the memorandum of agreement entered into between the Charterer and the Owner in respect of the sale and purchase of the Vessel under the Finance Lease Arrangement

“Obligors”	has the meaning ascribed to it in the section headed “Finance Lease Arrangement — Guarantee”
“Owner”	XIANG T11 SG INTERNATIONAL SHIP LEASE PTE. LIMITED, a private company limited by shares incorporated in Singapore
“PRC”	the People’s Republic of China
“Previous Finance Lease Arrangements”	the finance lease arrangements in relation to SEACON HAMBURG and SEACON TOKYO as set out in the announcement of the Company dated 27 April 2023
“Purchase Option”	has the meaning ascribed to it in the section headed “Finance Lease Arrangement — Purchase option”
“Purchase Option Date”	the date on which the Charterer exercises its Purchase Option
“Purchase Option Fee”	<p>an amount equals to:</p> <p>(a) 1% of the Cost Balance as at the Purchase Option Date in the event the Purchase Option Date falls within the period between the date immediately after the third anniversary and the sixth anniversary of the Actual Delivery Date; or</p> <p>(b) 0.5% of the Cost Balance in the event the Purchase Option Date falls within the period between the date immediately after the sixth anniversary and the eighth anniversary of the Actual Delivery Date; or</p> <p>(c) zero in the event the Purchase Option Date falls within the period between the date immediately after the eighth anniversary and the tenth anniversary of the Actual Delivery Date</p>
“Purchase Option Price”	<p>the amount due and payable by the Charterer to the Owner for the exercise of the Purchase Option, being the aggregate of:</p> <p>(a) (i) an amount equal to the Cost Balance as at the Purchase Option Date (in the case the Purchase Option Date falling on a date prior to the expiry of the Charter Period); or</p>

- (ii) an amount equal to the Balloon (in the case the Purchase Option Date falling on the last day of the Charter Period);
- (b) the applicable Purchase Option Fee;
- (c) any Variable Hire under the Bareboat Charter which has accrued but unpaid up to the Purchase Option Date;
- (d) all sum due and payable but unpaid by any Obligors under the Transaction Documents together with (in each case where applicable) interest accrued thereon from the due date for payment thereof up to the date of actual payment;
- (e) all costs, losses, premiums or penalties incurred by the Owner as a result of (i) the receipt by the Owner of any payment under or in relation to the Transaction Documents on a day other than the due date for payment of the sum in question and/or (ii) the Purchase Option Date or the termination payment date does not fall on a Hire Payment Date (if any); and
- (f) all legal costs and expenses and other reasonable costs and expenses incurred by the Owner relating to the exercise by the Charterer of its Purchase Option

“Seacon Shipping”

Seacon Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore and an indirect wholly-owned subsidiary of the Company

“Security Documents”

- (a) the Ancillary Documents;
- (b) the Deed of Guarantee;
- (c) the Security Documents under any bareboat charter party of any ship which may be entered into from time to time between the Owner or any affiliate of the Owner (as owners) and the Charterer or the Company or any affiliate of the Charterer or the Company (as charterers); and
- (d) any other document that may at any time be executed by any person creating, evidencing or perfecting any security interest to secure all or part of the Obligors’ obligations under or in connection with the Transaction Documents

“Security Trustee”	XIANG T26 SG INTERNATIONAL SHIP LEASE PTE. LIMITED, a private company limited by shares incorporated in Singapore
“Shareholders”	holders of the Shares
“Shares”	ordinary shares with a nominal or par value of HK\$0.01 each in the share capital of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the Memorandum of Agreement, the Bareboat Charter, the Security Documents and such other documents as may in good faith be designated as such by the Owner from time to time
“USD”	United States dollars, the lawful currency of the United States of America
“Variable Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangement — Charter hire”
“Vessel”	SEACON OSLO, an 85,000 dwt bulk carrier under construction
“%”	per cent

By order of the Board
Seacon Shipping Group Holdings Limited
Guo Jinkui
Chairman

Hong Kong, 16 June 2023

As at the date of this announcement, the Board comprises executive Directors of Mr. Guo Jinkui, Mr. Chen Zekai, Mr. He Gang, and Mr. Zhao Yong; and independent non-executive Directors of Mr. Fu Junyuan, Ms. Zhang Xuemei, and Mr. Zhuang Wei.

* *For identification purposes only*