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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 TRANSACTIONS FINANCE LEASE ARRANGEMENTS IN RELATION TO TWO VESSELS

FINANCE LEASE ARRANGEMENTS

The Board announces that on 28 June 2024 (after trading hours of the Stock Exchange), Seacon Shipping and the two Charterers, being indirect wholly-owned subsidiaries of the Company, and the two corresponding Owners, entered into the Finance Lease Arrangements, respectively, pursuant to which (1) Seacon Shipping agreed to sell the relevant Vessels to the corresponding Owners, each for a consideration of USD31,700,000 under the corresponding Memorandum of Agreement; (2) each of the Owners agreed to charter the relevant Vessel to the corresponding Charterer, respectively, under the relevant Bareboat Charter; and (3) the Company entered into the Deed of Guarantee in favour of the Owners.

LISTING RULES IMPLICATIONS

Since the Finance Lease Arrangements were entered into with the Owners, which are both wholly-owned subsidiaries of Suyin, the Finance Lease Arrangements shall be aggregated 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 Arrangements, when aggregated, exceeds 25% but is less than 75%, the Finance Lease Arrangements constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are 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 transactions contemplated under the Finance Lease Arrangements. 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 transactions contemplated under the Finance Lease Arrangements. The Company has obtained an irrevocable and unconditional written approval for the transactions contemplated under the Finance Lease Arrangements 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 transactions contemplated under the Finance Lease Arrangements has been satisfied in lieu of a Shareholders' general meeting of the Company.

DESPATCH OF CIRCULAR

A circular containing, among other things, (1) further details of the Finance Lease Arrangements and the transactions contemplated thereunder; and (2) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 22 July 2024.

INTRODUCTION

The Board announces that on 28 June 2024 (after trading hours of the Stock Exchange), Seacon Shipping and the two Charterers, being indirect wholly-owned subsidiaries of the Company, and the two corresponding Owners, entered into the Finance Lease Arrangements, respectively, pursuant to which (1) Seacon Shipping agreed to sell the relevant Vessels to the corresponding Owners, each for a consideration of USD31,700,000 under the corresponding Memorandum of Agreement; (2) each of the Owners agreed to charter the relevant Vessel to the corresponding Charterer, respectively, under the relevant Bareboat Charter; and (3) the Company entered into the Deed of Guarantee in favour of the Owners.

FINANCE LEASE ARRANGEMENTS

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

Date

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

Parties

Seacon Shipping, as the seller under the Memoranda of Agreement

The Charterers, as the charterers under the relevant Bareboat Charters

The Owners, as the corresponding buyers under the Memoranda of Agreement and as the owners under the relevant Bareboat Charters

Subject matter

The two Vessels, each being a 42,200dwt bulk carrier under construction acquired by the Group on 25 April 2023 pursuant to two shipbuilding contracts. For details, please refer to the announcement and circular of the Company dated 25 April 2023 and 24 May 2023, respectively. As the Vessels are still under construction, no profit was generated by them for the two financial years immediately preceding the Finance Lease Arrangements.

Consideration

Under each of the Memoranda of Agreement and subject to the terms therein, the respective consideration for the sale of each of the relevant Vessel is USD31,700,000. Such consideration is payable by the relevant Owner as follows:

- (1) USD4,755,000 deemed paid to Seacon Shipping, the payment obligation of which shall be set off against the amount of Advance Hire payable by each of the Charterers to the corresponding Owner under the relevant Bareboat Charter; and
- (2) USD4,695,000 (“**First MOA Instalment**”) and USD3,150,000 respectively to either Seacon Shipping or the builder on the date specified by Seacon Shipping; and
- (3) USD19,100,000 to be deposited with the builder’s bank, which shall be released to the builder upon the signing of the protocol of delivery and acceptance of the relevant Vessel under the corresponding shipbuilding contract.

The consideration was determined after arm’s length negotiations between each of the Owners and the corresponding Charterer respectively, taking into account the acquisition cost of the Vessels and the financing need of the Group.

Charter period

120 months commencing from the Delivery Dates, which are expected to be on or before 30 June 2025 and 30 September 2025 for the two Vessels respectively

Hire

The hire (“**Hire**”) payable by each of the Charterers to the corresponding Owner consists of:

- (1) an advance hire (“**Advance Hire**”) of USD4,755,000 deemed to be paid by setting off against the relevant consideration payable under item (1) in the paragraph headed “FINANCE LEASE ARRANGEMENTS — Consideration”;
- (2) a pre-delivery hire (“**Pre-delivery Hire**”) payable on the pre-delivery Payment Date, in respect of the period commencing from the date of the First MOA Instalment until the Delivery Date, being the interest accrued on the Pre-delivery Instalment Balance for each day during the relevant period and calculated on the basis of a year of 360 days at the applicable Interest Rate;
- (3) a fixed hire (“**Fixed Hire**”) payable on each post-delivery Payment Date, which equals to 1/40 of the difference between the Net Purchase Price and the Final Purchase Option Price; and
- (4) a variable hire (“**Variable Hire**”) payable on each post-delivery Payment Date, being the interest accrued on the Owners’ Cost on the immediately preceding Payment Date (or, in the case of the first post-delivery Payment Date only, on the Delivery Date) and calculated for the actual number of days during the Hire Period ending on the relevant post-delivery 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 Interest Rate applicable to the Finance Lease Arrangements is fair and reasonable, which is determined after arm’s length negotiations between the Owners and the Charterers with reference to the usual interest rate in other existing or previous financial lease arrangements of the Company.

Purchase option

Subject to the terms of the relevant Bareboat Charter, with prior written notice, the corresponding Charterer may exercise the purchase option to purchase the relevant Vessel on and from the second anniversary of the Delivery Date on the relevant Purchase Option Date at the applicable Purchase Option Price.

On the tenth anniversary of the Delivery Date, if the corresponding Charterer has not exercised the said purchase option, the relevant Charterer will have the final option to purchase the relevant Vessel at the Final Purchase Option Price.

Security Documents

In connection with the Finance Lease Arrangements, the following Security Documents have been or will be entered into:

- (1) a deed of assignment executed by each of the Charterers in favour of the corresponding Owner in relation to the relevant Charterer's rights in the earnings, insurances and requisition compensation in respect of the relevant Vessel, as well as the assignable sub-charter under the Bareboat Charters;
- (2) a deed of charge over the shares in the Charterers executed by Seacon Shipping in favour of the Owners;
- (3) a pre-delivery assignment executed by Seacon Shipping in favour of the Owners in relation to certain of Seacon Shipping's rights and interest in and to (among other things) of the relevant shipbuilding contract including the rights, remedies and benefits to which Seacon Shipping is or may be entitled under the shipbuilding contract with respect to any defect in the Vessels; and
- (4) a manager's undertaking by each of the approved manager in favour of the relevant Owner.

Guarantee

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

- (1) guarantee to the Owners the due payment of all amounts payable and punctual performance by each of the Charterer and Seacon Shipping of all its obligations under each Leasing Documents to which it is a party;
- (2) undertake with the Owners that if the Charterer or Seacon Shipping does not pay any amount that is 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 Owners immediately on its demand in respect of all claims, expenses, liabilities, costs and losses which are made or brought against or incurred by the Owners 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.

USE OF PROCEEDS

The net proceeds from the Finance Lease Arrangements will be used to finance the shipbuilding costs for the Vessels.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS

The Group has historically financed the acquisition of controlled vessels through finance lease arrangements. The Finance Lease Arrangements enable the Group to obtain financing for the acquisition of the 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 Arrangements 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 Arrangements and the total liabilities of the Group will increase to reflect the repayment obligations of the Group under the Finance Lease Arrangements.

In light of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Finance Lease Arrangements 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 Charterers

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.

Both Charterers are companies incorporated in Liberia with limited liability and indirect wholly owned subsidiaries of the Company. Both Charterers are principally engaged in vessel holding and the provision of chartering services.

The Owners

Both Owners are companies established in PRC with limited liability which are principally engaged in finance leasing business. Both Owners are wholly-owned subsidiaries of Suyin, which is owned as to approximately 51.25% by Bank of Jiangsu Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600919).

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 Owners and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

Since the Finance Lease Arrangements were entered into with the Owners, which are both wholly-owned subsidiaries of Suyin, the Finance Lease Arrangements shall be aggregated 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 Arrangements, when aggregated, exceeds 25% but is less than 75%, the Finance Lease Arrangements constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are 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 transactions contemplated under the Finance Lease Arrangements. 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 transactions contemplated under the Finance Lease Arrangements. The Company has obtained an irrevocable and unconditional written approval for the transactions contemplated under the Finance Lease Arrangements 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. <i>(Note 1)</i>	247,500,000	49.5%
Jin Chun Holding Ltd. <i>(Note 2)</i>	11,250,000	2.25%
Jovial Alliance Limited <i>(Note 2)</i>	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 transactions contemplated under the Finance Lease Arrangements has been satisfied in lieu of a Shareholders' general meeting of the Company.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Finance Lease Arrangements and the transactions contemplated thereunder; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 22 July 2024.

DEFINITIONS

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

“Advance Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Hire”
“Bareboat Charter(s)”	the bareboat charters in relation to the two Vessels
“Board”	the board of Directors
“Breakfunding Costs”	all breakfunding costs and expenses incurred or payable by the relevant Owner of any payment under or in relation to the Leasing Documents on a day prior to the due date for payment of a relevant sum
“Charter Period”	120 months commencing from the Delivery Date
“Charterer(s)”	SEACON LIVERPOOL LTD. and SEACON MONACO LTD., corporations incorporated under the laws of Liberia, in relation to each of the two Vessels
“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)

“Deed of Guarantee”	the deed of guarantee entered into by the Company in favour of the Owners in relation to the Finance Lease Arrangements
“Delivery Date”	the date of delivery of the corresponding Vessel by the relevant Owner to the relevant Charterer
“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
“Final Purchase Option Price”	USD14,500,000
“Finance Lease Arrangement(s)”	the finance lease arrangements in relation to each of the two Vessels
“First MOA Instalment”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Consideration”
“Fixed Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Hire”
“Group”	the Company and its subsidiaries
“Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Hire”
“Hire Period”	(a) for the first Hire Period, three months’ period commencing on the Delivery Date; and (b) in relation to each and every successive Hire Period, each and every consecutive three months’ period commencing upon the expiration of the immediately previous Hire Period, provided that the last (40 th) Hire Period shall end on the expiry day of the Charter Period
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Interest Rate”	the rate of interest applicable for each three months’ period until the Delivery Date or Hire Period or other relevant time period, being the aggregate of (a) a margin of 2.2% per annum and (b) the applicable term secured overnight financing rate reference rate for one month as of two business days before the first day of the relevant Hire Period, or as otherwise determined in accordance with the Bareboat Charter
“Leasing Document(s)”	the corresponding Bareboat Charter, the Memorandum of Agreement, the Deed of Guarantee, the Security 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(a) of Agreement”	the memorandum of agreement entered into between Seacon Shipping and the corresponding Owners in respect of the sale and purchase of the relevant Vessel under the corresponding Finance Lease Arrangement in relation to each of the two Vessels
“MOA Delivery Instalment”	the Net Purchase Price minus the aggregate amount of the pre-delivery instalments which has been paid by each of the Owners under the relevant Memorandum of Agreement
“Net Purchase Price”	USD26,945,000
“Owner(s)”	SUYIN BLUE WHALE NO.6 (TIANJIN) SHIP LEASING CO., LTD. and SUYIN BLUE WHALE NO.7 (TIANJIN) SHIP LEASING CO., LTD., corporations incorporated under the laws of PRC, in relation to each of the two Vessels
“Owners’ Cost”	on any relevant date, the amount of Net Purchase Price minus the aggregate amount of Fixed Hire and Variable Hire which has been paid by the Charterers and received by the Owners as at such date
“Payment Date”	(a) in relation to the Pre-delivery Hire, the last day of the first Hire Period; and (b) in relation to the hire for each Hire Period, the last day of that Hire Period

“PRC”	the People’s Republic of China
“Pre-delivery Hire”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Hire”
“Pre-delivery Instalment Balance”	the aggregate of the instalments paid by each of the Owners under the relevant Memorandum of Agreement (other than the MOA Delivery Instalment) prior to the Delivery Date
“Purchase Option Date”	any date as specified in the purchase option notice served in accordance with the terms of the corresponding Bareboat Charter, which shall fall on or after the second anniversary of the Delivery Date
“Purchase Option Price”	the aggregate of the following in respect of each Vessel: <ul style="list-style-type: none"> (a) the Owners’ Costs prevailing as at the relevant Purchase Option Date; (b) the applicable fee up to 1% of the Owners’ Costs depending on the relevant Purchase Option Date; (c) any Hire accrued but unpaid as at the Purchase Option Date; (d) any Breakfunding Costs including any amount payable or costs incurred by the relevant Owner as a result of the termination or close-out of any derivative transaction entered into in connection with the Leasing Documents; (e) any documented legal or other costs incurred by the relevant Owner relating to the exercise of the purchase option; and (f) any other sums due and owing under the Leasing Documents as at the Purchase Option 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
“Singapore”	the Republic of Singapore

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suyin”	Suyin Financial Leasing Co., Ltd, a company incorporated in PRC with limited liability
“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 Arrangements — Hire”
“Vessel(s)”	has the meaning ascribed to it in the section headed “Finance Lease Arrangements — Subject matter”
“%”	per cent

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

Hong Kong, 28 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.