
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

On December 6, 2021, Mr. Guo, as settlor and protector, established The J&Y Trust of which Tricor Equity Trustee serves as the trustee. Immediately prior to the [REDACTED] and the [REDACTED], Jin Qiu held 6,600 Shares, representing 66% of the then issued share capital of our Company. Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust which is a discretionary trust, the beneficiaries of which are Mr. Guo and his family members. Immediately prior to the [REDACTED] and the [REDACTED], Jovial Alliance, which is wholly and beneficially owned by Mr. Guo, held 800 Shares, representing 8% of the then issued share capital of our Company. Immediately prior to the [REDACTED] and the [REDACTED], Jin Chun, which is wholly and beneficially owned by Mr. Guo, held 300 Shares, representing 3% of the then issued share capital of our Company. Therefore, Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun, together exercised control of 77% of the issued share capital of our Company immediately prior to the [REDACTED] and the [REDACTED].

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon exercise of the [REDACTED] or options which may be granted under the Share Option Scheme), the percentage of issued share capital controlled by Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun will be diluted to [REDACTED]%. As such, Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun will together be entitled to directly or indirectly exercise or control the exercise of 30% or more of the voting rights at the general meeting of our Company immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon exercise of the [REDACTED] or options which may be granted under the Share Option Scheme). Accordingly, Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun are considered our group of Controlling Shareholders immediately following the [REDACTED].

Jin Chun, Jin Qiu, Jovial Alliance and Shining Friends are investment holding companies.

COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDER BUT NOT INCLUDED IN OUR GROUP

The core business of our Group is the provision of shipping services and ship management services. Apart from our business and save as disclosed in this section, none of our Controlling Shareholders nor their respective close associates has any interest in a business which competes with, or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Guo, one of our Controlling Shareholders, had interests in certain companies that did not form part of our Group (the “**Guo’s Controlled Companies**”). The details of such companies are set out below:

Shandong Seacon Shipping Group Company Limited* (山東洲際航運集團有限公司)
(“**Shandong Seacon Shipping**”)

Shandong Seacon Shipping was established in the PRC on December 16, 2020. As at the Latest Practicable Date, Shandong Seacon Shipping was owned as to 80% by Mr. Guo and 20% by Mr. Chen. The principal business of Shandong Seacon Shipping is investment holding. It also provides administrative support to its associates controlled by Mr. Guo. As at the Latest Practicable Date, Shandong Seacon Shipping held the entire interests in Qingdao Sunny Marine Service Company Limited* (青島泛陽海事服務有限公司).

The following table sets forth the key financial information of Shandong Seacon Shipping based on its unaudited management accounts:

	For the year ended/As at December 31, 2020 RMB’000	For the year ended/As at December 31, 2021 RMB’000
Revenue	Nil	6,682
Gross profit/(loss)	Nil	6,682
Net profit/(loss)	— ^(Note)	(1,534)
Total assets	13,000	20,671
Total liabilities	13,000	17,206

Note: “—” represents amounts less than RMB1,000.

Qingdao Sunny Marine Service Company Limited* (青島泛陽海事服務有限公司)
(“**Sunny Marine**”)

Sunny Marine was established in the PRC on September 18, 2016. As at the Latest Practicable Date, Sunny Marine was wholly-owned by Shandong Seacon Shipping. The principal business of Sunny Marine is supplying materials, such as, tools, work gear and stationery, to vessels. During the Track Record Period and up to the Latest Practicable Date, Sunny Marine supplied materials for our business operations. After the [REDACTED], Sunny Marine will continue supplying materials for our business operations. After the [REDACTED], transactions between our Group and Sunny Marine will constitute continuing connected transactions of our Company under the Listing Rules. See “Connected Transactions” for details of such services.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the key financial information of Sunny Marine based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 <i>RMB'000</i>	For the year ended/As at December 31, 2020 <i>RMB'000</i>	For the year ended/As at December 31, 2021 <i>RMB'000</i>
Revenue	1,229	819	4,229
Gross profit/(loss)	374	137	1,789
Net profit/(loss)	(812)	(1,840)	39
Total assets	687	3,189	4,337
Total liabilities	2,128	6,470	7,579

Sunny Star

Sunny Star was incorporated in the BVI on December 12, 2019. As at the Latest Practicable Date, Sunny Star was owned as to 80% and 20% by Mr. Guo and Mr. Chen. The principal business of Sunny Star is investment holding. As at the Latest Practicable Date, Sunny Star held the entire interests in Seacon Ships Management Group. Save for holding Seacon Ships Management Group, Sunny Star does not have any business operation.

Seacon Ships Management Group

Seacon Ships Management Group was incorporated in the Marshall Islands on December 18, 2019. As at the Latest Practicable Date, Seacon Ships Management Group was wholly-owned by Sunny Star. The principal business of Seacon Ships Management Group is investment holding. As at the Latest Practicable Date, Seacon Ships Management Group held the entire interests in Seacon Marine Service Limited.

The following table sets forth the key financial information of Seacon Ships Management Group based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 <i>USD'000</i>	For the year ended/As at December 31, 2020 <i>USD'000</i>	For the year ended/As at December 31, 2021 <i>USD'000</i>
Revenue	Nil	Nil	Nil
Gross profit/(loss)	Nil	Nil	Nil
Net profit/(loss)	Nil	(1)	(1)
Total assets	Nil	Nil	Nil
Total liabilities	Nil	1	2

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Seacon Marine Service Limited (“Seacon Marine Service”)

Seacon Marine Service was incorporated in the Marshall Islands on October 29, 2014. As at the Latest Practicable Date, Seacon Marine Service was wholly-owned by Seacon Ships Management Group. The principal business of Seacon Marine Service is supplying materials, such as, tools, work gear and stationery, to vessels. During the Track Record Period and up to the Latest Practicable Date, Seacon Marine Service supplied materials for our business operations. After the [REDACTED], Seacon Marine Service will continue supplying materials for our business operations. After the [REDACTED], transactions between our Group and Seacon Marine Service will constitute continuing connected transactions of our Company under the Listing Rules. See “Connected Transactions” for details of such services.

The following table sets forth the key financial information of Seacon Marine Service based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 <i>USD’000</i>	For the year ended/As at December 31, 2020 <i>USD’000</i>	For the year ended/As at December 31, 2021 <i>USD’000</i>
Revenue	2,323	4,312	4,390
Gross profit/(loss)	1,910	807	390
Net profit/(loss)	93	544	(156)
Total assets	1,254	2,747	1,602
Total liabilities	1,434	2,203	1,214

Seacon Star Group

Seacon Star Group was incorporated in the Marshall Islands on January 24, 2013. As at the Latest Practicable Date, Seacon Star Group was owned as to 80% by Mr. Guo and 20% by Mr. Chen. The principal business of Seacon Star Group is investment holding. As at the Latest Practicable Date, Seacon Star Group held the entire interests in Seacon Shipping Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the key financial information of Seacon Star Group based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 <i>USD'000</i>	For the year ended/As at December 31, 2020 <i>USD'000</i>	For the year ended/As at December 31, 2021 <i>USD'000</i>
Revenue	Nil	Nil	Nil
Gross profit/(loss)	Nil	Nil	Nil
Net profit/(loss)	(42)	240	206
Total assets ^(Note)	31,195	28,764	20,356
Total liabilities ^(Note)	31,237	28,566	19,952

Note: The total assets of Seacon Star Group mainly included other receivables due from Seacon Shipping Group and the total liabilities of Seacon Star Group mainly represented shareholder’s loans for working capital purposes.

Seacon Shipping Group

Seacon Shipping Group was incorporated in Hong Kong on February 1, 2013. As at the Latest Practicable Date, Seacon Shipping Group was wholly-owned by Seacon Star Group. As at the Latest Practicable Date, Seacon Shipping Group held 51% interest in Seacon Star Marine Consultant, a company engaging in the provision of port agency services. Mr. Gao Xianfeng (杲先鋒) owns the other 49% shareholding interest in Seacon Star Marine Consultant.

During the Track Record Period and up to the Latest Practicable Date, we provided ship management services to Seacon Shipping Group which will continue after the [REDACTED]. After the Track Record Period and up to the Latest Practicable Date, Seacon Shipping Group had chartered SKY HEIGHT, a dry bulk carrier, to our Group under time charter which will continue after the [REDACTED] up to May 22, 2023 (being the last day of the bareboat charter period pursuant to the charter agreement entered into by Seacon Shipping Group). Seacon Shipping Group was not included in our Group pursuant to the Reorganization and ceased to be within the consolidation scope of our Group’s financial information as at December 31, 2021 and ceased to be considered as part of our Group since December 31, 2021. As such, SKY HEIGHT which was bareboat chartered by Seacon Shipping Group was also not considered as our Group’s controlled vessel since December 31, 2021. From March 2022, Seacon Shipping Group has also licensed the use of its trademark to our Group. After the [REDACTED], transactions between our Group and Seacon Shipping Group will constitute continuing connected transactions of our Company under the Listing Rules. See “Connected Transactions” for details of such transactions.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the key financial information of Seacon Shipping Group based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 <i>USD'000</i>	For the year ended/As at December 31, 2020 <i>USD'000</i>	For the year ended/As at December 31, 2021 <i>USD'000</i>
Revenue	36,839	15,877	4,794
Gross profit/(loss)	3,123	(32)	(496)
Net profit/(loss)	2,050	(896)	(975)
Total assets	45,408	53,948	29,361
Total liabilities	44,012	53,448	29,836

Pursuant to the Reorganization, certain companies previously held by Seacon Shipping Group were gradually transferred to our Group. Having considered that (i) Seacon Star Marine Consultant is engaging in the port agency business which is distinctive from and does not constitute our Group’s principal businesses, namely shipping services and ship management services; and (ii) the shipping business of Seacon Shipping Group is minimal, with its only existing bareboat charter agreement coming to an end by May 2023 and the fact that the vessel has been chartered to our Group until the charter agreement expires, Seacon Shipping Group had not been included as part of our Group upon the completion of the Reorganization.

Given that Seacon Shipping Group was engaged in the same core business of shipping services for the years ended December 31, 2019, 2020 and 2021, the assets, liabilities and results of operations of Seacon Shipping Group for the years ended December 31, 2019 and 2020, and the results of operations of Seacon Shipping Group for the year ended December 31, 2021 were consolidated into our Group’s financial statements on the basis of merger accounting. Seacon Shipping Group was not included in our Group pursuant to the Reorganization and ceased to be within the consolidation scope of our Group’s financial information as at December 31, 2021. Please see “Financial Information — Basis of presentation” for further details as to the consolidation basis of Seacon Shipping Group’s financial information into our Group’s financial information during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Seacon Star Marine Consultant

Seacon Star Marine Consultant was incorporated in Singapore on June 3, 2013. As at the Latest Practicable Date, Seacon Star Marine Consultant was owned as to 51% and 49% by Seacon Shipping Group and Mr. Gao Xianfeng (杲先鋒) (an Independent Third Party), respectively. The principal business of Seacon Star Marine Consultant is providing port agency services which mainly include handling of miscellaneous matters between a docked vessel and the port where it docks, such as, (i) arranging of docking of vessel; (ii) liaising with port authorities; (iii) loading and unloading of cargo; (iv) sewage treatment and discharge; (v) arranging for crew members to board a vessel; and (vi) arranging for petty cash advance to a vessel’s captain to settle bills and purchase materials.

The following table sets forth the key financial information of Seacon Star Marine Consultant based on its unaudited management accounts:

	For the year ended/As at December 31, 2019 USD’000	For the year ended/As at December 31, 2020 USD’000	For the year ended/As at December 31, 2021 USD’000
Revenue	Nil	3,896	8,861
Gross profit/(loss)	Nil	(64)	74
Net profit/(loss)	Nil	(125)	(72)
Total assets	Nil	2,064	2,991
Total liabilities	Nil	2,189	3,188

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the aggregate amount of the historical transactions with the Guo’s Controlled Companies (excluding Seacon Shipping Group) were approximately USD0.8 million, USD2.1 million, USD2.2 million and USD1.9 million, respectively, and accounted for approximately 0.7%, 1.3%, 0.7% and 0.8% of our total cost of sales for the corresponding periods.

COMPANIES OWNED BY OUR EXECUTIVE DIRECTORS BUT NOT INCLUDED IN OUR GROUP

Apart from our business and save as disclosed in this section, none of our Directors nor their respective close associates has any interest in a business which competes with, or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Chen, one of our executive Directors, was interested in the following companies that did not form part of our Group:

Shandong Seacon Shipping

As at the Latest Practicable Date, Mr. Chen owned 20% interest in Shandong Seacon Shipping. See “Companies owned by our Controlling Shareholder but not included in our Group — Shandong Seacon Shipping Group Company Limited* (山東洲際航運集團有限公司) (“Shandong Seacon Shipping”)” in this section for details.

Sunny Star

As at the Latest Practicable Date, Mr. Chen owned 20% shareholding interest in Sunny Star. See “Companies owned by our Controlling Shareholder but not included in our Group — Sunny Star” in this section for details.

Seacon Star Group

As at the Latest Practicable Date, Mr. Chen owned 20% shareholding interest in Seacon Star Group. See “Companies owned by our Controlling Shareholder but not included in our Group — Seacon Star Group” in this section for details.

REASONS FOR NOT INCLUDING GUO’S CONTROLLED COMPANIES IN OUR GROUP

The Guo’s Controlled Companies are principally engaged in the provision of materials supply and port agency services, respectively, which our Directors believe are separate and distinct from our principal business of provision of shipping services and ship management services.

Materials supply

The Guo’s Controlled Companies which engage in materials supply (namely, Sunny Marine and Seacon Marine Service) are not included in our Group due to the following reasons:

- (i) as confirmed by our Directors, the materials supply market is fragmented and competitive, and given that there is a large number of market participants, the costs associated with ship owners switching from one supplier to another is not high, making materials suppliers fairly substitutable. Such replaceability of materials suppliers gives rise to a lower profit margin when compared to companies which provide shipping and ship management services. Hence, our Directors believe that it would generate more value for our Shareholders and us if we focus on our core business of provision of shipping services and ship management services; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, we, in aggregate, procured materials amounting to approximately USD2.4 million, USD1.9 million, USD3.4 million and USD4.6 million from Independent Third Party suppliers, accounting for approximately 74.4%, 46.9%, 60.5% and 71.0% of our total material supplies expenses for the same years/period, respectively. Our Directors consider that such material suppliers are highly substitutable and we can readily source our materials supplies from other suppliers in the industry.

Provision of port agency services

The Guo’s Controlled Companies which engage in the provision of port agency services (namely, Seacon Shipping Group and Seacon Star Marine Consultant) are not included in our Group due to the following reasons:

- (i) the provision of port agency services is limited to the local port level and involves a substantial amount of local knowledge which can only be acquired after operating at the relevant local port for a certain period of time. Our Directors consider that the amount of time and effort necessary to accumulate local knowledge, experience and expertise for operating a successful port agency service company surpasses the benefit that would be brought to us and our Shareholders as a whole; and
- (ii) our Directors consider that the business of provision of port agency service is totally different from our core businesses, namely provision of shipping services and ship management services. Port agency services mainly include handling of miscellaneous matters between a docked vessel and the port where it docks, such as, (i) arranging of docking of vessel; (ii) liaising with port authorities; (iii) loading and unloading of cargo; (iv) sewage treatment and discharge; (v) arranging for crew members to board a vessel; and (vi) arranging for petty cash advance to a vessel’s captain to settle bills and purchase materials. Provision of port agency service is peripheral to and does not overlap with our core business, therefore, considering our competitive advantages in our core business as mentioned above and the expected growth of our core business, the Guo’s Controlled Companies which engage in the provision of port agency services are not included in our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Since (i) we would like to focus on our core business of provision of shipping services and ship management services; (ii) save for Seacon Shipping Group which has only one chartered-in vessel which charterer cannot be changed pursuant to the charter agreement, that the charter will end on May 22, 2023 and such vessel has been further chartered to our Group until the end of the charter period, the business of the Guo’s Controlled Companies are separate and distinct from the business of our Group and not in line with the business focus and strategies of our Group; (iii) business of none of the Guo’s Controlled Companies had given or would likely to give rise to any direct or indirect competition with the business of our Group; and (iv) save for the continuing connected transactions described in “Connected Transactions”, each of the Guo’s Controlled Companies operates independently from our Group. Hence, the Guo’s Controlled Companies were not included as part of our Group. Our Directors are of the view that it is desirable and beneficial to our Group not to include the Guo’s Controlled Companies as it would allow us to concentrate our financial resources and management effort on our core business of provision of shipping services and ship management services with a view to streamline the business structure of our Group.

As advised by our PRC Legal Advisers, Singaporean Legal Advisers, Marshall Islands Legal Advisers, Hong Kong Legal Counsel and BVI Legal Advisers, our Directors are of the view that none of the Guo’s Controlled Companies was subject to any material non-compliance with applicable laws and regulations or material claims, litigations or legal proceedings during the Track Record Period and up to the Latest Practicable Date. For details of the immaterial non-compliance incidents involving Seacon Shipping Group, please see “Business — Legal Compliance — Immaterial non-compliance incidents in Hong Kong”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after the [REDACTED]:

Non-competition

Save as disclosed above in this section, none of our Controlling Shareholders or Directors nor their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group’s business. Our Controlling Shareholders have entered into the Deed of Non-competition with our Company to ensure no potential competition going forward. For details of the Deed of Non-competition, see “Non-competition Undertakings” in this section.

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Company and the Guo’s Controlled Companies have board of directors that function independently of each other. The following table sets out the details of the position of our Directors within our Company/our Group and the Guo’s Controlled Companies as at the Latest Practicable Date:

Name	Position within our Company/ our Group	Position within the Guo’s Controlled Companies
Mr. Guo	Chairman and executive Director	Director, legal representative and general manager of Shandong Seacon Shipping Director of Sunny Star, Seacon Ships Management Group, Seacon Marine Service, Seacon Star Marine Consultant, Seacon Star Group and Seacon Shipping Group
Mr. Chen	Executive Director and general manager	Director of Sunny Star, Seacon Ships Management Group, Seacon Marine Service, Seacon Star Marine Consultant, Seacon Star Group and Seacon Shipping Group Supervisor of Shandong Seacon Shipping and Sunny Marine
Mr. He Gang	Executive Director and chief financial officer	Nil
Mr. Zhao Yong	Executive Director and president of ship management	Nil
Mr. Fu Junyuan	Independent non-executive Director	Nil
Ms. Zhang Xuemei	Independent non-executive Director	Nil
Mr. Zhuang Wei	Independent non-executive Director	Nil

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed in the table above, none of our Directors holds any directorship or senior management position in the Guo’s Controlled Companies. Saved as disclosed above, the Guo’s Controlled Companies do not have business which competes or may compete with our Group. There are sufficient non-overlapping Directors who are not executive management of the Guo’s Controlled Companies and have relevant experience in their respective fields of work to ensure the proper functioning of our Board. In the event that the two overlapping Directors are required to abstain from any meeting of our Company on any matter which may give rise to a potential conflict of interest, the remaining Directors, including two executive Directors and three independent non-executive Directors, will have sufficient expertise and experience to fully consider any such matter.

Despite the interest of one of our Controlling Shareholder in certain business outside our Group, we believe that our Directors and members of our senior management are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interest. With the corporate governance measures in place to manage potential conflicts of interest, if any, the dual roles assumed by the two overlapping Directors will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company. We further believe our Directors with no overlapping directorships have the requisite qualifications, integrity and experience to maintain an effective Board and observe their fiduciary duties in the event of conflict of interest. See “Directors and Senior Management” for our Directors’ experience and qualifications;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (iii) our Board comprises seven Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of our Board. This provides a balance between the number of interested and independent non-executive Directors with a view to promote the interests of our Company and our Shareholders as a whole. This board composition is also in line with the requirements as set out in the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) our independent non-executive Directors will bring independent judgment to the decision making process of our Board. Certain matters of our Company, including continuing connected transactions and other matters referred to in the Deed of Non-competition (see “Non-competition undertakings” in this section), must always be referred to our independent non-executive Directors for review and they will confirm in our annual reports that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole. In the event that the two overlapping Directors are required to abstain from any Board meeting of our Company on any matter which may give rise to a potential conflict of interest with our Controlling Shareholders, the independent non-executive Directors will be able to consider such matter; and
- (v) our senior management team possesses in-depth experience and understanding of the industry in which our Group operates.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Operational independence

Our Company makes business decisions independently from our Controlling Shareholders. On the basis of the following reasons, our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders and their respective close associates:

- (i) our Group has established its own organizational structure comprising individual departments each with specific administrative and corporate governance infrastructure;
- (ii) during the Track Record Period, Seacon Ships Qingdao had leased its owned property to Qingdao Wantong Shipping Company Limited* (青島萬通海運有限公司) (“**Qingdao Wantong**”), one of our related parties which had been disposed on December 8, 2022 (see note 31 to the Accountant’s Report in Appendix I to this document for details). As at the Latest Practicable Date, the aforesaid lease had been terminated. Save for the aforesaid lease, during the Track Record Period and up to the Latest Practicable Date, the offices and staff dormitories stated in “Business — Properties” and the facilities and equipment located there were used solely by our Group;
- (iii) our Group is the holder of all relevant licenses material to the operation of our business and has sufficient capital, assets and employees to operate our business independently;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) our Group has independent access to customers, marketing, sale and general administration resources and do not share such with our Controlling Shareholders and/or their close associates;
- (v) our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business;
- (vi) during the Track Record Period and as at the Latest Practicable Date, our Group had entered into certain transactions with our connected persons. Our Directors (including our independent non-executive Directors) have confirmed that these connected transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable, and in the interest of our Company and our Shareholders as a whole. Save for the continuing connected transactions set out in “Connected Transactions”, we have not entered into any other connected transaction with our Controlling Shareholders or their respective close associates that will continue after the [REDACTED]; and
- (vii) during the Track Record Period, there had been certain transactions entered into between our Group and its related parties, details of which are set out in note 31 to the Accountant’s Report in Appendix I to this document. Our Directors confirm that these related party transactions were conducted in the ordinary course of business of our Group and on fair and reasonable normal commercial terms.

On the basis of the matters described in this section, our Directors are of the view that our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had employed a sufficient number of financial and accounting personnel to operate our own finance department, had established our own financial accounting system independent of our Controlling Shareholders, had our own bank accounts and an independent treasury function for cash receipts and payments, as well as made our own tax registrations with the relevant regulatory authorities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group entered into certain finance leases with finance lease companies and obtained certain bank facilities. Mr. Guo and Mr. Chen provided joint and several personal guarantees, Mr. Guo mortgaged his property (held under joint tenancy with his spouse, Ms. Li Xuyue), Seacon Shipping Group provided corporate guarantees in connection with certain finance leases, bareboat charters and bank facilities, and Seacon Ships Qingdao provided corporate guarantee for a bank facility taken by a Guo’s Controlled Company. Save for (i) a bank facility which Mr. Guo provided personal guarantee and such personal guarantee will be fully released upon the [REDACTED]; and (ii) corporate guarantees and personal guarantees provided by Seacon Shipping Group and/or by Mr. Guo and Mr. Chen (as the case may be) in relation to certain bareboat charters and finance leases which will be fully released upon the [REDACTED], all of the other personal guarantees given by Mr. Guo and Mr. Chen, property mortgage and corporate guarantees in relation to the aforementioned finance leases, bareboat charters and banking facilities had been fully released as at the Latest Practicable Date.

As of September 30, 2022, the amount due to related parties which are non-trade in nature amounted to approximately US\$1.7 million. See Note 31 to the Accountant’s Report in Appendix I for details. The amount due to related parties which are non-trade in nature have been fully settled by our Group as at the Latest Practicable Date. We did not have any share pledges or guarantees provided by our Controlling Shareholders and their close associates on our borrowings. As at the Latest Practicable Date, based on our Group’s unaudited management accounts, the outstanding balance owed by our Group for; (i) a bank facility secured by guarantee given by Mr. Guo, and (ii) certain bareboat charters and finance leases secured by corporate guarantees provided by Seacon Shipping Group, and personal guarantees provided by Mr. Guo and Mr. Chen (as the case may be) was approximately US\$49.2 million.

Our Directors are also of the view that we did not as at the Latest Practicable Date, and will not upon the [REDACTED], unduly rely on the advances and balances to or from our Controlling Shareholders and their respective associates for the benefit of our business operations. Our Directors further confirmed that we do not have any intention to seek our Controlling Shareholders to provide such securities or guarantees in favour of our borrowings in the foreseeable future. As such, our Directors are of the view that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders and could therefore operate independently from the financial perspective.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

Pursuant to the non-competition undertakings as set out in the Deed of Non-competition, each of our Controlling Shareholders (the “**Covenantors**“, each an “**Covenantor**”) has undertaken to our Company (for ourselves and on behalf of our subsidiaries) that during the period commencing from the [REDACTED] and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be [REDACTED] on the Stock Exchange or other recognized stock exchange; (ii) the day on which the Covenantors cease to be Controlling Shareholders and the relevant Covenantor shall cease to be an executive Director; and (iii) the day on which the Covenantors or his/its close associates beneficially own the entire issued share capital of our Company:

- each of the Covenantors agreed not to compete, and to procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with the business of our Group as described in this document and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested in, or entered into any letter of intent or memorandum of understanding to enter into, or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) within Hong Kong, the PRC, Japan, Singapore, the Marshall Islands, Liberia or any of the territories where any member of our Group carries and/or will carry on business from time to time (the “**Restricted Business**”); and
- each of the Covenantors has jointly and severally irrevocably undertaken that, during the term of the Deed of Non-competition, he/it (as appropriate) will not, and will also procure his/its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our Group’s principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-competition; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The foregoing restrictions do not apply to (i) the purchase by the Covenantors, his/its subsidiaries or close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business compete or are likely to compete with our principal business; or (ii) the holding by the Covenantors, his/its subsidiaries or close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business compete or are likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “**Investment Companies**” for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Covenantors, his/its subsidiaries or close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interest of such Investment Companies are being held by the Covenantors, his/its subsidiaries or close associate(s) (as appropriate).

- Seacon Shipping Group shall only charter one vessel until the end of its charter period on May 22, 2023. Such vessel has been and shall only be chartered to our Group, and it has been and shall only be managed by our Group before the end of charter period. Thereafter, Seacon Shipping Group shall not engage in shipping services and ship management services.
- during the term of the Deed of Non-competition, if the Covenantors and/or his/its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our Group’s principal business, save for business opportunities which cannot be legally taken up by our Group, the Covenantors:
 - (a) shall notify our Company in writing immediately and provide to our Company all information which is reasonably necessary for our Company to consider whether or not to engage in such business opportunity (the “**Offer Notice**”); and
 - (b) are obliged to use his/its best efforts to procure that such opportunity is first offered to our Company on terms that are fair and reasonable. Our Company is entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our Company’s request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules;
 - (c) will use his/its best efforts to procure his/its close associate(s) and/or his/its subsidiaries (as appropriate) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our Group’s principal business according to the terms of the Deed of Non-competition; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) if our Company decides not to take up the new business opportunity for any reason or does not respond to the Covenantors and/or his/its subsidiaries and/or his/its close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our Company’s request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and the Covenantors and/or his/its subsidiaries and/or close associates (as appropriate) may operate such new business opportunity on his/its own.

Option for acquisitions

In relation to any new business opportunity of the Covenantors referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by the Covenantors or any of his/its subsidiaries or any of his/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Covenantors have undertaken to grant our Company the option, which is exercisable at any time during the term of the Deed of Non-competition, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders’ agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Covenantors will use his/its best efforts to procure the third party to waive his/its pre-emptive right. Each of the Covenantors shall use his/its best efforts to procure his/its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) to comply with the option granted to our Company by the Covenantors above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both the Covenantors and our Company) and the mechanism and procedure provided by applicable laws and regulations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pre-emptive right

Each of the Covenantors has jointly and severally undertaken that, during the term of the Deed of Non-competition, if he/it intends to transfer, sell, lease, license or otherwise permit to use, to a third party any new business opportunity of the Covenantors referred to in the Deed of Non-competition, his/its close associate(s) (as appropriate) shall notify our Company by written notice (the “**Selling Notice**”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company. We shall reply to the Covenantors and/or his/its subsidiaries and/or his/its close associate(s) (as appropriate) within 30 business days after receiving the Selling Notice. The Covenantors and/or his/its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) have undertaken that until they receive the reply from our Company, they shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues the Covenantors a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Covenantors or his/its subsidiaries or any of his/its close associate(s) (as appropriate) following negotiation between the parties under the fair and reasonable principle, the Covenantors or his/its subsidiaries or any of his/its close associate(s) (as appropriate) are entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice. The Covenantors shall procure his/its subsidiaries, and his/its close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Decision-making as to whether to take up the options or pre-emptive right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability of business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders and our Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company in this connection.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Covenantors’ further undertakings

Each of the Covenantors has further jointly and severally undertaken that:

- (i) he/it will provide all information necessary for our independent non-executive Directors to review the Covenantors’, his/its subsidiaries’ and his/its close associate(s)’ compliance with and enforcement of the Deed of Non-competition;
- (ii) he/it consents to the disclosure of the decision made by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (iii) he/it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for disclosure in our annual report.

Each Covenantor undertakes that he/it will not and will procure that none of his/its respective close associates shall:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as appropriate);
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person, or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business, to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Each Covenantor further undertakes, jointly and severally, to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of the Covenantors under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall our executive Directors who participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to us under the terms of the Deed of Non-competition;
- our independent non-executive Directors will be granted full access to financial information and other information they request from the managers of our Company and the Covenantors in order to make an informed decision. Our independent non-executive Directors will make each decision based on any factor they consider appropriate and which they consider is beneficial to our Group;
- our independent non-executive Directors may employ an independent financial adviser as they consider necessary to advise them on the terms of any new business opportunity;
- each of the Covenantors undertakes to keep us informed and shall procure his/its respective close associates to keep us informed, of new business opportunities and to provide all information reasonably required by our independent non-executive Directors to assist them in their consideration of any new business opportunity;
- our independent non-executive Directors will review, on an annual basis, the compliance of the Covenantors with the Deed of Non-competition, in particular the right of refusal relating to any business opportunity and our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to public;
- our Company has appointed Zhongtai International Capital Limited as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- adoption of the Articles which provides that a Director shall not vote on any resolutions of our Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested and shall not be counted in the quorum of the meeting where such resolution is considered, unless otherwise provided in the Articles; and
- after the [REDACTED], our Directors undertake to continue to disclose details of any potential competing interests in our annual reports to our Shareholders.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or their respective close associates and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.