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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 31 May 2024 (after trading hours of the Stock Exchange), the Charterer and Seacon Shipping, both of which are indirect wholly-owned subsidiaries of the Company, and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) Seacon Shipping agreed to sell the Vessel to the Owner for a consideration of approximately USD29,800,000 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

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 31 May 2024 (after trading hours of the Stock Exchange), the Charterer and Seacon Shipping, both of which are indirect wholly-owned subsidiaries of the Company, and the Owner entered into the Finance Lease Arrangement, pursuant to which (i) Seacon Shipping agreed to sell the Vessel to the Owner for a consideration of

approximately USD29,800,000 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

31 May 2024 (after trading hours of the Stock Exchange)

Parties

Seacon Shipping, as seller under the Memorandum of Agreement, and the Charterer, 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, a 43,655 gross tonnage bulk carrier under construction and expected to be delivered to the Group on or before 31 October 2024. The market value of the Vessel as at 30 May 2024 is USD43,000,000 as appraised by an independent valuer. 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

Approximately USD29,800,000, which is payable by the Owner in cash in two instalments as follows, subject to the terms and conditions of the Memorandum of Agreement:

- (1) approximately USD21,100,000 is payable and released to the shipbuilder upon the signing of the protocol recording the delivery of the Vessel from the shipbuilder to Seacon Shipping; and
- (2) the remaining balance is payable to Seacon Shipping upon the Owner receiving a copy of the certificate of ownership evidencing that title has been transferred in the name of the Owner.

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

Charter period

120 months commencing from the Delivery Date

Charter hire

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

- (1) a fixed hire (“**Fixed Hire**”) of approximately USD383,700 payable on each Payment Date; and
- (2) a variable hire (“**Variable Hire**”) calculated using the following formula payable on each Payment Date:

$A \times B$

whereby:

A = the Principal Balance immediately prior to the relevant Payment Date for the Hire Period ending on such Payment Date

B = the Interest Rate.

The Company is of the view that the Interest Rate applicable to the Hire Period 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

With prior written notice, the Charterer has the option to purchase the Vessel at the applicable Purchase Option Price, subject to the conditions set out in the Bareboat Charter.

Purchase obligation

The Charterer shall be obliged to purchase the Vessel at the end of the Charter Period.

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 to be executed by the Charterer in favour of the Owner regarding the assignment of certain of the Charterer’s rights in relation to, among other things, the earnings, requisition compensation, insurances and any approved sub-charter in respect of the Vessel;

- (2) a deed of undertaking to be executed by each of the approved manager in favour of the Owner; and
- (3) a deed of charge over the shares in the Charterer to be executed by Seacon Shipping in favour of the Owner (together with the deed of assignment in item (1), the “**Security Documents**”).

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 payment of all amounts payable and punctual performance by each of the Charterer and Seacon Shipping of all its obligations under the each Leasing Document to which it is a party;
- (2) undertake with the Owner that if the Charterer or Seacon Shipping does not pay any amount when due and payable under or in connection with any Leasing Documents, the Company shall immediately on demand pay that amount as if it were the principal obligor; and
- (3) undertake to fully indemnify the Owner immediately on its demand in respect of all documented claims, expenses, liabilities, costs and losses which are made or brought against or incurred by the Owner as a result of or in connection with any obligation or liability of the Charterer or Seacon Shipping under the Leasing Documents and/or any obligation or liability guaranteed by the Company being or becoming unenforceable, invalid, void or illegal.

The Company has further agreed to indemnify the Owner on demand against any loss, liability or reasonable and documented sums incurred by the Owner as a result of:

- (1) any failure by the Charterer to comply with its obligations in relation to fees and expenses under the Bareboat Charter;
- (2) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;
- (3) the taking, holding, protection or enforcement of the Leasing Documents;
- (4) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Owner by the Leasing Documents to which it is a party or by law;
- (5) any default by the Company in the performance of any of the obligations expressed to be assumed by it in the Leasing Documents; or

- (6) any action by the Company which vitiates, reduces the value of, or is otherwise prejudicial to, any security interest created or evidenced or expressed to be created or evidenced under the Security Documents; and
- (7) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under the Leasing Documents,

which otherwise relate to the performance of the Leasing Documents.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Group has historically financed the acquisition of controlled vessels and its operations through finance lease arrangement. 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. 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, Seacon Shipping 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.

Seacon Shipping is a private company limited by shares incorporated in Singapore and an indirect wholly-owned subsidiary of the Company. It is principally engaged in vessel holding and the provision of chartering 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 leasing business. The Owner is wholly-owned by BOC Financial Leasing Co., Ltd., which is owned as to approximately 92.6% by Bank of China Limited, a company listed on the Stock Exchange (stock code: 3988) and Shanghai Stock Exchange (stock code: 601988). 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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DEFINITIONS

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

“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
“Charter Period”	120 months commencing from the Delivery Date
“Charterer”	SEACON ANTWERP LTD, a company incorporated 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 entered into by the Company in favour of the Owner in relation to the Finance Lease Arrangement
“Delivery Date”	the date when the Owner obtains title to the Vessel and the Charterer accepts delivery of the Vessel from the Owners
“Director(s)”	the director(s) of the Company
“Finance Lease Arrangement”	the finance lease arrangement in relation to the Vessel
“Group”	the Company and its subsidiaries
“Hire Period”	each and every consecutive quarterly period during the Charter Period, provided that <ul style="list-style-type: none"> (a) the first Hire Period shall commence on the Delivery Date and end on the first Payment Date; (b) each subsequent Hire Period during the Charter Period (apart from the final Hire Period) shall commence on the date falling immediately after the last day of the previous Hire Period; (c) any Hire Period that would otherwise extend past a Payment Date shall instead end on that Payment Date; and (d) the final Hire Period during the Charter Period shall end on the last 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 2.1% per annum and (b) the applicable term secured overnight financing rate (SOFR) reference rate as of two United States Government securities business days before the first day of the relevant Hire Period for a period of three months, or as otherwise determined in accordance with the Bareboat Charter

“Leasing Document(s)”	the Bareboat Charter, the Memorandum of Agreement, the Deed of Guarantee, the Ancillary Documents and such other documents designated as such by the Owner and the Charterers from time to time
“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 Seacon Shipping and the Owner in respect of the sale and purchase of the Vessel under the Finance Lease Arrangement
“Owner”	Qihang Zhongzhou Leasing (Tianjin) Co., Ltd. (啟航中洲租賃(天津)有限公司), a company organised and existing under the laws of the PRC
“Payment Date”	the last day of the third calendar month after the Delivery Date, each date falling at quarterly intervals during the Charter Period thereafter and the last day of the Charter Period
“PRC”	the People’s Republic of China
“Principal Balance”	an amount equal to the aggregate amount of the approximately USD29,800,000 as may be reduced by the Fixed Hire actually paid to and received by the Owners
“Purchase Obligation Price”	USD14,500,000
“Purchase Option Price”	the Principal Balance, the purchase option fee of up to 1% of the Principal Balance, the hire due and payable, other costs and expenses, and the amounts due and outstanding under the Leasing Documents
“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
“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”	SEACON ANTWERP, a 43,655 gross tonnage bulk carrier under construction
“%”	per cent

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

Hong Kong, 31 May 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.