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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 ARRANGEMENTS

FINANCE LEASE ARRANGEMENTS

The Board announces that on 11 April 2023 (after trading hours of the Stock Exchange),

- (1) under Finance Lease Arrangement I, Charterer I, an indirect wholly-owned subsidiary of the Company, and Owner I entered into (i) the Memorandum of Agreement I, pursuant to which Charterer I agreed to sell Vessel I to Owner I for a consideration of USD27,000,000; and (ii) the Bareboat Charter I, pursuant to which Owner I agreed to charter Vessel I to Charterer I, and the Company entered into the Deed of Guarantee I in favour of Owner I; and
- (2) under Finance Lease Arrangement II, Charterer II, an indirect wholly-owned subsidiary of the Company, and Owner II entered into (i) the Memorandum of Agreement II, pursuant to which Charterer II agreed to sell Vessel II to Owner II for a consideration of USD33,600,000; and (ii) the Bareboat Charter II, pursuant to which Owner II agreed to charter Vessel II to Charterer II, and the Company entered into the Deed of Guarantee II in favour of Owner II.

LISTING RULES IMPLICATIONS

Since the Finance Lease Arrangements were entered into with the Owners which are indirect wholly-owned subsidiaries of BOCOM, 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 100%, the Finance Lease Arrangements 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 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 Finance Lease Arrangements. The Company has obtained an irrevocable and unconditional written approval for 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 Finance Lease Arrangements has been satisfied in lieu of a general meeting of the Company.

The Company should have complied with the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the Finance Lease Arrangements as and when such obligations arose. Regrettably, due to misunderstanding of the treatment of finance lease transactions under Chapter 14 of the Listing Rules by the management of the Company, the Directors were not aware that the Finance Lease Arrangements constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules at the time when the Finance Lease Arrangements were entered into, and therefore, such compliance with the Listing Rules by the Company has been delayed.

The Company will implement certain remedial actions to avoid future occurrence of similar non-compliance of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Finance Lease Arrangements; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 19 May 2023.

INTRODUCTION

The Board announces that on 11 April 2023 (after trading hours of the Stock Exchange),

- (1) under Finance Lease Arrangement I, Charterer I, an indirect wholly-owned subsidiary of the Company, and Owner I entered into (i) the Memorandum of Agreement I, pursuant to which Charterer I agreed to sell Vessel I to Owner I for a consideration of USD27,000,000; and (ii) the Bareboat Charter I, pursuant to which Owner I agreed to charter Vessel I to Charterer I, and the Company entered into the Deed of Guarantee I in favour of Owner I; and
- (2) under Finance Lease Arrangement II, Charterer II, an indirect wholly-owned subsidiary of the Company, and Owner II entered into (i) the Memorandum of Agreement II, pursuant to which Charterer II agreed to sell Vessel II to Owner II for a consideration of USD33,600,000; and (ii) the Bareboat Charter II, pursuant to which Owner II agreed to charter Vessel II to Charterer II, and the Company entered into the Deed of Guarantee II in favour of Owner II.

FINANCE LEASE ARRANGEMENTS

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

Finance Lease Arrangement I

Date

11 April 2023 (after trading hours of the Stock Exchange)

Parties

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

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

Subject matter

Vessel I, an 85,000 dwt bulk carrier. The book value of Vessel I is approximately USD25.8 million.

Consideration

USD27,000,000, which is payable by Owner I to Charterer I in cash after deducting an advance hire and an arrangement fee payable by Charterer I to Owner I under the Bareboat Charter I within two (2) banking days after (i) the delivery by Charterer I and acceptance by Owner I of Vessel I; and (ii) the registration of Vessel I in the name and ownership of Owner I with the specified shipping registry, subject to the terms and conditions of the Memorandum of Agreement I.

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

Charter period

120 months commencing on the Actual Delivery Date

Charter hire

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

- (1) an advance hire of USD3,100,000 payable on the Actual Delivery Date, which shall be set off against the consideration payable by Owner I under the Memorandum of Agreement I;
- (2) a fixed hire of USD372,500 payable on each Hire Payment Date (the "**Fixed Hire I**"); and
- (3) a 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) USD23,900,000; or
(in relation to any other subsequent Hire Payment Date) The balance of USD23,900,000 as may be reduced by payment of Fixed Hire I over the Charter Period 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

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 Charterer I intends to exercise the purchase option at the expiry of the Charter Period, at least six (6) months irrevocable prior written notice), Charterer I has the option to purchase Vessel I for the Purchase Option Price, subject to the conditions set out in the Bareboat Charter I.

Ancillary documents

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

- (1) a deed of assignment to be executed by Charterer I in favour of Owner II in relation to certain of Charterer I’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 Vessel I;
- (2) a deed of undertakings to be executed by each approved managers in favour of Owner I and Owner II;
- (3) a deed of charge over the shares in Charterer I to be executed by Seacon Shipping in its capacity as charger in favour of Owner II; and
- (4) a security trust deed to be executed by the Owners, the Charterers, the Company and each approved manager.

Guarantee

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

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

Finance Lease Arrangement II

Date

11 April 2023 (after trading hours of the Stock Exchange)

Parties

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

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

Subject matter

Vessel II, a 66,200 dwt bulk carrier. The book value of Vessel II is approximately USD33.8 million.

Consideration

USD33,600,000, which is payable by Owner II to Charterer II in cash after deducting an advance hire and an arrangement fee payable by Charterer II to Owner II under the Bareboat Charter II in within two (2) banking days after (i) the delivery by Charterer II and acceptance by Owner II of Vessel II; and (ii) the registration of Vessel II in the name and ownership of Owner II with the specified shipping registry, subject to the terms and conditions of the Memorandum of Agreement II.

The consideration was determined after arm's length negotiations between Owner II and Charterer II taking into account the acquisition cost of Vessel II of USD33,600,000.

Charter period

120 months commencing on the Actual Delivery Date

Charter hire

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

- (1) an advance hire of USD10,500,000 payable on the Actual Delivery Date, which shall be set off against the consideration payable by Owner II under the Memorandum of Agreement II;
- (2) a fixed hire of USD352,500 payable on each Hire Payment Date (the "**Fixed Hire II**"); and

- (3) a 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) USD23,100,000; or
(in relation to any other subsequent Hire Payment Date) The balance of USD23,100,000 as may be reduced by payment of Fixed Hire II over the Charter Period 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

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 Charterer II intends to exercise the purchase option at the expiry of the Charter Period, at least six (6) months irrevocable prior written notice), Charterer II has the option to purchase Vessel II for the Purchase Option Price, subject to the conditions set out in the Bareboat Charter II.

Ancillary documents

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

- (1) a deed of assignment to be executed by Charterer II in favour of Owner II in relation to certain of Charterer II’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 Vessel II;
- (2) a deed of undertakings to be executed by each approved managers in favour of Owner II;
- (3) a deed of charge over the shares in Charterer II to be executed by Seacon Shipping in its capacity as charger in favour of Owner II; and
- (4) a security trust deed to be executed by the Owners, the Charterers, the Company and each approved manager.

Guarantee

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

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

REASONS AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS

The Group has historically financed the acquisition of controlled vessels and its operations through finance lease arrangements. The Finance Lease Arrangements enable 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 Arrangements 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 Arrangements are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company, the Group 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.

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

The Owners

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Owners and its 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 indirect wholly-owned subsidiaries of BOCOM, 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 100%, the Finance Lease Arrangements 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 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 Finance Lease Arrangements. The Company has obtained an irrevocable and unconditional written approval for 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. ^(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 Arrangements has been satisfied in lieu of a general meeting of the Company.

The Company should have complied with the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules in respect of the Finance Lease Arrangements as and when such obligations arose. Regrettably, due to misunderstanding of the treatment of finance lease transactions under Chapter 14 of the Listing Rules by the management of the Company, the Directors were not aware that the Finance Lease Arrangements constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules at the time when the Finance Lease Arrangements were entered into, and therefore, such compliance with the Listing Rules by the Company has been delayed.

The Company will implement certain remedial actions to avoid future occurrence of similar non-compliance of the Listing Rules.

REMEDIAL ACTIONS

To avoid future occurrence of similar non-compliance of the Listing Rules, the Company will implement the following remedial actions:

1. the Company will arrange training for the responsible staff on the compliance requirements of the Listing Rules, including requirements in respect of notifiable transactions, on a regular basis to strengthen and reinforce their awareness and understanding of the requirements under the Listing Rules;
2. the Company will strengthen the coordination and reporting arrangements for notifiable transactions among various departments of the Company to ensure due compliance with the Listing Rules. Prior to entering into any transaction which is not in the ordinary and usual course of business of the Group in the future where the disclosure threshold is met, the joint company secretaries of the Company will be notified and the draft agreements will be circulated for their review to assess the relevant implications under the Listing Rules and to ensure compliance with the relevant requirements under the Listing Rules; and

3. the Company will consult and seek advice from its compliance adviser and legal advisers before entering into any transaction that might constitute a notifiable transaction in a timely manner to ensure compliance with the relevant requirements under the Listing Rules.

The Directors believe that the implementation of the aforementioned remedial actions will effectively rectify such misunderstanding of the requirements under the Listing Rules, strengthen and reinforce the knowledge of the Directors and the responsible staff and management of the Company of the requirements in respect of notifiable transactions under the Listing Rules, and improve the regulatory compliance abilities of the Company in the identification and reporting of related issues with the assistance from its compliance adviser and legal advisers.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Finance Lease Arrangements; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders on or before 19 May 2023.

DEFINITIONS

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

“Actual Delivery Date”	the respective dates of delivery of the respective Vessels by the respective Owners to the respective Charterers under the respective Bareboat Charters
“Bareboat Charter I”	the bareboat charter dated 11 April 2023 entered into between Charterer I and Owner I in respect of the charter of Vessel I
“Bareboat Charter II”	the bareboat charter dated 11 April 2023 entered into between Charterer II and Owner II in respect of the charter of Vessel II
“Bareboat Charters”	Bareboat Charter I and Bareboat Charter II
“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 I”	Seacon Hamburg Ltd, a company incorporated in Liberia with limited liability and an indirect wholly-owned subsidiary of the Company

“Charterer II”	Seacon Tokyo Ltd, a company incorporated in Liberia with limited liability and an indirect wholly-owned subsidiary of the Company
“Charterers”	Charterer I and Charterer II
“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 I”	the deed of guarantee dated 11 April 2023 entered into by the Company in favour of Owner I in relation to Finance Lease Arrangement I
“Deed of Guarantee II”	the deed of guarantee dated 11 April 2023 entered into by the Company in favour of Owner II in relation to Finance Lease Arrangement II
“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 I”	the finance lease arrangement in relation to Vessel I
“Finance Lease Arrangement II”	the finance lease arrangement in relation to Vessel II
“Finance Lease Arrangements”	Finance Lease Arrangement I and Finance Lease Arrangement II
“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 respective Bareboat Charters; 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 I”	the memorandum of agreement dated 11 April 2023 entered into between Charterer I and Owner I in respect of the sale and purchase of Vessel I
“Memorandum of Agreement II”	the memorandum of agreement dated 11 April 2023 entered into between Charterer II and Owner II in respect of the sale and purchase of Vessel II
“Owner I”	XIANG T10 SG INTERNATIONAL SHIP LEASE PTE. LIMITED, a private company limited by shares incorporated in Singapore
“Owner II”	XIANG T26 SG INTERNATIONAL SHIP LEASE PTE. LIMITED, a private company limited by shares incorporated in Singapore
“Owners”	Owner I and Owner II

“PRC”	the People’s Republic of China
“Purchase Option Price”	the amount due and payable by the respective Charterers to the respective Owners, being the aggregate of, among others, the amount due and payable by the respective Charterers to the respective Owners under the respective Transaction 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
“Transaction Documents I”	among others, the Memorandum of Agreement I, the Bareboat Charter I, the Deed of Guarantee I, the Ancillary Documents I and such other documents as may in good faith be designated as such by Owner I from time to time
“Transaction Documents II”	among others, the Memorandum of Agreement II, the Bareboat Charter II, the Deed of Guarantee II, the Ancillary Documents II and such other documents as may in good faith be designated as such by Owner II from time to time
“Transaction Documents”	Transaction Documents I and Transaction Documents II
“USD”	United States dollars, the lawful currency of the United States of America
“Vessel I”	SEACON HAMBURG, an 85,000 dwt bulk carrier
“Vessel II”	SEACON TOKYO, a 66,200 dwt bulk carrier
“Vessels”	Vessel I and Vessel II

“%”

per cent

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

Hong Kong, 27 April 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*