

CONNECTED TRANSACTIONS

INTRODUCTION

We have entered into certain transactions with our connected persons during the Track Record Period which will continue after the [REDACTED] and constitute connected transactions (as defined under the Listing Rules) of our Group.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

The table below sets out a summary of our continuing connected transactions:

No.	Agreement (as respectively defined below)	Nature of transaction (as described below)	Parties	Proposed annual cap for year ending December 31,		
				2022 USD'000	2023 USD'000	2024 USD'000
<i>Fully-exempt continuing connected transactions</i>						
1	IP Licensing Deed	IP licensing	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group	Nil	Nil	Nil
2	Ship Management Agreement	Provision of ship management services	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group (for itself and on behalf of its subsidiaries)	360	40	Nil
<i>Non-exempt continuing connected transactions</i>						
3	Vessel Charter Agreement	Vessel charter	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group (for itself and on behalf of its subsidiaries)	1,500	600	Nil
4	Materials Purchase Agreements	Supply of materials	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Sunny Marine (as defined below) Seacon Marine Service (as defined below)	3,030	3,020	3,020

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FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the [REDACTED], the transactions set forth below will constitute fully-exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

1. IP Licensing Deed

Parties: Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as the licensee) and Seacon Shipping Group (as the licensor). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

Principal terms: Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a trademark licensing deed dated March 21, 2022 with Seacon Shipping Group (the “**IP Licensing Deed**”) pursuant to which Seacon Shipping Group has agreed to grant to our Company (for itself and on behalf of its subsidiaries, associates and branches) a license to use its trademark as listed in the IP Licensing Deed (the “**Licensed Trademark**”) in the ordinary and usual course of business for a term of ten years, subject to renewal of the validity period of the Licensed Trademark, on a royalty-free basis. Upon expiry of the IP Licensing Deed, the term of the license shall be renewable automatically subject to the restrictions and regulations under the Listing Rules and absence of terminating events under the IP Licensing Deed. Details of the Licensed Trademark are set forth in “Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group — (b) Trademark licensed by Seacon Shipping Group” in Appendix IV to this document.

Reasons for the transactions: Our Group and its associates have been using the Licensed Trademark on a royalty-free basis for a number of years. In line with our existing arrangements and in order to maintain the consistency of our image, we will continue to use the Licensed Trademark on a royalty-free basis. Our Directors believe that entering into the IP Licensing Deed with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Company and our Shareholders as a whole. Our Directors are further of the view that it is normal business practice for agreements of this type to be of such duration. The Sole Sponsor, having reviewed the relevant information and the terms of the IP Licensing Deed, is of the view that it is in the interest of our Company and the Shareholders as a whole for the IP Licensing Deed to have a term exceeding three years.

Implications under Listing Rules: As the grant of the right to use the Licensed Trademark is on a royalty-free basis, the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the IP Licensing Deed is expected to be less than 0.1% on an annual basis. Accordingly, the transactions under the IP Licensing Deed will constitute *de minimis* transactions for our Company under Chapter 14A of the Listing Rules upon

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the [REDACTED]. Our Company shall review the expected annual caps for the right to use the Licensed Trademark upon expiry of the IP Licensing Deed and comply with the relevant Listing Rules and other laws and regulations.

2. Ship Management Agreement

Parties: Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as supplier) and Seacon Shipping Group (for itself and on behalf of its subsidiaries) (as purchaser). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

Principal terms: Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a ship management agreement dated [•], 2022 with Seacon Shipping Group (for itself and on behalf of its subsidiaries) (the “**Ship Management Agreement**”) pursuant to which Seacon Shipping Group (for itself and on behalf of its subsidiaries) has agreed to procure, and our Company (for itself and on behalf of its subsidiaries, associates and branches) has agreed to provide ship management services for a vessel named SKY HEIGHT (“**SKY HEIGHT**”) controlled by Seacon Shipping Group. Such ship management services include: (a) technical management; (b) crew management; (c) surveys and dry-docking services; (d) in-port maintenance and repairs; and (e) compliance with international conventions.

The management fees charged under the Ship Management Agreement will be determined in accordance with the principle of fairness and reasonableness, and taking into account (i) market circumstances; (ii) prevailing market management fees; and (iii) the fact that the charter period of SKY HEIGHT will end on May 22, 2023.

To ensure the Ship Management Agreement are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below.

The term of the Ship Management Agreement will commence on the [REDACTED] and end on May 22, 2023, which is the end date of the Vessel Charter Agreement (as defined below).

Reasons for the transactions: Given that (a) we and Seacon Shipping Group have established a mutual understanding of the standards, requirements and specific needs of each other; and (b) the management fees and terms for the ship management services we provide to Seacon Shipping Group are fair and reasonable, our Directors are of the view that entering into the transaction will enable us to leverage our expertise in the maritime shipping industry to broaden our earning base.

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Historical figures and proposed annual caps: For the years ended December 31, 2019, 2020 and 2021, the financial results of Seacon Shipping Group have been consolidated with our Group’s financial results as it was deemed to be part of our Group. For the five months ended May 31, 2022, the historical transaction amount for the ship management services provided to Seacon Shipping Group was approximately USD144,000. The estimated annual caps for ship management fees payable by Seacon Shipping Group under the Ship Management Agreement for each of the years ending December 31, 2022 and 2023 are USD360,000 and USD40,000, respectively. In arriving at the above annual caps, our Directors have considered that the ship management services are provided in relation to SKY HEIGHT, which will end on May 22, 2023.

Implications under Listing Rules: Since each of the applicable percentage ratios (other than the profits ratio) for the transactions under the Ship Management Agreement is less than 5.0% with annual total consideration of less than HK\$3,000,000, the transactions constitute *de minimis* connected transactions under Rule 14A.76 of the Listing Rules, which are fully exempt from shareholders’ approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the [REDACTED], the transactions set forth below will constitute non-exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

3. Vessel Charter Agreement

Parties: Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as charterer) and Seacon Shipping Group (for itself and on behalf of its subsidiaries) (as owner). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

Principal terms: Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a vessel charter agreement dated [•], 2022 with Seacon Shipping Group (for itself and on behalf of its subsidiaries) (the “**Vessel Charter Agreement**”) pursuant to which Seacon Shipping Group (for itself and on behalf of its subsidiaries) has agreed to charter SKY HEIGHT to our Company (for itself and on behalf of its subsidiaries, associates and branches) on a time charter basis for a charter period of up to May 22, 2023, with reference to the end date of the time charter as set out in the underlying charter agreement relating to SKY HEIGHT dated December 28, 2021 (the “**Underlying Charter Agreement**”).

The Charter Fee (as defined below) shall be determined on a daily basis which is set out in the Underlying Charter Agreement and not higher than the prevailing market prices, being the charter fee charged by Independent Third Party charterers providing the same or similar type of vessels of the same or similar age, tonnage and conditions in

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their ordinary and usual course of business. To ensure the Charter Fee payable under the Vessel Charter Agreement are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below.

The term of the Vessel Charter Agreement will commence on the [REDACTED] and end on May 22, 2023.

Reasons for the transactions: As part of our shipping services, our Group has chartered vessels to meet its operational requirements and customers’ needs. The entering of the Vessel Charter Agreement is expected to enhance our Group’s expansion of its dry bulk shipping routes and volume.

Accounting implication of the Vessel Charter Agreement: The fees payable by our Group to Seacon Shipping Group pursuant to the Vessel Charter Agreement comprises two components: (i) the lease component which is the charter hire (the “**Charter Hire**”); and (ii) the non-lease component which is the operating expenses incurred by Seacon Shipping Group in relation to SKY HEIGHT, such as, procurement of crew and materials (the “**Operating Expenses**”, together with the Charter Hire, the “**Charter Fee**”).

Our Group has adopted HKFRS16 as stated in note 2.7 to the Accountant’s Report set out in Appendix I to this document. Pursuant to the adoption of HKFRS16, our Group as lessee shall recognize a liability to pay the Charter Hire and an asset representing the right to use SKY HEIGHT during the charter period (the “**Capital Asset**”). Accordingly, the Charter Hire would be regarded as acquisition of assets by our Group for the purpose of the Listing Rules. As at January 1, 2022, the date on which the charter of SKY HEIGHT by our Group began, the Capital Asset recognized by us pursuant to the charter of SKY HEIGHT amounted to approximately USD1,547,000.

For the purpose of Chapter 14A of the Listing Rules, the Charter Hire will be accounted for as an one-off acquisition of capital asset under HKFRS16. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements regarding continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Charter Hire. For the purpose of Chapter 14A of the Listing Rules, the Operating Expenses will constitute a continuing connected transaction. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements regarding continuing connected transactions in Chapter 14A of the Listing Rules will be applicable to the Operating Expenses.

Historical figures and proposed annual caps: For the years ended December 2019, 2020 and 2021, the financial results of Seacon Shipping Group have been consolidated with our Group’s financial results as it was deemed to be part of our Group. For the five months ended May 31, 2022, the historical transaction amount for the Operating

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Expenses paid to Seacon Shipping Group was approximately USD396,000. The estimated annual caps for the Operating Expenses payable to Seacon Shipping Group under the Vessel Charter Agreement for each of the years ending December 31, 2022 and 2023 are USD1,500,000 and USD600,000, respectively. In arriving at the above annual caps, our Directors have considered the estimated Operating Expenses taking into account the expected business volume relating to SKY HEIGHT. It is expected that the transactions under the Vessel Charter Agreement will not continue after May 22, 2023.

Implications under Listing Rules: As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 25% and the total consideration is not less than HK\$10,000,000, the transactions under the Vessel Charter Agreement are non-exempt continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

4. Materials Purchase Agreements

Parties: Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as purchaser) with Sunny Marine Service Company Limited* (青島泛陽海事服務有限公司) (“**Sunny Marine**”) (as supplier) and Seacon Marine Service Limited (“**Seacon Marine Service**”) (as supplier), respectively. Sunny Marine is a company established in the PRC on September 18, 2016. Sunny Marine is a wholly-owned subsidiary of Shandong Seacon Shipping Group Company Limited* (山東洲際航運集團有限公司), which is in turn owned as to 80% by Mr. Guo. Seacon Marine Service is a company incorporated in the Marshall Islands on October 29, 2014. Seacon Marine Service is a wholly-owned subsidiary of Seacon Ships Management Group. Seacon Ships Management Group is a wholly-owned subsidiary of Sunny Star, which is in turn owned as to 80% by Mr. Guo. Each of Sunny Marine and Seacon Marine Service is therefore considered as our connected person under the Listing Rules.

Principal terms: Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a purchase agreement dated [•], 2022 with Sunny Marine and Seacon Marine Service (together, the “**Materials Purchase Agreements**”), respectively, pursuant to which each of Sunny Marine and Seacon Marine Service has agreed to supply, and our Company (for itself and on behalf of its subsidiaries, associates and branches) has agreed to procure, certain materials for our business operations. Such materials include books, tools, work gear and stationery to be used on board of vessels and other materials as required by our Group from time to time.

The purchase price of the materials will be based on the costs of the materials adding a reasonable profit on a cost-plus basis. The purchase price payable will take into account: (i) the prevailing market rate generally charged for the materials; (ii) the

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number of vessels requiring procurement of materials; (iii) the type and quantity of materials needed; (iv) the method of delivery of the materials; and (v) historical transaction amounts.

To ensure the material costs under the Materials Purchase Agreements represent the prevailing market price, are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below. In order to ensure that the material costs are fair and reasonable and in line with the prevailing market rate, we will compare such costs with quotations from at least two service providers which supply materials of a similar type and quality and are Independent Third Parties on a quarterly basis.

The initial term of the Materials Purchase Agreements will commence on the [REDACTED] and end on December 31, 2024, subject to renewal upon the mutual consent of both parties.

Reasons for the transactions: We need to source certain materials that comply with the relevant standards and specifications for our business operations. Both of Sunny Marine and Seacon Marine Service are the suppliers of such materials and given our history of business relationship, both of Sunny Marine and Seacon Marine Service can supply the required materials that suit our needs most appropriately at a price not higher than prices which we pay Independent Third Parties in comparable transactions.

Historical figures and proposed annual caps: For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, the aggregated historical transaction amounts for the materials purchased from both of Sunny Marine and Seacon Marine Service were approximately USD821,000, USD2,121,000, USD2,232,000 and USD1,092,000, respectively. The estimated aggregate annual caps for material fees payable to both of Sunny Marine and Seacon Marine Service under the Materials Purchase Agreements for each of the years ending December 31, 2022, 2023 and 2024 are USD3,030,000, USD3,020,000 and USD3,020,000, respectively. In arriving at the above annual caps, our Directors have considered the historical transaction amounts and the estimated demand for materials for the three years ending December 31, 2024 taking into account our expected business growth.

Implications under Listing Rules: As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 25% and the total consideration is not less than HK\$10,000,000, the transactions under the Materials Purchase Agreements are non-exempt continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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Continuing connected transactions pricing policy monitoring procedures

In order to ensure that the terms under relevant agreements for the continuing connected transactions are fair and reasonable, and no less favourable to us than terms available to or from Independent Third Parties, and the continuing connected transactions are carried out under normal commercial terms, we have adopted the following pricing policy monitoring procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, our Audit Committee is responsible for reviewing compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, our Audit Committee, our Board and various internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under the agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- our Audit Committee, our Board and various internal departments of our Company will also regularly monitor the fulfilment status and the transaction updates under the agreements. In particular, our management will also regularly review the pricing policies of the agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms or better and in accordance with the pricing policies;
- when considering service fees for the services to be provided to our Group by the above connected persons or the service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by/to the above connected persons are fair, reasonable and are no less favourable than those to be offered by Independent Third Parties; and
- when considering any renewal or revisions to the agreements for the continuing connected transactions after the [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders’ general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole. If our independent non-executive Directors’ or independent Shareholders’ approvals cannot be obtained, we will not continue

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the transactions under the agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

DIRECTORS’ CONFIRMATION

Our Directors, including our independent non-executive Directors, are of the view that the transactions under the IP Licensing Deed, the Ship Management Agreement, the Vessel Charter Agreement and the Materials Purchase Agreements have been and will be entered into in our ordinary and usual course of business, the terms therein are normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION OF THE SPONSOR

The Sponsor is of the view that (i) the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable, and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

WAIVER APPLICATION

As the non-exempt continuing connected transactions are expected to continue after the [REDACTED] on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent shareholders’ approval requirements under the Listing Rules would be unduly burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise, which would not be beneficial to our Shareholders as a whole. Therefore, our Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange for and the Stock Exchange [has granted] a waiver to our Company from compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions, subject to the condition that the aggregate amounts of the non-exempt continuing connected transactions for each financial year shall not exceed the respective annual caps amounts.

We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.