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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)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

The Board announces that on 25 June 2024 (after trading hours of the Stock Exchange), the Charterer, an indirect wholly-owned subsidiary of the Company, the Company and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) the Charterer agreed to transfer its rights and obligations under the Shipbuilding Contract for the acquisition of the Vessel to the Owner under the Novation 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

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 25 June 2024 (after trading hours of the Stock Exchange), the Charterer, an indirect wholly-owned subsidiary of the Company, the Company and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) the Charterer agreed to transfer its rights and obligations under the Shipbuilding Contract

for the acquisition of the Vessel to the Owner under the Novation 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

25 June 2024 (after trading hours of the Stock Exchange)

Parties

The Charterer, as the original buyer under the Shipbuilding Contract and as charterer under the Bareboat Charter

The Owner, as the new buyer under the Shipbuilding Contract and as owner under the Bareboat Charter

The Company, as the guarantor under the Bareboat Charter and the Deed of Guarantee

Subject matter

The Vessel, an 18,500 dwt oil/chemical tanker under construction acquired by the Group on 15 March 2024 pursuant to the Shipbuilding Contract. For details, please refer to the Announcement. Seacon Shipping has nominated the Charterer to assume and take over all the buyer's rights, benefits, duties, obligations and liabilities under the Shipbuilding Contract on 25 June 2024.

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

Since the Charterer agreed to transfer its rights and obligations under the Shipbuilding Contract for the acquisition of the Vessel to the Owner under the Novation Agreement, the Owner would pay the shipbuilding consideration of USD30,100,000 to the Builder in five instalments in accordance with the payment schedule under the Shipbuilding Contract as disclosed in the Announcement, while the Group has not made and will not make any further instalment payments under the Shipbuilding Contract.

The consideration was determined after arm's length negotiations between the Owner and the Charterer taking into account the acquisition cost of the Vessel and the financing needs of the Group.

Charter period

From the Delivery Date to the tenth anniversary date of the Delivery Date

Charter hire

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

- (1) an aggregate advanced hire of USD4,515,000 payable prior to every pre-delivery instalment made by the Owner, representing 15% of each of the instalment payment, in addition to the pre-delivery interest at the Interest Rate per annum in relation to each pre-delivery instalment paid by the Owner to the Builder, payable quarterly from the date that the Owner pays the relevant instalment to the Builder up to the Delivery Date;
- (2) a fixed hire (“**Fixed Hire**”) payable on each Payment Date, which is calculated in accordance with the following formula:

$$(A - B)/C$$

whereby:

A = the Outstanding Principal

B = the Purchase Obligation Amount

C = the number of Hire Calculation Period during the Charter Period; and

- (3) a variable hire (“**Variable Hire**”) payable on each Payment Date, being the interest accrued on the Outstanding Principal as of the relevant Payment Date and calculated for the actual number of days during the Hire Calculation Period ending on the relevant Payment Date and on the basis of a year of 360 days at the applicable Interest Rate.

The Company is of the view that the terms and the Interest Rate of the Finance Lease Arrangement is fair and reasonable, which is determined after arm’s length negotiations between the Owner and the Charterer with reference to the usual interest rate in other existing or previous financial lease arrangements of the Company.

Purchase option and obligation

Subject to the terms of the Bareboat Charter, with prior written notice, the Charterer has the option to purchase the Vessel at the applicable Purchase Option Price. The Charterer shall be obliged to purchase the Vessel at the end of the Charter Period at the applicable Purchase Obligation Amount.

Security documents

In connection with the Finance Lease Arrangement, the following security documents have been or will be entered into:

- (1) a deed of assignment executed by the Charterer in favour of the Owner regarding the assignment of certain of the Charterer's rights in and to, among other things, the earnings, insurances and requisition compensation;
- (2) a share security constituting a security interest by Seacon Shipping in favour of the Owner in respect of the shares in the Charterer; and
- (3) the undertaking to be entered into by the manager of the Vessel in favour of the Owner.

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) guarantee to the Owner the due and punctual performance by the Charterer of all its obligations, duties and liabilities, and payment on the due date of all sums payable to the Owner under or in connection with the Bareboat Charter;
- (2) undertake with the Owner that if the Charterer is in default in the payment of any sum under or in connection with the Bareboat Charter, the Company shall on written demand pay such sum;
- (3) undertake with the Owner that if the Charterer fails to perform any of its obligation under or in connection with the Bareboat Charter, the Company shall on written demand perform such obligations; and
- (4) pay to the Owner on demand any amount guaranteed but not recoverable on the basis of a guarantee, and indemnify the Owner against any loss or liability suffered or incurred by the Owner as a result of such irrecoverability.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group has historically financed the acquisition of controlled vessels through finance lease arrangement. The Finance Lease Arrangement enables the Group to obtain financing for the acquisition of the Vessel, 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. It is expected that the total assets of the Group will increase to reflect the cash to be received from the proceeds of the Finance Lease Arrangement and the total liabilities of the Group will increase to reflect the repayment obligations of the Group under the Finance Lease Arrangement.

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 company established in the PRC with limited liability. It is principally engaged in finance leasing business. It is wholly owned by Yingxing, which in turn is ultimately controlled as to one-third or more by the State-owned Assets Supervision and Administration Commission of the Wuhu Municipal People's Government.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no other ultimate beneficial owner controlling one-third or more of the Owner, and 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 the shipbuilding costs for the Vessel.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 15 March 2024 regarding the acquisition of the Vessel
“Bareboat Charter”	the bareboat charter dated 25 June 2024 entered into between the Charterer, the Owner and the Company in respect of the charter of the Vessel under the Finance Lease Arrangement
“Board”	the board of Directors
“Builder”	Wuhu Shipyard Company Limited, a company incorporated and existing under the laws of the PRC with limited liability
“Charter Period”	from the Delivery Date to the tenth anniversary date of the Delivery Date, subject to the conditions set out in the Bareboat Charter
“Charterer”	Golden Bamboo Ltd., a company incorporated and existing under the laws in Liberia with limited liability and an indirect wholly-owned subsidiary of the Company
“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)
“Deed of Guarantee”	the deed of guarantee dated 25 June 2024 entered into by the Company in favour of the Owner in relation to the Finance Lease Arrangement
“Delivery Date”	the date when the Vessel is delivered by the Builder to the Owner
“Director(s)”	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
“Group”	the Company and its subsidiaries
“Hire Calculation Period”	(a) for the first Hire Calculation Period the period commencing on the Delivery Date and ending at the corresponding day of the third month following the Delivery Date and (b) for each Hire Calculation Period thereafter, the period commencing on the last day of the then current Hire Calculation Period and having a duration of three months, provided that the final Hire Calculation Period shall end on the final day of the Charter Period
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Rate”	the aggregate of (a) a margin of 2.45% per annum and (b) the term secured overnight financing rate as of the date falling five United States Government securities business days before the first day of the relevant period for a period of three months, or as otherwise determined in accordance with the Bareboat Charter
“Liberia”	the Republic of Liberia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Novation Agreement”	the novation agreement dated 25 June 2024 entered into between the Builder, the Charterer, Seacon Shipping and the Owner to novate the Charterer’s rights and obligations under the Shipbuilding Contract to the Owner
“Outstanding Principal”	an amount equal to the aggregate amount of the USD25,585,000 as may be reduced by the Fixed Hire, the Purchase Obligation Amount and the Purchase Option Price actually paid to and received by the Owner
“Owner”	Tianjin Dongjiang Comprehensive Bonded Zone Yingxing No. 1 Leasing Co., Ltd., a company incorporated and existing under the laws of the PRC

“Payment Date”	each of the dates for payment of the Fixed Hire and Variable Hire, the first of which falls on the corresponding date three months after the Delivery Date and each of the dates thereafter that falls at the end of each Hire Calculation Period
“PRC”	the People’s Republic of China
“Purchase Date”	the date on which the Charterer exercises the option to purchase the Vessel
“Purchase Obligation Amount”	USD12,300,000
“Purchase Option Price”	an amount equals to 100% to 102% of the Outstanding Principal, depending on the relevant Purchase Date
“Seacon Shipping”	Seacon Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore and an indirect wholly-owned subsidiary of the Company
“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
“Shipbuilding Contract”	the shipbuilding contract dated 15 March 2024 entered into between Seacon Shipping and the Builder in respect of the construction of the Vessel
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America
“Vessel”	GOLDEN BAMBOO, an 18,500 dwt oil/chemical tanker under construction
“Yingxing”	Yingxing Financial Leasing (Anhui) Co., Ltd.* (應星融資租賃(安徽)有限公司), a company incorporated in the PRC with limited liability

“%”

per cent

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

Hong Kong, 25 June 2024

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*