



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

2022 ANNUAL REPORT



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CORPORATE INFORMATION

Executive Directors

Mr. Guo Jinkui (*Chairman*)
Mr. Chen Zekai (*General manager*)
Mr. He Gang
Mr. Zhao Yong

Independent Non-executive Directors

Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

Audit Committee

Mr. Fu Junyuan (*Chairperson*)
Ms. Zhang Xuemei
Mr. Zhuang Wei

Remuneration Committee

Ms. Zhang Xuemei (*Chairperson*)
Mr. Chen Zekai
Mr. Zhuang Wei

Nomination Committee

Mr. Guo Jinkui (*Chairperson*)
Mr. Chen Zekai
Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

Risk Management Committee

Mr. Guo Jinkui (*Chairperson*)
Mr. He Gang
Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

Environmental, Social and Governance Committee

Mr. Guo Jinkui (*Chairperson*)
Mr. Zhao Yong
Mr. Zhuang Wei

Joint Company Secretaries

Ms. Sun Yufeng
Ms. Chan Sze Ting (*ACG, HKACG*)

Authorised Representatives

Mr. He Gang
Ms. Chan Sze Ting

Registered Office

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Cricket Square
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Compliance Adviser

Zhongtai International Capital Limited
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Central, Hong Kong

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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CORPORATE INFORMATION

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Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
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16 Harcourt Road
Hong Kong

Principal Bankers

Citibank N.A.
Bank of China
Mizuho Bank, Ltd.

Stock Code

2409

Company Website

www.seacon.com



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Seacon Shipping Group Holdings Limited (“**Seacon Shipping**” or the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present the annual results of the Group for the year ended 31 December 2022.

The year 2022 was undoubtedly a year with challenges for the shipping logistics industry. More downward pressure of the world economy led to rapid changes in supply and demand of shipping logistics, and global supply chains have been hit hard by the intense geopolitical risk and repeated pandemic, all of which have contributed to difficulties in operations and finance of numerous shipping logistics companies. The ever-changing market requires more for a company's strength and resilience and there will be broad market potential for development of the survived entities. It was delighted that under the continuous support of its team, Seacon Shipping officially settled to the international capital platform in 2023 and successfully listed on the Main Board of Hong Kong Stock Exchange. It is believed that the Group will secure more resources in brand, capital and network in future and expand its business on this basis to strengthen the Group's competitiveness while calmly responding to uncertainties in future.

Looking back, Seacon Shipping has been committed to providing customers with comprehensive shipping solutions along the value chain of the maritime shipping industry since its establishment in 2012. We are able to satisfy the shipping and value-added needs of shipowners, ship operators, shipbuilders, finance and leasing companies, traders, and shipping and logistics companies capitalising on our two principal businesses, namely shipping services and comprehensive ship management services. These two businesses complement each other in information and data in addition to achieving synergies in operations. On the one hand, shipping services enable us to collect massive customer feedback and shipping data, from which we grasp the market demand for various categories, sizes and shipping routes. On the other hand, we can have better access to operating data beyond controlled or chartered vessels through our ship management business and deepen our macro understanding on the market, thereby deploying in advance and taking immediate monetization opportunity from chartered-in vessels when appropriate or acquiring such vessels in advance for long-term market opportunities.

We always believe that our competitiveness in the market will be dependent upon the coverage of our vessel suppliers network and the size of our vessel fleet. Vessel suppliers restrict the capacity of upstream shippers while the size and diversity of their own fleets restrict their ability to acquire downward customers. Hence, we endeavour to maintain a balanced and diverse asset mix in our controlled vessels and improve business control and profit margin, while improving operating flexibility to the maximum leveraging on chartered-in vessels at a relatively low capital investment. As of 31 December 2022, the Group controlled a fleet comprising 21 vessels with a combined weight carrying capacity of 1.03 million dwt, covering all major kinds of dry bulks such as iron ore, coal, grain, steel, logs, cement, fertilizer, nickel ore and bauxite, and asphalt, petrochemical products and molten sulphur. During the year, the Group also entered into over 130 chartered-in vessel engagements as a supplement to assist us obtain numerous high-quality customers in different sectors, including leading shipping charterers, global trading multinationals such as the world's leading dry bulk owners and vessel operators; large multinational conglomerates engaged in the trading of agricultural goods; the world's largest private metals trader and one of Japan's largest steel traders.

Our efforts have also been widely acclaimed in the industry. Seacon Shipping was awarded the “Most Popular Ship Management Company” and “Best Shipping Company” by China Zhenghe Sailing Awards Organising Committee* (中國鄭和航海風雲榜組委會) in 2018 and 2022, respectively. In 2021, Seacon Shipping was awarded “2021 Ship Management and Crew Service Excellence Award (2021船舶管理和船員服務卓越獎)” by 2021 International Ship Management (Shanghai) Summit Organising Committee* (2021國際船舶管理(上海)高峰論壇組委會), which further established its position as the largest third-party ship management service provider in the PRC.

CHAIRMAN'S STATEMENT

Reviewing the performance in 2022, due to impact of macro factors, the overall market demand for shipping services declined significantly and daily average Baltic Dry Index (the “BDI”), which is a main benchmark indicator of the market charter rates, retraced sharply which in turn dragged the performance of the Group’s shipping services. Nevertheless, the Group’s revenue during the year declined by 3.7% on a year-on-year basis to approximately US\$359.1 million. Due to an increase in its revenue from shipping service business contributed by controlled vessel fleet with higher gross profit margin, an increase in the number of shipbuilding supervision projects and an increase in revenue contribution from vessel management services charged under a management fee basis, the Group’s gross profit margin increased from approximately 15.5% in 2021 to approximately 17.4% for the year, which drove a year-on-year increase of gross profit by 8.2% to approximately US\$62.4 million. Coupled with prudent cost control, its adjusted net profit reached approximately US\$60.8 million throughout the year, representing a year-on-year increase of 29.3%, delivering an eye-catching result to Shareholders and the team.

In no way immediate success stops our progress. Looking forward, with the advent of post-epidemic era and the orderly resumption of the global trade, there will be more market opportunities for Seacon Shipping. According to a market survey performed by Frost & Sullivan, PRC seaborne trade volume is expected to reach 10,025.2 million tonnes by 2026, representing a CAGR of 4.0% between 2022 and 2026. Meanwhile, charter rates remained high, and the daily average BDI in 2022 maintained far higher than the levels in 2019 and 2020, reflecting there will be huge space for profitability. The Baltic Clean Tanker Index (the “BCTI”, a major basis for charter rates of oil tankers) also remained high as compared to that prior to the Russian-Ukrainian crisis, which will provide strong support for revenue increase of tanker shipping service in the long run.

Taking these market opportunities, we will expand controlled fleets and chartered-in fleets with both light and heavy assets and proactively improve market share and competitiveness. We have appointed well-known Japanese and Chinese shipyards to build 8 new vessels, which are expected to be completed in 2023 or 2024, and will provide comprehensive weight carrying capacity of approximately 542,100 dwt in total, and support sustainable growth of the Group’s shipping services. Within one month after listing, we announced the purchase of two general dry cargo vessels each with a weight carrying capacity of 62,000 dwt to further improve the asset mix of our vessel fleet.

In the future, we will also establish presence in major strategic markets including Greece, enhance our ship management capabilities and develop digital technology and advanced information technology systems to serve customers based in different regions with efficient supply chain services.

Last but not least, I would like to extend my heartfelt gratitude to all Shareholders for their care and support for the Group, and my sincere appreciation to all directors, senior management and employees of the Group for their efforts in the past year. Seacon Shipping’s success listing on the Hong Kong Stock Exchange marks a great achievement in its development. In the future, we will endeavour concerted efforts and march forward towards common prosperity of Seacon Shipping against odds.

Mr. Guo Jinkui

Chairman of the Board

Hong Kong, 25 April 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Company Profile

Seacon Shipping is an integrated shipping services provider headquartered in the PRC. Its comprehensive solutions include (i) shipping services and (ii) ship management services, covering each process along the value chain of the maritime shipping industry. According to the Frost & Sullivan report, the Group is the largest third-party ship management services provider in the PRC in terms of the number of third-party owned vessels under management in 2022. In terms of international shipping routes to and from the PRC, the Group is the fifth largest shipping company headquartered in the PRC with a combined weight carrying capacity of approximately 1.26 million dwt for its controlled vessel fleet and approximately 1.15 million dwt for its controlled dry bulk carrier fleet.

BUSINESS HIGHLIGHTS

Revenue: Revenue decreased from approximately US\$372.7 million in 2021 to approximately US\$359.1 million during the year, representing a year-on-year slight decrease of 3.7%.

Gross profit: Gross profit increased year on year by 8.2% from approximately US\$57.7 million in 2021 to approximately US\$62.4 million during the year.

Adjusted net profit: Adjusted net profit increased year on year by 29.3% from approximately US\$47.0 million in 2021 to approximately US\$60.8 million during the year.

Major milestones: The Group ushered in a new journey for development in 2023 upon its success listing on the Main Board of Hong Kong Stock Exchange. In the future, the Group will proactively expand its vessel fleet, set up new offices in strategic markets, optimise operating system and improve market share and competitiveness under the support of international capital platform, thereby creating long-term value for Shareholders.

BUSINESS STRATEGY

Light and heavy asset mix: maintaining a perfect and balanced asset mix of vessel fleet is crucial to the healthy development of the business. The general shorter lease term of chartered-in vessels, which is usually within three months, enables the Group to exert its flexibility in vessel fleet operation while avoiding significant capital expenditure. Controlled vessels generally bring higher gross profits and can drive financial performance of the Group. Therefore, balanced vessel fleet assets will facilitate the Group to benefit from profit improvement and economics of scale and maximise operating flexibility.

Expanding vessel fleet: As shipping rates are subject to numerous macro factors, expanding shipping capacity has become one of the major driving forces for growth of the Group. In view of the low vessel newbuilding cost in the past few years, the Group has engaged well-established shipyards located in the PRC and Japan to build eight new vessels for it, 3 new vessels were in under-water operation in February and April 2023, and another 3 new vessels are expected to be put into under-water operation within the year. In addition, the Group also announced the purchase of 2 general cargo vessels each with a capacity of 62,000 dwt and 2 bulk carriers each with a capacity of 42,000 dwt in April 2023, to further expand its controlled vessel fleet.

Expanding business presence: In order to support business development, the Group will manage to set up offices and service sites in numerous strategic regions worldwide to improve customer acquisition and stickiness of existing customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost reduction and quality improvement: In order to reduce the impact of macro factors on its financial performance, the Group will endeavour to seek for optimising existing operating system and process and refine cost structure to maintain profit margin.

Controlled and Chartered-in Vessel Fleets

The Group offers shipping services for commodity owners, traders and shipping service companies via its controlled or chartered-in vessels. As of 31 December 2022, the Group controlled a vessel fleet comprising 21 vessels of varying sizes, such as Capesize, Panamax, Ultramax, Supramax, Handymax and Handysize, as well as vessels that do not fall under such sizing practices. During the year, the controlled vessel fleet of the Group has a combined weight carrying capacity of approximately 1.03 million dwt in total, with an average vessel ages of approximately 8 years.

Change in controlled fleet

	For the year ended 31 December	
	2022	2021
Capesize	1	2
Panamax	2	2
Ultramax	2	2
Supramax	5	6
Handymax	0	0
Handysize	5	6
Others*	6	4
Total	21	22

* Others represented handysize tankers which are tankers with weight carrying capacities ranging from approximately 4,500 dwt to approximately 25,000 dwt, and medium range tankers which are tankers with weight carrying capacities ranging from approximately 25,000 dwt to approximately 45,000 dwt.

Change in chartered-in vessel fleet

Chartered-in vessels occupy a majority of the fleet of dry bulk carriers of the Group. The Group entered into over 60, 160, 200 and 132 chartered-in vessel engagements in aggregate for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

Through its varied fleet of dry bulk carriers, the Group is able to transport all major kinds of dry bulks for its customers such as iron ore, coal, grain, steel, logs, cement, fertilizer, nickel ore and bauxite. In addition to dry bulk goods, the Group is also able to transport asphalt, petrochemical products and molten sulphur through its controlled fleet of oil tankers and chemical tankers.

In the meantime, the Group also provides daily operations of vessels, technical management, crew management, repair and maintenance, and regulatory management and compliance and other services for ship owners, finance lease companies, shipyards, dry bulk traders, and shipping and logistics companies. For the years ended 31 December 2019, 2020, 2021 and 2022, we managed 94, 133, 203 and 217 vessels, respectively, representing a CAGR of 32.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Global Network

The Group provides shipping services for customers under time charters, trip-based time charters (“TCT”), voyage charters and contract of affreightment, which cover major international dry bulk routes, including, among others, South America-China, Australia-Far East, USA-Far East, Africa-Far East, Southeast Asia-Far East, Persian Gulf-Far East, India-China and Africa-China.

In order to meet customers’ increasingly complex demand for shipping and vessel management services, the Group has set up subsidiaries in China, Hong Kong, Singapore and Japan, covering Shanghai, Zhoushan, Qingdao, Ningbo, Fuzhou, Hong Kong, Singapore, Tokyo and other cities, with a commitment to providing appropriate services in major markets. Meanwhile, in order to support rapid development of its business, the Group is expected to set up subsidiaries in strategic markets such as Greece and Philippines to further expand its network coverage.

Customer Network

The Group accumulated over ten years of rich experience in the industry and has served ship owners, finance leasing companies, shipyards, dry bulk traders and shipping and logistics companies, including leading shipping charterers and global trading multinationals. The Group’s customers include globally-recognised blue-chip multinationals, such as one of the world’s leading dry bulk owners and vessel operators; large multinational conglomerates engaged in the trading of agricultural goods; the world’s largest private metals trader; and one of Japan’s largest steel traders.

Industry Recognition

Relying on its rich industrial and operational experience, the Group’s services are well acclaimed by the market. The Group was awarded the “Most Popular Ship Management Company” and “Best Shipping Company” by China Zhenghe Sailing Awards Organising Committee* (中國鄭和航海風雲榜組委會) in 2018 and 2022, respectively. In 2021, the Group was awarded “2021 Ship Management and Crew Service Excellence Award (2021 船舶管理及船員服務卓越獎)” by 2021 International Ship Management (Shanghai) Summit Organising Committee* (2021 國際船舶管理(上海)高峰論壇組委會), which demonstrated the Group’s outstanding service capabilities and wide brand recognition.

ESG Strategy and Target

A study shows that the maritime industry accounts for approximately 3% of the total greenhouse gas emission in the world. As the general public becomes increasingly environmentally-conscious and with the introduction of global initiatives to reduce climate change effects, the shipping industry is pursuing effort towards reducing greenhouse gas emissions, and customers are more focusing on the environmental performance of vessels and logistic services.

The Group aims to meet the short term, medium term and long term targets required by the International Maritime Organization (IMO). In the short term, the Group endeavours to fulfill the new Energy Efficiency Existing Ship Index and Carbon Intensity Index rules as required by the IMO prior to 2023. In the medium term, the Group targets to achieve a 10% reduction in our carbon dioxide emission intensity by 2030 against a 2021 baseline. In the long term, the Group targets to achieve a 30% reduction in our carbon dioxide emission intensity by 2040 against a 2021 baseline, with an ultimate goal of carbon neutrality.

The Group will strive for our strategic goals by continually phasing out and renewing our vessel fleet, adopting energy-saving operational measures, making energy-saving technological improvements, and adopting low-emission fuels, while seizing huge opportunities brought by environmentally-friendly logistics.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL PERFORMANCE

Due to upgraded geopolitical risk, continual epidemic impact and macro market changes and other factors, the shipping market demand and rates fluctuated at high levels throughout 2022. In the first half of 2022, the shipping market capacity was relatively tight, customers had urgent need in shipping services and hence the service bargain power was relatively high. However, as global ocean freight capacity gradually adapted to the new normal in the second half, daily average BDI (a main benchmark indicator of the market charter rates) retraced sharply which led to decline in chartered-in vessel engagements and charter rates throughout the year, and in turn dragged the performance of the Group's shipping services. Although the Group's vessel management and operation businesses maintained stable growth during the year, revenue during the year slightly declined by 3.7% from approximately US\$372.7 million in 2021 to approximately US\$359.1 million during the year.

Due to an increase in its revenue from shipping service business contributed by controlled vessel fleets with higher gross profit margin, an increase in the number of shipbuilding supervision projects and an increase in revenue contribution from vessel management services charged under a management fee basis, the Group's gross profit margin increased by 1.9 percentage points from approximately 15.5% in 2021 to approximately 17.4% for the year, which drove a year-on-year increase of gross profit by 8.2% to approximately US\$62.4 million (2021: approximately US\$57.7 million). Meanwhile, the Group maintained efficient cost control, which drove the year-on-year increase of the profit for the year by 47.3% from approximately US\$40.0 million in 2021 to approximately US\$58.9 million. Profit attributable to Shareholders of the Company also increased from approximately US\$33.6 million in 2021 to approximately US\$57.3 million, a year-on-year increase of 70.5%. Excluding share-based compensation and listing expenses, adjusted net profit for the year increased on a year-on-year basis by 29.3% from approximately US\$47.0 million in 2021 to approximately US\$60.8 million for the year.

The Group strives to maintain a strong financial condition in light of the fluctuations in the market condition. As of 31 December 2022, the Group's total assets increased on a year-on-year basis by 24.7% to approximately US\$287.2 million (as of 31 December 2021: approximately US\$230.4 million). As of 31 December 2022, gearing ratio, which is total liabilities dividing by total assets, also maintained at a sound level of approximately 62.1%.

SHIP MANAGEMENT OPERATIONS

The Group has been serving as a vessel management service provider since 2012 and provides ship owners, finance leasing companies, shipyards, dry bulk traders, and shipping and logistics companies with daily operations, technical management, crew management, repair and maintenance, and regulatory management and compliance and other services of vessels. The ship management contracts are generally entered into with service periods from one year to three years. Such agreements are usually renewable at the end of each such service period. The Group generally charges our customers management fees on lump-sum basis or management fee basis.

The Group manages a wide variety of vessel types such as dry bulk carriers, oil tankers, chemical tankers, passenger ships, cargo ships, and container ships. The Group maintained sound growth in the number of vessels under management. For the years ended 31 December 2019, 2020, 2021 and 2022, the Group managed 94, 133, 203 and 217 vessels, respectively, representing a CAGR of 32.2%. Rapid growth also demonstrated the Group's leading position in such segmented market and customer acquisition capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging its extensive industry experience and broaden customer base, the Group has further broadened its service offerings to provide shipbuilding supervision services in 2019. Such services generally cover the provision of initial feasibility analysis and review of vessel blueprints, professional consultations during the shipbuilding as well as technical evaluations and ongoing support services during the course of the shipbuilding process. Since the commencement of its services and up to 31 December 2022, the Group has been engaged to provide shipbuilding supervision services to over 100 shipbuilding projects for vessels of various types, including bulk carriers, container ships, multi-purpose vessels, oil tankers, chemical tankers and marine engineering vessels.

During the year, benefiting from the increase in the number of vessels under management, and successive recognition of shipbuilding supervision services, segmented revenue increased year on year by 8.7% to approximately US\$53.2 million (2021: approximately US\$49.0 million). Also, due to an increase in the revenue contributed by vessel services charged under a management fee basis and an increase in revenue contributed by shipbuilding supervision projects with higher gross profit, profit before income tax of this segment increased year on year by 130.5% to approximately US\$6.6 million (2021: approximately US\$2.8 million). Segment profit margin for the year amounted to approximately 12.3% (2021: approximately 5.8%).

Shipping Services Segment

The Group further expanded its income channel in 2017 by extending business offerings to include shipping service and providing shipping services for goods owners, traders and shipping service companies through its controlled or chartered-in vessels. The Group's vessel fleet comprises mainly dry bulk carriers which are able to transport all major kinds of dry bulks, such as coal, grain, steel, logs, cement, fertilizer and iron ore. The Group also transports petrochemical products, asphalt and molten sulphur through its oil and chemical tankers.

Maintaining a perfect and balanced asset mix of vessel fleet is crucial to the healthy development of the business. Controlled vessels are predominantly comprised of dry bulk carriers, oil tankers and chemical tankers which we solely own or jointly own with our business partners, or chartered on a long-term basis through bareboat charters or finance lease arrangements. On the other hand, chartered-in vessels are comprised of dry bulk carriers chartered from vessel suppliers predominantly under period-based time charters and TCT. The general shorter lease term of chartered-in vessels, which is usually within three months, enables the Group to exert its flexibility in vessel fleet operation while avoiding significant capital expenditure. However, controlled vessels generally bring higher gross profits and can drive financial performance of the Group. Therefore, balanced vessel fleet assets will facilitate the Group to benefit from profit improvement and economics of scale and maximise operating flexibility.

As at 31 December 2022, the Group controlled a fleet comprising 21 vessels with a comprehensive capacity of 1.03 million dwt in total, and average vessel ages of approximately 8 years. Given its flexibility, chartered-in vessels occupy a majority of fleet of the Group. The Group entered into over 60, 160, 200 and 130 chartered-in vessel engagements in aggregate for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

The Group generally chartered its vessels to its customers under time charter (period-based time charter and trip-based time charter) and TCT. The Group also provided shipping services to its customers through contract of affreightment in 2022 including the transport of iron ore from India and Australia to China and metallurgical coal from China to Japan.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, due to the fact that less chartered-in vessel engagements were entered into for shipping services and a decrease in the average daily BDI from approximately 2,943 points in 2021 to approximately 1,934 points in 2022, segment revenue decreased year on year by 5.5% from approximately US\$323.7 million in 2021 to approximately US\$305.9 million. In particular, revenue from chartered-in vessels decreased year on year by 22.9% from approximately US\$257.2 million in 2021 to approximately US\$198.2 million. On the other hand, benefiting from the five oil tankers introduced in the second half of 2021 and at the beginning of 2022, revenue from controlled vessels significantly increased by 61.8% from approximately US\$66.6 million in 2021 to approximately US\$107.8 million.

In terms of gross profit, gross profit of shipping services maintained relatively stable in 2021 and 2022 at approximately US\$52.2 million and US\$52.2 million, respectively. In particular, the gross profit of chartered-in vessels decreased year on year by 28.6% from approximately 31.6 million to US\$22.5 million, which is basically in line with the decrease in revenue from chartered-in vessels, and the gross profit margins were approximately 12.3% and 11.4% in 2021 and 2022, respectively. The gross profit of controlled vessels increased year on year by 44.0% from approximately US\$20.6 million in 2021 to approximately US\$29.6 million, which is basically in line with the increase in revenue from controlled vessels. The gross profit margin of controlled vessels also maintained stable in 2021 and 2022 at approximately 30.9% and 27.5%, respectively. Profit before income tax of this segment increased year on year by 42.1% to approximately US\$54.5 million (2021: approximately US\$38.3 million). Profit margin of the segment reached approximately 17.8% for the year (2021: approximately 11.8%).

Additionally, In view of the low vessel newbuilding cost in the past few years, the Group engaged well-established shipyards located in the PRC and Japan to build eight new vessels for it to expand its vessel fleet and shipping service capacity. Eight vessels under construction are panamax or ultramax bulk carriers and general cargo vessels with weight carrying capacities ranging from 13,500 dwt to 85,000 dwt. There were three new vessels in under-water operation in February and April 2023, respectively, and another three new vessels are expected to be put into under-water operation in 2023. In addition, the Group also announced the purchase of 2 general cargo vessels each with a capacity of 62,000 dwt and 2 bulk carriers each with a capacity of 42,000 dwt in April 2023, to further expand its controlled vessel fleet.

MARKET OVERVIEW

The BDI, an index of daily average of charter rates for dry bulk carriers published by The Baltic Exchange Limited, is the main benchmark to reflect the volatile movements of the dry bulk carrier charter rates and of the market charter rates. Due to the effect of the COVID-19 pandemic and resumption of global economy, daily average BDI reached 2,943 points for the year ended 31 December 2021. In 2022, daily average BDI declined to 1,934 points for the same period due to the suspended global supply chain and logistics movement in 2022, but remained significantly higher than 1,365 points and 1,068 points in 2019 and 2020. Looking forward to 2023, BDI reached 1,389 points as of 31 March 2023 despite the off-season, an increase of over a time compared to 689 points for same period in 2019 prior to the pandemic, reflecting huge profitability potential.

In terms of shipping demand, as Chinese government lifting most of its prevention and control policies, it is expected to boost economic development and manufacturing and logistics events nationwide and worldwide, and the shipping market is believed to usher in recovery in the second half of 2023. The demand of dry bulk cargoes generally follows GDP growth as their varieties. Based on the forecast of 2.9% GDP growth, it is believed that the shipping demand for dry bulk cargo will be supported in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

On the other hand, international crude oil prices have soared since February 2022 due to Russian-Ukrainian crisis and subsequent oil shortage, driving corresponding increase in the BCTI (a main benchmark of oil tanker charter rates). BCTI raised from approximately 731 points on 28 February 2022 to a peak of approximately 2,143 points on 22 December 2022. Despite BCTI returned to approximately 789 points on 3 March 2023, it maintained high as compared to the level prior to the Russian-Ukrainian crisis, which strongly supported revenue of oil tanker shipment services. The shortage supply caused by the crisis will also support the shipment demand of fuel. According to a market survey performed by Frost & Sullivan, PRC seaborne oil tanker market is expected to maintain a stable development and a CAGR of 2.9% between 2022 and 2026.

In the face of increasing compliance requirements, shipowners in the market are more inclined to seek and take advice from professional third-party ship managers. As the largest third-party ship management services provider headquartered in the PRC, the Group has obvious advantages in brands, experience and scale and this trend is believed to support the long-term growth of its ship management and operation business.

PROSPECTS

As the Group has been successfully listed on the Main Board of Hong Kong Stock Exchange, the Group will apply appropriately the strength of international capital market and expand controlled vessel fleet and chartered-in vessel fleet with light and heavy assets and proactively improve its market share and competitiveness. In particular, the eight vessels under construction of the Group will provide additional weight carrying capacity of approximately 542,100 dwt, and are expected to be completed in 2023 or 2024 to support sustainable growth of the Group's shipping services.

To reinforce its position as a leading ship management services provider, the Group intends to establish presences in locations concentrated by major shipowners such as Greece focusing on the layout of strategic cities in the Eurasian market and expand existing ship management operations in Qingdao, Ningbo and Fuzhou, thereby enhancing its overall ship management capacities. In addition, the Group is also seeking for setting up presence and offices in the Philippines to facilitate the pre-boarding training process for Philippine sailors and reinforce the Group's manpower allocation for ship management services in the long run.

The Group will also utilise partial proceeds from listing in digital technology and other advanced information technologies, such as adoption of new operating and management system, improvement of customer relationship management with big data, development of new information technology systems and optimisation of existing information technology system, such as crew training software and shift management software, to ensure compliance with regulatory requirements. The Group will also improve its digital systems, such as LMS Online Crew Training System, internal administrative and financial software as well as upgrades to our cloud storage and servers, thereby further optimising operational processes and improving efficiency.

In its multi-pronged development direction, the Group will seek higher execution efficiency and strive to create higher value for Shareholders and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue was principally derived from the provision of (i) shipping services; and (ii) ship management services. Our revenue decreased by approximately US\$13.6 million or 3.7% from approximately US\$372.7 million for the year ended 31 December 2021 (“2021”) to approximately US\$359.1 million for the year ended 31 December 2022 (“2022”).

The table below sets forth a breakdown of our revenue by business segments for the years indicated:

	Year ended 31 December			
	2022		2021	
	US\$'000	%	US\$'000	%
Shipping services	305,862	85.2	323,742	86.9
Ship management services	53,239	14.8	48,996	13.1
Total	359,101	100.0	372,738	100.0

Shipping services

Our revenue from shipping services decreased by approximately US\$17.8 million or 5.5% from approximately US\$323.7 million in 2021 to approximately US\$305.9 million in 2022, which was primarily due to the fact that our revenue from chartered-in vessels decreased by approximately 22.9% from US\$257.2 million in 2021 to approximately US\$198.2 million in 2022, which was primarily due to (i) the fact that we entered into less chartered-in vessel engagements in 2022 compared to 2021; and (ii) a decrease in the daily average BDI from approximately 2,943 points in 2021 to approximately 1,934 points in 2022 which meant that the charter hire we were able to receive from our customers reduced. On the other hand, the revenue from our controlled vessels increased from approximately US\$66.6 million in 2021 to approximately US\$107.8 million in 2022, representing an increase of approximately 61.8%. This was primarily due to the introduction of five oil tankers into our controlled vessel fleet during the second half of 2021 and early 2022.

Ship management services

Revenue from our ship management services increased by approximately US\$4.2 million or 8.7% from approximately US\$49.0 million in 2021 to approximately US\$53.2 million in 2022, which was mainly due to (i) an increase in the aggregate number of vessels under our management in 2022 compared to 2021, and (ii) an increase in the revenue derived from our provision of shipbuilding supervision services from approximately US\$2.5 million in 2021 to approximately US\$5.5 million in 2022, representing an increase of approximately 121.3% as a large majority of our shipbuilding supervision projects commenced in the latter half of 2021 contributed to our revenue in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our costs of sales primarily consisted of (i) charter hire costs which mainly comprised expenses relating to the chartering of vessels from vessel suppliers, (ii) crew manning expenses which represented the fees we paid to crew manning agencies to help us source crew members, (iii) bunker charges, (iv) port charges, (v) depreciation, (vi) lubricating oil and spare parts costs, (vii) employee benefit expenses, (viii) shipbuilding supervision service fees, and (ix) insurance expenses. Others included a wide array of assorted expenses which mainly represented communication expenses, off-hire, port agency fees and travel expenses for crew to travel to and from vessels, fresh water expenses and quarantine expenses for crew, and surveying fees.

Our cost of sales decreased by approximately US\$18.4 million or 5.8% from approximately US\$315.1 million in 2021 to approximately US\$296.7 million in 2022. Such decrease was mainly a result of the decrease in charter hire cost from approximately US\$176.7 million in 2021 to approximately US\$132.4 million in 2022, which was primarily due to decrease in chartered-in vessels engagements from vessel suppliers in addition to the decreasing daily average BDI. Such decrease was partially offset by (i) an increase in bunker costs from approximately US\$36.5 million in 2021 to approximately US\$42.5 million in 2022 primarily as a result of an increase in bunker fuel prices in early 2022 resulting from the Russian-Ukraine crisis; and (ii) expansion of our controlled vessel fleet which required us to properly crew with staff, leading to an increase in our crew manning expenses from US\$47.8 million in 2021 to US\$51.6 million in 2022.

Gross Profit and Gross Profit Margin

The following table sets out the breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	Year ended 31 December			
	2022		2021	
	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
Shipping services	52,172	17.0	52,159	16.1
Ship management services	10,192	19.1	5,491	11.2
Total	62,364	17.4	57,650	15.5

Our gross profit increased by approximately US\$4.7 million or 8.2% from approximately US\$57.7 million in 2021 to approximately US\$62.4 million in 2022. Our overall gross profit margin increased from approximately 15.5% in 2021 to approximately 17.4% in 2022. Such increase was due to:

MANAGEMENT DISCUSSION AND ANALYSIS

Shipping services

The gross profit from our shipping services remained relatively stable at approximately US\$52.2 million and US\$52.2 million in 2021 and 2022, respectively. The gross profit derived from our chartered-in vessels decreased by approximately US\$9.1 million or 28.6% from approximately US\$31.6 million to US\$22.5 million, which was generally in line with our decrease in revenue derived from our chartered-in vessels. On the other hand, the gross profit derived from our controlled vessels increased by approximately US\$9.0 million or 44.0% from approximately US\$20.6 million in 2021 to approximately US\$29.6 million in 2022, which was generally in line with our increase in revenue derived from our controlled vessels. The gross profit of our shipping services maintained stable at approximately 16.1% and 17.1% in 2021 and 2022, respectively. In particular, the gross profit margins of our chartered-in vessels remained stable at approximately 12.3% and 11.4% in 2021 and 2022, respectively. The gross profit margins of our controlled vessels also remained stable at approximately 30.9% and 27.5% in 2021 and 2022, respectively.

Ship management services

The gross profit from our ship management services increased by approximately US\$4.7 million or 85.6% from approximately US\$5.5 million in 2021 to approximately US\$10.2 million in 2022 primarily due to (i) an increase in our revenue contributed by vessels charged under a management fee basis, and (ii) an increase in our revenue contributed by our shipbuilding supervision projects as a large portion of our shipbuilding supervision projects commenced during the latter half of 2021. Our gross profit margin for ship management services also increased from approximately 11.2% in 2021 to 19.1% in 2022 primarily due to the increase in proportion of revenue contributed by vessels charged under a management fee basis in addition to the commencement of a large portion of our shipbuilding supervision projects during the latter half of 2021 that generally did not involve a high level of associated costs as compared to the ship management services rendered under lump sum basis, thereby improving the general profitability of our ship management services business segment in 2022 compared to 2021.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses primarily consisted of (i) employee benefit expenses, (ii) brokerage paid to shipbrokers, (iii) depreciation and amortisation, (iv) entertainment expenses, and (v) listing expenses. Others mainly represented rental fees for our staff dormitories, fees for certificates such as Document of Compliance (DOC) issued to the Company, and email and communications fees. Our selling, general and administrative expenses decreased by approximately US\$5.3 million or 30.6% from approximately US\$17.2 million in 2021 to approximately US\$11.9 million in 2022 mainly due to the decrease in employee benefit expenses from approximately US\$9.0 million in 2021 to US\$3.9 million in 2022 primarily owing to the recognition of share-based compensation of approximately US\$5.6 million incurred during 2021 as a result of the shares granted to certain Directors which vested during 2021.

Net Impairment Losses/Reversal on Financial Assets

We recognised net impairment reversal on financial assets of approximately US\$205,000 in 2021 and net impairment losses on financial assets of approximately US\$169,000 in 2022 primarily due to an increase in provision for impairment over our trade receivables as at 31 December 2022 which was made on an individual basis after taking into consideration of the long-aging status of the trade receivables due from one of our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income mainly consisted of (i) government grants, (ii) fees from insurance claims arising from day-to-day wear and tear of vessels, and (iii) contract compensation which primarily represented a compensation fee paid to us arising from a customer terminating a charterparty contract prior to the intended vessel delivery date. Our other income increased significantly by approximately US\$2.1 million from approximately US\$51,000 in 2021 to approximately US\$2.2 million in 2022 primarily due to (i) contract compensation of approximately US\$2.0 million paid to us arising from a customer terminating a charterparty contract prior to the intended vessel delivery date, and (ii) the one-off government subsidies granted to our subsidiary Seacon Ships Ningbo for business support.

Other Gains/Losses – Net

Other gains and (losses) mainly consisted of foreign exchange gains or losses, bank charges, provision for legal proceedings, impairment of held-for-sale assets, and net fair value gains or losses on financial assets. We recorded other gains of approximately US\$4.9 million in 2022 as compared to other losses of approximately US\$0.4 million in 2021 primarily due to the recognition net gains on disposal of property, plant and equipment of approximately US\$5.4 million in 2022 arising from the disposal of SEACON BRAZIL, one of our controlled vessels, in 2022.

Finance Costs

Our finance income primarily consisted of interest on bank account deposits. Our finance costs primarily consisted of interest on bank borrowings and interest on our lease liabilities. Our finance costs increased by approximately US\$2.8 million or 82.8% from approximately US\$3.5 million in 2021 to approximately US\$6.3 in 2022 primarily due to an increase in the interest payable on our borrowings and lease liabilities as we had entered into (i) new finance leases for SEACON FUZHOU and SEACON ATHENS vessels, in 2022 and (ii) five new bareboat charters throughout late 2021 to early 2022 which increased our interest payable on lease liabilities.

Share of Net Profit of Associates and Joint Ventures

Share of net profit and loss of associates and joint ventures represents the aggregate share of our associates' net profits and losses attributable to our interests in those associates and joint ventures. We recorded share of net profit of approximately US\$4.3 million in 2021 which increased to approximately US\$10.0 million in 2022 primarily because (i) we acquired shareholding interests over each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 during the second half of 2021 which greatly contributed to our share of net profits of such associated companies; (ii) our associate, Hongkong Xinyihai 55 recorded a strong financial performance in 2022 compared to 2021; and (iii) our share of the net profits from the vessel sale of XINYIHAI 55 in 2022.

Income Tax Expenses

Our income tax expense increased by approximately US\$0.9 million or 79.3% from approximately US\$1.2 million in 2021 to approximately US\$2.1 million in 2022 primarily due to an increase in our tax payable in 2022 owing to higher profits recorded in 2022 compared to 2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately US\$18.9 million or 47.3% from approximately US\$40.0 million in 2021 to approximately US\$58.9 million in 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-HKFRS Measure

Non-HKFRS measure is not a standard measure under HKFRSs. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use non-HKFRS measure, namely, adjusted net profit which is not required by, or presented in accordance with HKFRS. While adjusted net profit (non-HKFRS measure) provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit (non-HKFRS measure) has certain limitations. Further, our presentation of the adjusted net profit (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. You should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS. We define adjusted net profit (non-HKFRS measure) as profit for the year adjusted by adding (i) share-based compensation and (ii) listing expenses. The table below sets out our adjusted net profit (non-HKFRS measure) for each year during 2021 and 2022:

	Unaudited	
	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Profit for the year	58,929	40,005
Add: Listing expenses ⁽¹⁾	1,858	1,377
Add: Share-based compensation ⁽²⁾	—	5,635
Non-HKFRS measure: Adjusted net profit for the year/period	<u>60,787</u>	<u>47,017</u>

Notes:

- (1) Listing expenses relate to the global offering of our Company.
- (2) Share-based compensation incurred during the year ended 31 December 2021 arose from shares granted to certain Directors of our Company which vested during the respective financial year. This item is adjusted for as it is non-cash in nature.

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of vessels, buildings, transportation equipment and office equipment. Our property, plant and equipment increased from approximately US\$54.8 million as at 31 December 2021 to approximately US\$91.1 million as at 31 December 2022, primarily due to the acquisition of SEACON FUZHOU and SEACON ATHENS vessels, in January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Right-of-use Assets

Our right-of-use assets primarily comprised vessels which we chartered in from vessel suppliers and the building leases for our offices. Our right-of-use assets decreased from approximately US\$91.9 million as at 31 December 2021 to approximately US\$78.1 million as at 31 December 2022, primarily due to (i) the acquisition of SEACON FUZHOU and SEACON ATHENS vessels (which were previously bareboat chartered to us) in January 2022, (ii) the change of lease term of GOLDEN CAMELLIA vessel as a reduction of right-of-use assets as we have notified the shipowner of our intention to exercise the purchase option of GOLDEN CAMELLIA in October 2022, and (iii) the amortisation of the balance in relation to the vessels which were bareboat chartered to us throughout 2022.

Interests in Associates and Joint Ventures

We held interests in joint ventures and associated companies with third parties. The aggregate carrying amounts of our joint ventures and associates increased from approximately US\$5.2 million as at 31 December 2021 to approximately US\$7.8 million as at 31 December 2022 mainly due to the increase in carrying value of Seacon 6 and XINYIHAI 55 as a result of the sale of our jointly owned vessel SEACON 6 and XINYIHAI 55 as well as the improved profitability of each of our associates Seacon 7, Seacon 8 and Seacon 9 and Hongkong Xinyihai 55 in 2022.

Other Non-current Assets

The increase in other non-current assets from approximately US\$13.6 million as at 31 December 2021 to approximately US\$47.7 million as at 31 December 2022 mainly attributable to (i) prepayment for our seven vessels under construction in accordance with the payment schedule, and (ii) prepayment for equipment purchased.

Trade and Other Receivables

Our trade receivables represent outstanding amounts due from customers for our services. Our other receivables primarily consist of dividends receivable from an associate and deposits and guarantees.

Our trade receivables decreased from approximately US\$17.0 million as at 31 December 2021 to approximately US\$14.5 million as at 31 December 2022. The decrease in our trade receivables from 31 December 2021 to 31 December 2022 was generally in line with our decrease in revenue in 2022. Our other receivables increased from approximately US\$8.6 million as at 31 December 2021 to approximately US\$10.5 million as at 31 December 2022 primarily due to the dividends receivable from an associate of approximately US\$3.1 million as at 31 December 2022.

Inventories

Our inventories primarily consisted of lubricating oil and bunker fuel. Our inventories of approximately US\$4.7 million as at 31 December 2021 increased to approximately US\$10.6 million as at 31 December 2022 primarily due to (i) a general increase in bunker fuel prices owing to the Russian-Ukraine crisis which greatly pushed up oil prices during early 2022, and (ii) the period-based time charter which our controlled vessel SEACON AFRICA was under had ended during the first half of 2022 and was subsequently chartered out under voyage charter which meant we were responsible for the bunker fuel when chartering-out via voyage charter and the bunker fuel stored in SEACON AFRICA was recognized as our inventory as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss represented the aggregate of our right of gain/loss sharing from disposal of two of our controlled vessels under bareboat charter as well as the right to receive the deposits we previously paid for these two vessels pursuant to a gain/loss sharing arrangement entered into with the lessor of these two controlled vessels. In particular, our financial assets at fair value through profit or loss decreased from approximately US\$3.3 million as at 31 December 2021 to approximately US\$1.2 million as at 31 December 2022 as one of the two controlled vessels subject to such gain/loss sharing arrangement, namely SEACON SINGAPORE, had been sold in May 2022 which in effect decreased our financial assets at fair value through profit or loss as at 31 December 2022 because there was only one controlled vessel subject to the gain/loss sharing arrangement instead of two vessels after the sale of SEACON SINGAPORE.

Prepayment and Other Current Assets

Our prepayment and other current assets primarily consisted of prepayments for vessels under short term charters and office rental, prepayment for insurance expenses and other prepayments for spare parts. Others mainly included prepayments for repair and maintenance work on our vessels and prepayments of freight charges. Our prepayment and other current assets decreased from approximately US\$6.1 million as at 31 December 2021 to approximately US\$5.2 million as at 31 December 2022 primarily due to a decrease in prepayments made for our vessels under short term time charters.

Trade and Other Payables

Our trade and other payables represent payments due to our suppliers including service fees paid to various maritime services providers.

Our trade payables increased from approximately US\$19.8 million as at 31 December 2021 to approximately US\$21.1 million as at 31 December 2022 mainly attributable to the increase in purchase of bunker fuel during 2022 and repair and maintenance expenses in connection with our controlled vessels during 2022. Our other payables decreased from approximately US\$33.4 million as at 31 December 2021 to approximately US\$6.6 million as at 31 December 2022 primarily due to the settlement of amount due to related parties.

INDEBTEDNESS

Our indebtedness primarily consisted of bank borrowings and lease liabilities. As of 31 December 2022, our borrowings and lease liabilities amounted to approximately US\$144.2 million in aggregate (as of 31 December 2021: US\$119.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out our indebtedness as at the dates indicated:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Borrowings		
– Current	9,851	5,369
– Non-current	61,575	27,476
Subtotal:	71,426	32,845
Lease liabilities		
– Current	17,275	21,073
– Non-current	55,504	65,586
Subtotal:	72,779	86,659
Total:	144,205	119,504

Borrowings

Our total borrowings increased from approximately US\$32.8 million as at 31 December 2021 to approximately US\$71.4 million as at 31 December 2022 mainly due to the finance leases we had entered into with respect to our controlled vessels SEACON ATHENS and SEACON FUZHOU in January 2022 and the re-financing of our controlled vessel SEACON SHANGHAI in February 2022. As at 31 December 2022, we have unutilised banking facilities of US\$2.0 million.

Our borrowings are denominated in US\$, RMB, JPY and SG\$. The average rates of the Group's borrowings in 2022 were approximately 4.81% (2021: approximately 4.60%). Please refer to note 23 to the consolidated financial statements of this report for details of our borrowings.

Pledge of assets

For financing arrangements of our controlled vessels, we generally financed the acquisition or newbuilding of controlled vessels through a mix of internal resources, bank loans and finance lease arrangements. Our Group companies provide security by way of guarantees or pledge vessels as collateral to secure bank loans or finance lease arrangements.

As at 31 December 2022, property, plant and equipment with the carrying amount of US\$90,812,000 was pledged to secure borrowings (As at 31 December 2021: US\$53,461,000). Please refer to notes 13 and 23 to the consolidated financial statements of this report for details of guarantors and the pledge for each secured borrowing and secured borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease liabilities

Our lease liabilities primarily represent the long term bareboat charters with lease periods of one year or more. Our lease liabilities decreased from approximately US\$86.7 million as at 31 December 2021 to approximately US\$72.8 million as at 31 December 2022 primarily due to (i) the acquisition of SEACON FUZHOU and SEACON ATHENS vessels (which were previously bareboat chartered to us) in January 2022, (ii) the change of lease term of GOLDEN CAMELLIA vessel as a reduction of right-of-use assets as we have notified the shipowner of our intention to exercise the purchase option of GOLDEN CAMELLIA in October 2022, and (iii) the amortisation of the balance in relation to the vessels which were bareboat chartered to us throughout 2022.

Contingent Liabilities

As of 31 December 2022, save as disclosed in the section headed “Directors’ Report – Material Legal Proceedings” in this report, we were not involved in any legal proceedings pending or, to our knowledge, threatened against us which could have a material adverse effect on our business or operations. Based on the legal counsel’s opinion, the management made a provision of US\$680,000 for the year ended 31 December 2022 based on the estimated compensation amount in respect of the legal proceedings. For more information about the contingent events, please refer to note 28 to the consolidated financial statements of this report. Our Directors further confirm that we did not have any significant contingent liabilities.

Save as disclosed in this report, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

Capital Structure

Our total assets increased from approximately US\$230.4 million as of 31 December 2021 to approximately US\$287.2 million as of 31 December 2022. Our total liabilities decreased from approximately US\$179.0 million as of 31 December 2021 to approximately US\$178.2 million as of 31 December 2022.

Our net debt to equity ratio decreased from 236% as of 31 December 2021 to 115% as of 31 December 2022. Net debt to equity ratio is calculated as net debt divided by total equity as of relevant date. Net debt is calculated as total borrowings, lease liabilities, amount due to related parties and amount due to third parties less cash and cash equivalents. Total equity is shown in the consolidated balance sheet. For details of relevant net debt to equity ratio, please refer to note 3.2 to the consolidated financial statements of this report.

Capital Commitments

Our capital commitments relate to capital expenditures contracted for but not yet incurred in relation to purchase of property, plant and equipment. Save as disclosed in note 29(a) to the consolidated financial statements of this report, we did not have other material capital commitments as of 31 December 2021 and 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

We historically have financed our operations primarily through cash from our operations, bank borrowings, and finance lease arrangements. Our cash requirements primarily relate to payments for chartering vessels, the purchase of vessels, repayment of bank loans and finance lease payables, and settling of various operating expenses. Our liquidity will primarily depend on our ability to generate cash flow from operations and obtain external financing to meet our debt obligations as they become due as well as our future operating and capital expenditure requirements.

As at 31 December 2022, we recorded net current assets of approximately US\$1.1 million compared to our net current liabilities of approximately US\$21.3 million as at 31 December 2021. We turned from a net current liabilities position to a net current asset position as at 31 December 2022 primarily due to the continuous cash inflow from our operations and our continued efforts made in repaying our trade and other payables. Our current ratio (namely current assets as of relevant dates dividing by current liabilities) increased from 0.8 as of 31 December 2021 to 1.0 as of 31 December 2022.

As at 31 December 2022, our cash and cash equivalents amounted to approximately US\$20.2 million and our cash and cash equivalents amounted to approximately US\$25.0 million as at 31 December 2021. The decrease by approximately US\$4.8 million in cash and cash equivalents was primarily due to the payments of the construction costs for one of our new vessels under construction in October 2022, which led to a decrease of our cash and cash equivalents. Our cash and cash equivalents are denominated in US\$, RMB, JPY, SG\$ and HKD. Please refer to note 21 to the consolidated financial statements of this report for details.

The table below sets forth a summary of our consolidated statement of cash flows for the years indicated.

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Net cash generated from operating activities	75,797	88,147
Net cash used for investing activities	(21,680)	(6,004)
Net cash used for financing activities	(58,903)	(61,515)

Operating activities

Our net cash generated from operating activities in 2022 amounted to approximately US\$75.8 million, representing a decrease of approximately 14.0% as compared to net cash generated from operating activities of approximately US\$88.1 million in 2021, which primarily reflected our profit before tax of approximately US\$61.0 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortisation of approximately US\$30.4 million and finance costs of approximately US\$6.3 million, and (ii) changes in certain working capital items that affected our operating cash flows which mainly included changes in trade and other payables of approximately US\$0.8 million, changes in inventories of approximately US\$6.0 million and changes in trade and other receivables of approximately US\$2.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Investing activities

Our net cash used for investing activities in 2022 amounted to approximately US\$21.7 million. This primarily reflected payments for purchase of property, plant and equipment and other non-current assets of approximately US\$45.1 million and advances to third parties of approximately US\$8.0 million, which was partially offset by proceeds from disposal of property, plant and equipment of approximately US\$15.8 million and repayment from related parties of approximately US\$9.3 million.

Financing activities

Our net cash used for financing activities in 2022 amounted to approximately US\$58.9 million, which primarily reflected repayment to related parties of approximately US\$33.2 million, repayment of principal and interest of lease liabilities and deposits of right-of-use assets of approximately US\$26.4 million and repayment of borrowings of approximately US\$10.5 million, which was partially offset by advances from related parties of approximately US\$9.6 million and proceeds from borrowings of approximately US\$7.8 million.

TREASURY POLICY

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders of the Group and to maintain an optimal capital structure to enhance Shareholders' value in the long term. The Group has adopted a prudent financial management approach towards the treasury policy. The Board closely monitors its liquidity position to ensure that the liquidity structure of its assets, liabilities and other commitments can meet its funding requirements at all times.

FOREIGN EXCHANGE RISK

We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies used in our business operations. Our revenue is denominated in US\$ and the primary functional currencies used in our business operations include US\$ and RMB. Our cost of sales, operating expenses and capital expenditures are predominantly incurred in US\$ while some of our primary payment commitments and expenditures are denominated in RMB. However, our reporting currency is in US\$ and therefore our revenue, cost of sales and other accounting items are all translated into US\$ on our consolidated financial statements. As a result, we may be exposed to foreign exchange risk from fluctuation in foreign exchange rate. Our assets and liabilities and transactions in its operations did not expose to material foreign exchange risk. We did not use any derivative instrument contracts to hedge foreign exchange risk. We manage foreign exchange risk by closely monitoring fluctuations in exchange rates of foreign currency, and minimise foreign exchange risk via prudent measures. For details of the foreign exchange risk and other financial risks that we are exposed to, please refer to note 3 to the consolidated financial statements of this report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

For the year ended 31 December 2022, we did not have any material investment, acquisitions or disposal. In addition, we will utilise net proceeds from the global offering in the same manner as indicated in the section headed “Directors’ Report – Use of Net Proceeds from Global Offering”. Save as disclosed, we do not currently have any other plans for significant investment or capital assets. However, we will continue to seek for new opportunities for business development.

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of four executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Guo Jinkui (郭金魁) (“Mr. Guo”), aged 49, is the Chairman of our Board, our executive Director and one of our controlling Shareholders. He is primarily responsible for the overall strategic planning, major decision making and management of our Group’s business development and operations.

Mr. Guo has more than 25 years of experience in the maritime shipping industry. Prior to joining our Group, he was employed by Shandong Haifeng Ship Management Co., Ltd.* (山東省海豐船舶管理有限公司), a shipping logistics company, from July 1995 to December 2003, with his last position as manager of the shipping department. From March 2004 to November 2012, he was the director and general manager of Glory Asia Group Limited (香港合豐集團有限公司), a ship management company.

Mr. Guo was nominated as one of the “Top 100 Most Notable Chinese Individuals in Shipping Industry”* (最受航運界關注的100位中國人) by the China Shipping 100 Organizing Committee* (中國航運百人組委會) for six consecutive years between 2016 and 2021.

Mr. Guo graduated from the Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College (上海海運學院)) in China in July 1995, majoring in turbine management* (輪機管理). He obtained an executive master of business administration degree from the University of Texas at Arlington in the United States in June 2005.

Mr. Chen Zekai (陳澤凱) (“Mr. Chen”), aged 59, is our general manager, our executive Director and one of our substantial Shareholders. He is primarily responsible for the overall strategic planning and administration of our Group.

Mr. Chen has more than 30 years of experience in the maritime shipping industry. Prior to joining our Group, he was employed by Guangzhou Ocean Shipping Company Limited* (廣州遠洋運輸有限公司) (formerly known as Guangzhou Ocean Shipping Company* (廣州遠洋運輸公司)), a shipping logistics company, from 1990 to November 1997, with his last position as second officer. From December 1997 to December 2003, he was employed by Shandong Haifeng Ship Management Company Limited* (山東省海豐船舶管理有限公司), a shipping logistics company, with his last position as manager of the marine department. From March 2004 to November 2012, he was the director and deputy general manager of Glory Asia Group Limited (香港合豐集團有限公司), a ship management company.

Mr. Chen has been appointed as a guest lecturer of turbines engineering technology* (輪機工程技術) by the Bohai Ships Vocational College* (渤海船舶職業學院) from May 2020 to May 2023. He has been appointed as an arbitrator by the Qingdao Arbitration Committee* (青島仲裁委員會) for a period of five years starting from December 2020.

Mr. Chen graduated from the Qingdao Ocean Shipping Mariners College* (青島遠洋船員學院) in China in July 1990, majoring in marine navigation* (航海系船舶駕駛專業). He obtained a master of business administration degree from the National University of Singapore in July 2013, and a doctor of business administration degree from the University of Management and Technology in the United States in December 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. He Gang (賀罡) (“Mr. He”), aged 49, is our executive Director and chief financial officer. Mr. He is responsible for overseeing our financial reporting, financial planning, treasury and financial control matters.

Mr. He has over 25 years of experience in the maritime shipping industry. Prior to joining our Group in May 2019, Mr. He was employed by COSCO Shipping (Qingdao) Company Limited* (中遠海運(青島)有限公司) (formerly named Qingdao Ocean Transportation Company* (青島遠洋運輸公司)), a shipping company, from July 1996 to June 1999 as a division staff at the finance division of the finance department. From June 1999 to February 2002, he also served as deputy chief of the finance department of Qingdao Huiquan Shipping Company* (青島匯泉船務公司), a shipping company. Between February 2002 and October 2013, Mr. He was employed by COSCO Shipping (Singapore) Pte. Ltd., a shipping company, with deputy general manager and manager of the finance department as his last positions held. From October 2013 to April 2019, he was the deputy general manager of the finance department of COSCO Shipping (Qingdao) Company Limited* (中遠海運(青島)有限公司), a shipping company.

Mr. He graduated from the Jilin University of Finance and Economics* (吉林財經大學) (formerly known as Changchun Taxation College* (長春稅務學院)) in China in July 1996, majoring in accounting and statistics. He obtained a master of business administration degree from the Shanghai Jiao Tong University in China in March 2005. He was certified as a senior accountant by China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) in December 2006. He was also certified as a non-practicing member of the Shandong Institute of Certified Public Accountants* (山東省註冊會計師協會) in December 2009.

Mr. Zhao Yong (趙勇) (“Mr. Zhao”), aged 56, is our executive Director and president of ship management. Mr. Zhao is responsible for the day-to-day management of the ship management operations of our Group.

Mr. Zhao has over 20 years of experience in the maritime shipping industry. Prior to joining our Group in July 2013, he was employed by Qingdao Ocean Shipping Company Limited* (中遠海運(青島)有限公司) (formerly known as Qingdao Ocean Shipping Company* (青島遠洋運輸公司)), a shipping company, from January 2000 to April 2005 as captain. From May 2005 to October 2005, he worked at Qingdao Ocean Hualin International Ships Management Company Limited* (青島遠洋華林國際船舶管理有限公司), a ship management company, as marine superintendent. From November 2005 to July 2013, he was employed by Qingdao Sea Star Ships Management Company Limited* (青島海之星船舶管理有限公司), a ship management company, with his last position as deputy general manager.

Mr. Zhao holds a Certificate of Competency for Seafarers of the People’s Republic of China (中華人民共和國海船船員適任證書) issued by the Shandong Maritime Safety Administration of PRC, certifying Mr. Zhao’s capability to act as master on ships of 3,000 gross tonnage or more, which was issued in July 2019.

Mr. Zhao graduated from the Qingdao Ocean Shipping Mariners College (青島遠洋船員職業學院) (formerly known as Qingdao Ocean Shipping Mariners College (青島遠洋船員學院)) in China in July 1993, majoring in ship navigation* (船舶駕駛). He obtained an executive master of business administration degree from the Ocean University of China (中國海洋大學) in China in July 2012.

Independent Non-executive Directors

Mr. Fu Junyuan (傅俊元) (“Mr. Fu”), aged 61, joined our Group as an independent non-executive Director on 2 March 2023. Mr. Fu is responsible for providing independent advice to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fu has more than 25 years of experience in accounting and management. Prior to joining our Group, he held a number of positions in the entities set out below:

Name of entity	Principal business	Last/current position	Period of services
Zhenhua Heavy Industries Company Limited (上海振華重工(集團)股份有限公司) (Shanghai Stock Exchange: 600320/900947)	Heavy equipment manufacturing	Director	August 1997 to May 2011
China Harbour Engineering Company (Group)* (中國港灣建設(集團)總公司) (a predecessor of China Communications Construction Group Corporation Limited (中國交通建設集團有限 公司))	Infrastructure construction	Chief accountant	October 1998 to December 2005
China Merchants Bank Holdings Co., Ltd. (招商銀行股份有限公司) (Stock Exchange: 03968; Stock Exchange preference share: 04614; Shanghai Stock Exchange: 600036)	Banking and finance	Non-executive director	March 2000 to August 2015
China Communications Construction Group Corporation Limited (中國交通建設集團有限 公司)	Infrastructure construction	Non-executive director	December 2005 to November 2006
China Communications Construction Company Limited (中國交通建設股份有限公司) (Stock Exchange: 1800; Shanghai Stock Exchange: 601800)	Infrastructure construction	Director and chief financial officer	September 2006 to September 2018
China Poly Group Corporation Limited (中國保利集團有限公司)	Parent company of 7 listed companies in the fields of international trade, real estate development, light industry research and development and engineering services etc.	Member of the company party standing committee and general accountant	September 2018 to September 2021
Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司) (Shanghai Stock Exchange: 600048)	Real estate development and operations	Director	October 2019 to October 2021
China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份 有限公司) (Stock Exchange: 03969; Sci-tech Innovation Board of the Shanghai Stock Exchange: 688009)	Design and integration of rail transportation projects, signal and communication equipment manufacturing, rail control system implementation	Independent non- executive director	February 2022 up to present

Mr. Fu graduated with a bachelor's degree in economics from the Shanghai Maritime University (上海海事大學) (formerly named Shanghai Maritime College* (上海海運學院)) in July 1983. Mr. Fu was awarded a master of business administration degree by the Asia International Open University (Macau) (亞洲(澳門)國際公開大學) (now renamed City University of Macau (澳門城市大學)) in Macau in August 2001. He also obtained a doctoral degree in management from the Beijing Jiaotong University (北京交通大學) in China in July 2008. Mr. Fu was appraised as a professor level senior accountant by the Competent Appraising and Approval Committee of the China Communications Construction Company Ltd (中國交通建設股份有限公司評審單位) in December 2015.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhang Xuemei (張雪梅) (“Ms. Zhang”), aged 52, joined our Group as an independent non-executive Director on 2 March 2023. Ms. Zhang is responsible for providing independent advice to our Board.

Ms. Zhang has over 20 years of experience in human resources. Since December 2000 up to present, she has been the vice president of operations and human resources at SOHU.com* (搜狐集團), a media and internet company, where she is responsible for overseeing the human resources department, administration department and enterprise information department, and other matters, such as, media content, real estate media and technology affairs department.

Ms. Zhang graduated with a bachelor’s degree in chemical engineering from the Anhui University of Technology (安徽工業大學) (formerly known as the East China University of Metallurgy* (華東冶金學院)) in China in July 1994. She graduated with an executive master of business administration degree from the University of Texas at Arlington in the United States in May 2005. She obtained an executive master of business administration degree from Tsinghua University (清華大學) in China in January 2015.

Mr. Zhuang Wei (莊煒) (“Mr. Zhuang”), aged 44, joined our Group as an independent non-executive Director on 2 March 2023. Mr. Zhuang is responsible for providing independent advice to our Board.

Mr. Zhuang has over 10 years of experience in the shipping industry. Since October 2010, he has been employed by BIMCO, an international shipping organization, and his current position is the General Manager of Asia, where he is responsible for BIMCO’s Asia-Pacific affairs. From September 2001 to January 2010, he was employed as a lecturer at the Shanghai Maritime University (上海海事大學) (formerly known as Shanghai Maritime College* (上海海運學院)) in the PRC, an academic institution.

Mr. Zhuang graduated from the Shanghai Maritime University (formerly known as Shanghai Maritime College* (上海海運學院)) in China with a bachelor’s degree in international economic law in July 2001, and he graduated from the Shanghai Maritime University with a master’s degree in international law in March 2004. He then obtained a PhD in international law from the East China University of Political Science and Law (華東政法大學) in China in December 2011. Mr. Zhuang currently holds a legal profession qualification certificate* (法律職業資格證) (part time category) issued by the Shanghai Municipal Bureau of Justice (上海市司法局) in the PRC in October 2021.

Mr. Zhuang was awarded the Shanghai Pudong New Area “Hundred People Scheme” Talent Award* (上海市浦東新區「百人計劃」人才獎) issued by the Shanghai Pudong New Area People’s Government* (上海市浦東新區人民政府) in April 2013. Mr. Zhuang was awarded the Shanghai “Lujiazui Top Ten Overseas Educated Persons” Award* (上海「陸家嘴十大海歸精英」獎) issued by The China (Shanghai) Pilot Free Trade Zone Administration Committee Lujiazui Management Bureau* (中國(上海)自由貿易試驗區管理委員會陸家嘴管理局) in September 2017, which was the award’s launching year.

Mr. Zhuang was appointed as a member of the Chinese People’s Political Consultative Conference Shanghai Pudong New Area Committee* (上海浦東新區政協委員) for its sixth term, and he has been re-appointed as a member for its seventh term. He is currently an arbitrator with the China Maritime Arbitration Commission (中國海事仲裁委員會). Mr. Zhuang is currently an expert committee member of the Shanghai International Shipping Institute. Mr. Zhuang has also been a guest professor at the Shanghai Maritime University since May 2021. In December 2022, Mr. Zhuang was elected as a representative of the sixteenth Shanghai Municipal People’s Congress (上海市第十六屆人民代表).

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Sun Yufeng (孫玉峰) (“Ms. Sun”) has more than 10 years of experience in the maritime shipping industry. Ms. Sun has been the manager of the general operations department of Seacon Ships Qingdao since April 2013 and the general manager of the operations management centre of our Group since March 2022. Prior to joining our Group, she was employed by Qingdao Sea Star Ships Management Company Limited* (青島海之星船舶管理有限公司), a ship management company, from March 2010 to December 2012, with her last position as assistant of the ships technology department.

Ms. Sun graduated with a bachelor’s degree in economics (international economy and trade) and a bachelor’s degree in engineering (measurement and control technology and instrument) from the Shandong University of Science and Technology (山東科技大學) in China in June 2009. She then obtained a master’s degree in business administration from the Shandong University (山東大學) in China in June 2016.

Ms. Sun was awarded Shandong Province Water Transport System Female Worker’s Successful Model* (山東省水運系統女職工建功立業標兵) by the China Seamen’s Trade Union Shandong Province Committee* (中國海員工會山東省委員會) in March 2020. She was named Top Ten Women in the PRC Shipping Industry in 2022* (2022年度中國航運界十大傑出女性) by the China Shipping 100 Organizing Committee* (中國航運百人組委會) in March 2022. Ms. Sun has also been a member of the Shandong Seamen Trade Union Female Worker Committee* (山東海員工會女職工委員會) since March 2021.

Ms. Chan Sze Ting (陳詩婷) (“Ms. Chan”) has joined Tricor Services Limited since April 2006 and she currently serves as a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 17 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies.

Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan obtained a bachelor’s degree in laws from the University of London in the United Kingdom in August 2008.

REPORT OF DIRECTORS

The board (the “**Board**”) of directors (the “**Directors**”) of Seacon Shipping Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**Reporting Period**”).

COMPANY PROFILE

The Company was incorporated as an exempted company with limited liability in the Cayman Island on 22 October 2021. The shares of the Company were listed on the Main Board of the Stock Exchange on 29 March 2023 (the “**Listing Date**”).

OUR BUSINESS

The Company is an investment holding company. The Group is an integrated shipping services provider committing to providing comprehensive shipping solutions to our customers along the value chain of the maritime shipping industry. The Group principally engages in the provision of ship management services and shipping services. The principal activities of the principal subsidiaries, associates and joint ventures as at 31 December 2022 are set out in note 32 and note 15 to the consolidated financial statements, respectively.

RESULTS OF THE GROUP

The Group’s results during the Reporting Period are set out in the audited consolidated statement of comprehensive income on pages 65 to 163 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group’s financial performance and an indication of likely future developments in the Group’s business, is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” in this annual report. These discussions form a part of this Report of Directors. The events affecting the Company that have occurred after the Reporting Period are set out in the section headed “Significant Events after the Reporting Period” in this report.

DIVIDENDS

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2022. As at the date of this report, there is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIVIDENDS POLICY

The Company has adopted a dividend policy and details of which are set out in the Corporate Governance Report on page 64 of this annual report.

FINANCIAL SUMMARY

The summary of the Group’s consolidated results as well as assets and liabilities for the past four financial years is set out on page 164 of this annual report. The summary does not constitute a part of the audited consolidated financial statements.

REPORT OF DIRECTORS

MAJOR RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations or growth prospects may be affected by risks and uncertainties associated with the Group's business. The factors listed below are the principal risks and uncertainties that the Group believes could cause the Group's business, financial condition, results of operations or growth prospects to differ materially from those anticipated or from historical results:

- Charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in the BDI which is a main benchmark indicator of the market charter rates, which may adversely affect the Group's charter hire received from our customers, and accordingly, the Groups' profitability and cash flows.
- The Group faces risks associated with obtaining suitable shipping capacity such as failing to assess chartered-in vessels in a timely manner and purchasing defective vessels, which may materially and adversely affect the Group's shipping volume, results of operations and financial condition.
- An increase in bunker fuel prices may reduce the Group's profitability and adversely affect the Group's business operations.
- The Group may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis due to intense competition in the highly volatile maritime shipping industry. Any inability to retain or replace our major customers may have a material adverse effect on the Group's business, financial condition and results of operations.
- The Group outsources the procurement of crew members to crew manning agencies. In the event of fraud or misconduct by a crew manning agency, the Group could also be exposed to material liability and be held responsible for damages, fines, or penalties which in turn may adversely affect our business, results of operations, financial condition, and reputation.
- If the Group's business operations fail to comply with any environmental requirements applicable to us, the Group could be exposed to, among other things, significant environmental liability damages, administrative and civil penalties, criminal charges or sanctions, and even termination or suspension of our operations, which may lead to substantial harm to our results of operations and reputation.

As the above information is not exhaustive, investors are advised to exercise their own judgment or consult their own investment advisers before making any investment in the shares of the Company.

For more details of the other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Company's prospectus dated 14 March 2023 (the "**Prospectus**").

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To our best knowledge, the Group has complied with relevant laws and regulations that are significant to the Group's business and operation in all material aspects. During the Reporting Period, there were no material violations of or non-compliance with applicable laws and regulations within the Group.

REPORT OF DIRECTORS

MATERIAL LEGAL PROCEEDINGS

- In June 2022, Sky Height Maritime Ltd. (the “**Claimant**”) filed a lawsuit with Ningbo Maritime Court of the PRC (the “**Court**”) against Seacon Ships Co., Limited (Qingdao)* (青島洲際之星船務有限公司) (the “**Seacon Ships Qingdao**”), a wholly-owned subsidiary of the Company, and Seacon Shipping Group Limited* (洲際船務集團有限公司) concerning, among other things, disputes over the rental expenses and the improper installation of certain devices on SKY HEIGHT (the “**SKY HEIGHT Proceeding**”). The Court has handed down a judgment (the “**Judgment**”) in relation to the litigation on 31 March 2023 ruling that (i) Seacon Ships Qingdao shall compensate the Claimant for economic loss of RMB7,446,326 within ten (10) days after the Judgment becomes effective; and (ii) the other claims of the Claimant be dismissed. The defendants filed an appeal with the High People’s Court of Zhejiang Province on 12 April 2023. As at the date of this report, this legal proceeding is ongoing. Details of this legal proceedings are set out in the Prospectus and the announcement of the Company dated 25 April 2023.
- In February 2022, a customer initiated an arbitration proceeding in the United Kingdom against a subsidiary of the Company for breach of a time charterparty contract and claimed for various damages in February 2022 in the amount of approximately US\$1.0 million, including, among other things, the loss of profit suffered by the customer as well as interest and legal costs. As at the date of this report, this legal proceeding is ongoing. Details of this legal proceedings are set out in the Prospectus.
- In February 2022, a supplier (the “**Supplier**”) initiated an arbitration proceeding in the United Kingdom against a subsidiary of the Company (the “**Subsidiary**”) and claimed for, including, among other things, the deduction for off-hire and the associated bunker costs in amount of approximately US\$0.3 million. In March 2022, the Subsidiary initiated an arbitration proceeding in the United Kingdom against a sub-charter customer (the “**Customer**”) on the same grounds in the amount of approximately US\$0.4 million. The dispute involves the condition of a chartered-in vessel (the “**Relevant Vessel**”) which was chartered from the Supplier and subsequently sub-chartered to the Customer. The Customer alleged that the condition of the holds of the Relevant Vessel was not satisfactory upon its delivery and placed the Relevant Vessel off-hire and such off-hire was deducted by the Subsidiary from the charter hire payable to the Supplier. As at the date of this report, this legal proceeding is ongoing. Details of this legal proceedings are set out in the Prospectus.

Save as disclosed above, the Directors were not aware of any other material proceedings or claims pending or threatened against the Group during the Reporting Period and as at the date of this report.

REPORT OF DIRECTORS

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is aware of our environmental responsibilities and social responsibilities, and understands the climate related issues that may affect our business. The Group is committed to strict compliance with the laws and regulations relating to environmental protection. The Company is aware of the importance of environmental protection and has formulated and adopted environmental, social and governance policies to ensure the continued sustainability of the Group's business operations. The Board of the Company has established an Environmental, Social and Governance Committee to support the Board in implementing the environmental, social and governance policies, objectives and strategies formulated by the Board, to conduct materiality assessment of environmental-related, climate-related and social-related risks, to evaluate the Group's approach to adjusting its business to climate change after collecting and analysing environmental, social and governance data, and to continuously monitor the implementation of measures to address the environmental, social and governance risks and liabilities of the Group. The Group will release the Environmental, Social and Governance Report required by the Listing Rules separately on the website of the Stock Exchange on the same date of the publication of this annual report. The Environmental, Social and Governance Report will detail the environmental and social policies and performance of the Group during the year.

For discussions of the Group's environmental policies and performance, the Group's key relationships with employees, customers, suppliers and other stakeholders, and the Group's compliance with relevant laws and regulations that are significant to the Group during the Reporting Period, please refer to the Environmental, Social and Governance Report of the Company for the year.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

The Group is committed to operating on a going concern basis while balancing the interests of all stakeholders, including the interests of shareholders of the Company (the "**Shareholders**"), employees, customers and suppliers of the Group.

SHAREHOLDERS

The Group recognises the importance of protecting the interests of Shareholders and maintaining effective communication with them. The Group believes that communication with Shareholders is a two-way process and strives to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with Shareholders, and listen carefully to Shareholders' views and feedbacks. This has been done through general meetings, corporate communications, interim and annual reports as well as results announcements.

MAJOR CUSTOMERS AND SUPPLIERS

Our major customer groups in respect of our ship management services business segment are fairly broad and generally include customers who seek to outsource the function of ship management of their vessels to third party ship management service providers such as our Group. Such customers generally include shipowners (which include finance lease companies who own vessels) as well as shipbuilders. Our major customer groups in respect of our shipping services business segment may generally be categorised into shipping services companies and commodities owners and traders. We believe that maintaining close communications with our customers is essential in promoting customers' satisfaction and fostering their confidence in us and our services and would in turn encourage recurring businesses from existing customers and their word-of-mouth referrals to potential customers. We seek feedback from our customers from time to time to assess and evaluate which aspects of our service offerings need further improvement.

REPORT OF DIRECTORS

Our suppliers mainly include vessel suppliers, marine goods suppliers such as lubricants and spare parts, bunker suppliers, insurance companies, classification societies and repair and maintenance service providers. We work closely with suppliers who are also market participants to maintain an extensive network in the shipping market and exchange market information from time to time to improve market efficiency.

During the Reporting Period, both the revenue attributable to the top five customers of the Group as a percentage of the Group's total revenue and the purchase costs of the top five suppliers of the Group as a percentage of the Group's total purchase costs accounted for less than 30%.

As at the date of this report, none of our Directors, their respective associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company had any interests in any of the Group's top five customers or top five suppliers. A more detailed description of the Company's key relationships with our employees, customers and suppliers is set out in the Environmental, Social and Governance Report of the Company for the year.

EMPLOYEES

The Group recognises that employees are valuable wealth of the Group, and that achieving and improving employees' values will facilitate the achievement of the Group's overall goals. The Group has been committed to providing employees with competitive remuneration packages, attracting promotion opportunities and a respectful and professional working environment. The Group participates in and contributes to statutory social benefit and mandatory contribution schemes, social benefits (including pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance) and housing provident fund contributions in accordance with applicable laws, rules and regulations. The Group's employees are also entitled to various subsidies and benefits, including but not limited to paid annual leave, paid birthday leave and maternity allowance, etc. The Group believes that its training culture helps the Group to recruit and retain talents. The Group provides internal training and external seminars related to quality, operation, internal control, environment and health and safety policies depending on the departments and scope of work of the employees. The Group will continue to attract and retain more talent by regularly reviewing the performance of its employees and using the review results as reference in determining any salary adjustments and promotions. As of the date of this report, certain of the Group's employees belonged to a trade union called China Seamen's Union Seacon Shandong Shipping Group Committee* (中國海員工會山東洲際航運集團委員會). The Group believes that it maintains good working relationships with its employees and there were no significant disruptions in the Group's operations due to industrial actions or labour disputes during the year ended 31 December 2022.

The Company has also adopted a share option scheme to incentivise eligible Directors, senior management and employees to attract, motivate and retain skilled and experienced personnel to provide incentives or rewards for their contribution or potential contribution to the Group, details of which are set out in the section headed "Share Option Scheme" in this Report of Directors.

SHARE CAPITAL AND SHARES IN ISSUE

The Company has a class of ordinary shares with a par value of HK\$0.01 each. Details of the movements in the share capital of the Company and details of the issued shares of the Company during the Reporting Period are set out in note 1 and note 33 to the consolidated financial statements.

REPORT OF DIRECTORS

DEBENTURES IN ISSUE

During the Reporting Period, the Group did not issue any debentures.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company (the “**Articles of Association**”) or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to our Shareholders by reason of their holding of the Company’s securities.

SHARE-LINKED AGREEMENTS

Save as disclosed in the Prospectus and this report, no share-linked shares were entered into or existed during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed “Continuing Connected Transactions” and note 30 to the consolidated financial statements in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and the controlling Shareholders (as defined in the Listing Rules) or any of their subsidiaries, whether for the provision of services or otherwise, during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

As the Company’s shares were not listed on the Stock Exchange as at 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2022.

RESERVES

During the Reporting Period, details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity and note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Our distributable reserves include undistributed profits. As of 31 December 2022, the Company did not have reserves available for distribution.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

REPORT OF DIRECTORS

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2022 are set out in note 23 to the consolidated financial statements.

LOANS AND GUARANTEES

For the year ended 31 December 2022, the Group did not provide any loan or loan guarantee, either directly or indirectly, to the Directors, senior management, controlling Shareholders (as defined in the Listing Rules) of the Company or any of their respective connected persons (as defined in the Listing Rules).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or discontinued during the period from the Listing Date to the date of this report.

DONATIONS

During the Reporting Period, the Group made charitable donations and other contributions in the total amount of US\$23,662.60.

REMUNERATION POLICIES AND EMPLOYMENT BENEFITS

As of 31 December 2022, the Group had 191 employees. The Group believes that its employees are valuable assets of the Group and are of great significance to the Group's business. Therefore, the Group recognises the importance of maintaining a good relationship with its employees. The Group's remuneration policies are based on the Group's profitability, prevailing industry practices, prevailing market levels, the qualifications of employees, the relevant work experience, positions and experience and the performance of each of the Group's subsidiaries and individual employees. These policies are reviewed on a regular basis. In addition to basic salaries, the Group provides employees with contributions and other fringe benefits under applicable laws, rules and regulations, including discretionary mid-year and year-end bonuses, paid annual leave, paid birthday leave and maternity allowance. etc. Total employee remuneration expenses including Directors' remuneration for the year ended 31 December 2022 amounted to approximately US\$10.9 million.

The Group only operate defined contribution pension plans. In accordance with applicable laws and regulations, the Group has participated in applicable defined contribution plans. The Company has made regular corresponding payments to the corresponding defined contribution plans in accordance with the applicable legal and regulatory requirements of the employees. For the year ended 31 December 2022, the Group did not forfeit contributions to the defined contribution plans. Other than the above contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. Details of the Group's employee benefits are set out in note 2.21 and note 9 to the consolidated financial statements.

REPORT OF DIRECTORS

PROFILE OF THE BOARD

The Directors in service during the Reporting Period and as of the date of this report are:

Executive Directors

Mr. Guo Jinkui (*concurrently served as Chairman of the Board*) (appointed on 22 October 2021)

Mr. Chen Zekai (*concurrently served as the general manager*) (appointed on 22 October 2021)

Mr. He Gang (appointed on 21 March 2022)

Mr. Zhao Yong (appointed on 21 March 2022)

Independent Non-executive Directors

Mr. Fu Junyuan (appointed on 2 March 2023)

Ms. Zhang Xuemei (appointed on 2 March 2023)

Mr. Zhuang Wei (appointed on 2 March 2023)

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” in this report.

CHANGES IN DIRECTORS’ INFORMATION

From the Listing Date to the date of this report, there have been no changes in the Directors’ information which has been disclosed or is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on 2 March 2023 with an initial term of three years commencing from the Listing Date. Any party may terminate relevant agreement by giving prior written notice.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 2 March 2023 with an initial term of three years commencing from the Listing Date. Any party may terminate relevant agreement by giving prior written notice.

Such appointments are subject to the provisions of the Articles of Association in relation to retirement by rotation and re-election.

None of the Directors nominated for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

REPORT OF DIRECTORS

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established a Remuneration Committee to assist the Board in formulating remuneration policies. Remuneration is determined and recommended based on the qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee under the Board.

None of the Directors waived or agreed to waive any remuneration, and there was no remuneration paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

During the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the Directors was approximately US\$697,000 (as set out in note 31 to the consolidated financial statements).

For details of the Directors and the five highest paid individuals during the Reporting Period, please refer to note 31 and note 9(ii) to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, each of the Directors or other senior officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or suffered in or about the performance of his/her duties during his/her term of office; provided that this indemnity shall not extend to any matter in respect of any fraud, willful default or dishonesty.

Such permitted indemnity provision was in force throughout the Reporting Period. As at the date of this report, the Company has maintained liability insurance in respect of liabilities against its Directors and senior officers in order to provide appropriate coverage.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" and note 31(f) to the consolidated financial statements, there were no transactions, arrangements or contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors or any entities connected with the Directors were materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 December 2022.

REPORT OF DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable our Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors or any of their spouse or children under the age of 18 had any rights to subscribe for the equity or debt securities of the Company or any other body corporate, or had exercised any such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of our Directors had controlled a business (excluding the Group's business) similar to the principal business of the Group that competes or is likely to compete, either directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers such Directors to be independent.

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES

Save as disclosed in the Prospectus and this annual report, the Company did not have any other disclosure obligations under Rules 13.20, 13.21, 13.22, 14.36B and 14A.63 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 30 to the consolidated financial statements in this report. As the Company's shares have not been listed on the Stock Exchange for the year ended 31 December 2022, these related party transactions did not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules) during the Reporting Period.

REPORT OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

Since the Listing Date, the transactions between members of the Group and connected persons of the Company have become connected transactions or continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the relevant non-exempt continuing connected transactions are set out below:

- **Vessel Charter Agreement**

Parties:

The 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 Limited (the “**Seacon Shipping Group**”) is a company incorporated in Hong Kong on 1 February 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group Ltd (the “**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:

The Company has entered into a vessel charter agreement dated 2 March 2023 with Seacon Shipping Group (the “**Vessel Charter Agreement**”) pursuant to which Seacon Shipping Group has agreed to charter SKY HEIGHT to the Company on a time charter basis for a charter period of up to 22 May 2023, with reference to the end date of the time charter as set out in the underlying charter agreement relating to SKY HEIGHT dated 28 December 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 their ordinary and usual course of business.

Reasons for the transactions:

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

REPORT OF DIRECTORS

Accounting implication of the Vessel Charter Agreement:

The fees payable by the 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**”).

The Group has adopted HKFRS16 as stated in note 2.8 to the consolidated financial statements set out in this annual report. Pursuant to the adoption of HKFRS16, the Group as lessee shall recognise 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 the Group for the purpose of the Listing Rules. As at 1 January 2022, the date on which the charter of SKY HEIGHT by the Group began, the Capital Asset recognised by us pursuant to the charter of SKY HEIGHT amounted to approximately US\$1,547,000.

Proposed annual cap:

The estimated annual cap for the Operating Expenses payable to Seacon Shipping Group under the Vessel Charter Agreement for the year ending 31 December 2023 is US\$600,000. In arriving at the above annual cap, the 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 22 May 2023.

- **Materials Purchase Agreements**

Parties:

The 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 18 September 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 29 October 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:

The Company has entered into a purchase agreement dated 2 March 2023 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 the Company 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 initial term of the Materials Purchase Agreements will commence on the Listing Date and end on 31 December 2024, subject to renewal upon the mutual consent of both parties.

REPORT OF DIRECTORS

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.

Proposed annual cap:

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 31 December 2023 and 2024 are US\$3,020,000 and US\$3,020,000, respectively.

Directors' Confirmation

Our Directors, including our independent non-executive Directors, are of the view that the transactions under 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 the Company and our Shareholders as a whole.

As the Company is not a listed company for the year ended 31 December 2022, the annual review and reporting requirements under Chapter 14A of the Listing Rules are not applicable to the Company for the year ended 31 December 2022. The Company will comply with the relevant requirements under the Listing Rules in its subsequent annual reports.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

The Company's shares were listed on the Stock Exchange on 29 March 2023. Therefore, the Listing Rules and the Securities and Futures Ordinance (the "SFO") did not apply to the Company as at 31 December 2022.

As at the date of this report, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Directors' Interests in the Company

Name of Director	Capacity/Nature ⁽¹⁾	Number of shares held/interested	Approximate percentage of shareholding ⁽²⁾
Mr. Guo Jinkui ⁽³⁾	Founder of a discretionary trust; Interest in a controlled corporation	288,750,000	57.75%
Mr. Chen Zekai ⁽⁴⁾	Founder of a discretionary trust; Interest in a controlled corporation	75,000,000	15.00%
Mr. He Gang ⁽⁵⁾	Interest in a controlled corporation	3,750,000	0.75%
Mr. Zhao Yong ⁽⁶⁾	Interest in a controlled corporation	7,500,000	1.50%

REPORT OF DIRECTORS

Notes:

- (1) All interests stated are long positions.
- (2) The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as of the date of this report, i.e., 50,000,000.
- (3) The entire share capital of Jin Qiu Holding Ltd. is wholly-owned 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) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo Jinkui (as founder of The J&Y Trust) and Shining Friends Limited are taken to be interested in the 247,500,000 shares held by Jin Qiu Holding Ltd. pursuant to Part XV of the SFO.

Jin Chun Holding Ltd. and Jovial Alliance Limited are both 100% beneficially owned by Mr. Guo Jinkui. Accordingly, Mr. Guo Jinkui is deemed to be interested in the 11,250,000 shares held by Jin Chun Holding Ltd. and the 30,000,000 shares held by Jovial Alliance Limited under the SFO.

By virtue of the SFO, Mr. Guo Jinkui is deemed to be interested in all the shares held by Jin Qiu Holding Ltd., Jin Chun Holding Ltd. and Jovial Alliance Limited.

- (4) The entire share capital of Kaimei Holding Ltd. is wholly-owned by Oceanic Flame Limited, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen Zekai (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen Zekai (as founder of The CZK Trust) and Oceanic Flame Limited are taken to be interested in the 71,250,000 shares held by Kaimei Holding Ltd. pursuant to Part XV of the SFO.

CZK Holding Ltd. is 100% beneficially owned by Mr. Chen Zekai. Accordingly, Mr. Chen Zekai is deemed to be interested in the 3,750,000 shares held by CZK Holding Ltd. under the SFO.

By virtue of the SFO, Mr. Chen Zekai is deemed to be interested in all the shares held by Kaimei Holding Ltd. and CZK Holding Ltd.

- (5) Ruigao Holding Ltd. is 100% beneficially owned by Mr. Zhao Yong. Accordingly, Mr. Zhao Yong is deemed to be interested in the 7,500,00 shares held by Ruigao Holding Ltd. under the SFO.
- (6) Passion Wealth Ltd. is 100% beneficially owned by Mr. He Gang. Accordingly, Mr. He Gang is deemed to be interested in the 3,750,000 shares held by Passion Wealth Ltd. under the SFO.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 had been granted any rights to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such rights for the year ended 31 December 2022.

REPORT OF DIRECTORS

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at the date of this report, so far as is known to our Directors, the following parties, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

(a) Substantial Shareholders' Interests in the Company

Name of Shareholder	Type/Nature of interest ⁽¹⁾	Number of ordinary shares	Approximate percentage of shareholding ⁽²⁾
Tricor Equity Trustee Limited ⁽³⁾	Trustee	318,750,000	63.75%
Shining Friends Limited ⁽³⁾	Interest in a controlled corporation	247,500,000	49.50%
Jin Qiu Holding Ltd. ⁽³⁾	Beneficial owner	247,500,000	49.50%
Jovial Alliance Limited ⁽³⁾	Beneficial owner	30,000,000	6.00%
Oceanic Flame Limited ⁽⁴⁾	Interest in a controlled corporation	71,250,000	14.25%
Kaimei Holding Ltd. ⁽⁴⁾	Beneficial owner	71,250,000	14.25%
Ms. Li Xuyue ⁽⁵⁾	Interest of spouse	288,750,000	57.75%
Ms. Chen Meimei ⁽⁶⁾	Interest of spouse	75,000,000	15.00%

Notes:

- (1) All interests stated are long positions.
- (2) The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as of the date of this report, i.e., 50,000,000.
- (3) The entire share capital of Jin Qiu Holding Ltd. is wholly-owned 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) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo Jinkui (as founder of The J&Y Trust) and Shining Friends Limited are taken to be interested in 247,500,000 shares held by Jin Qiu Holding Ltd. pursuant to Part XV of the SFO.

Jin Chun Holding Ltd. and Jovial Alliance Limited are both 100% beneficially owned by Mr. Guo Jinkui. Accordingly, Mr. Guo Jinkui is deemed to be interested in the 11,250,000 shares held by Jin Chun Holding Ltd. and the 30,000,000 shares held by Jovial Alliance Limited under the SFO.

By virtue of the SFO, Mr. Guo Jinkui is deemed to be interested in the 288,750,000 shares held by Jin Qiu Holding Ltd., Jin Chun Holding Ltd. and Jovial Alliance Limited in aggregate.

- (4) The entire share capital of Kaimei Holding Ltd. is wholly-owned by Oceanic Flame Limited, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen Zekai (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen Zekai (as founder of The CZK Trust) and Oceanic Flame Limited are taken to be interested in the 71,250,000 shares held by Kaimei Holding Ltd. pursuant to Part XV of the SFO.

CZK Holding Ltd. is 100% beneficially owned by Mr. Chen Zekai. Accordingly, Mr. Chen Zekai is deemed to be interested in the 3,750,000 shares held by CZK Holding Ltd. under the SFO.

By virtue of the SFO, Mr. Chen Zekai is deemed to be interested in all the shares held by Kaimei Holding Ltd. and CZK Holding Ltd.

REPORT OF DIRECTORS

- (5) Ms. Li Xuyue is the spouse of Mr. Guo Jinkui and is deemed, or taken to be, interested in all the shares in which Mr. Guo Jinkui has interest in under the SFO.
- (6) Ms. Chen Meimei is the spouse of Mr. Chen Zekai and is deemed, or taken to be, interested in all the shares in which Mr. Chen Zekai has interest in under the SFO.

Save as disclosed above, as at the date of this report, based on publicly available information, there were no other persons, not being a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted pursuant to the written resolutions of the Shareholders and Directors of the Company passed on 2 March 2023. The principal terms of the Share Option Scheme are summarised as below:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

2. Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound, at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme (i.e., 2 March 2023), to make an offer to any of the following classes:

- (a) any Directors and employees of our Group (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any member of our Group);
- (b) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company; and
- (c) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group, which may include persons who work for the member of our Group as independent contractors where the continuity and frequency of his service is akin to those of employees (the “**Service Providers**”), but excluding any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

REPORT OF DIRECTORS

3. Maximum number of Shares

- (a) The total number of shares which may be allotted and issued in respect of all options and awards to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 50,000,000 Shares (the “**Scheme Mandate Limit**”) unless the Company obtains an approval from our Shareholders. The options which are cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other schemes of our Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.
- (b) Without prejudice to (a) above, the total number of shares which may be allotted and issued in respect of all options and awards to be granted under the Share Option Scheme and any other schemes of our Group to Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed one per cent of the total number of Shares in issue immediately following completion of the Global Offering unless the Company obtains an approval from our Shareholders.
- (c) The Company may update the Scheme Mandate Limit at any time with the prior approval of the Shareholders and subject to compliance with the requirements of the Listing Rules. The total number of shares which may be allotted and issued upon exercise of all options and awards to be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the limit.
- (d) Since the date of adoption of the Share Option Scheme and up to the date of this report, no option has been granted, exercised, expired or lapsed under the Share Option Scheme and no option has been outstanding. As of the date of this report, the total number of shares available for issue under the Share Option Scheme was 50,000,000 shares, representing 10% of the total number of shares in issue.

4. Maximum entitlement of each eligible participant

Unless Shareholders’ approval has been obtained and such grantee and their close associates (or his associates if the participant is a connected person) abstain from voting, the total number of shares issued and to be issued upon exercise of any options and awards which may be granted under the Share Option Scheme and any other schemes of our Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other schemes of our Group) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of our Company for the time being.

5. Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme.

A nominal consideration of HK\$1.00 is payable to the Company upon acceptance of the grant of an option by a grantee.

6. Vesting Period

The vesting period for options shall be determined by the Board and in any case, shall not be less than twelve (12) months.

7. Exercise price for Shares

The exercise price in respect of any option under the Share Option Scheme shall be at the discretion of our Board, provided that it shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

8. Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e., 2 March 2023) unless the Company passes an ordinary resolution in general meeting to terminate the operation of the Share Option Scheme before its expiry. As of the date of this report, the remaining life of the Share Option Scheme is approximately 9 years and 10 months.

REPORT OF DIRECTORS

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on the Stock Exchange on 29 March 2023 and a global offering of the Company's ordinary shares was offered, comprising 12,500,000 shares under the Hong Kong public offering and 112,500,000 shares under international placing, both at an offer price of HK\$3.27 per share (collectively, the "Global Offering"). The estimated net proceeds from the Global Offering, after deduction of underwriting fees and related expenses, amounted to approximately HK\$348.0 million (the "Net Proceeds").

As the Company was only listed on the Stock Exchange on 29 March 2023, no Net Proceeds have been utilised. The Net Proceeds from the Global Offering will be utilised in the same manner as set out in the Company's prospectus dated 14 March 2023:

Purpose	% of total proceeds	Planned allocation of Net Proceeds (approximately) (HK\$ in million)	Utilised Net	Unutilised Net	Expected timeline for utilisation of the remaining Net Proceeds
			Proceeds as of the date of this report (approximately) (HK\$ in million)	Proceeds as of the date of this report (approximately) (HK\$ in million)	
<ul style="list-style-type: none"> Expand and optimize the Company's vessel fleet. 	77.0%	268.0	0	268.0	By the end of 2023
<ul style="list-style-type: none"> (i) Reinforce the Company's ship management capabilities by setting up new offices in strategic locations such as Shanghai, Greece, Philippines and Japan by renting office premises, and (ii) expand our current ship management operations in Qingdao, Ningbo and Fuzhou. 	10.0%	34.8	0	34.8	By the end of 2025
<ul style="list-style-type: none"> Adopt digital technologies and implement advanced information technology in the Company's business operations. 	3.0%	10.4	0	10.4	By the end of 2024
<ul style="list-style-type: none"> General working capital and other general corporate purpose. 	10.0%	34.8	0	34.8	By the end of 2025
Total	100%	348.0	0	348.0	

The Net Proceeds are currently held in bank deposits and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus. For more details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board of the Company, the Company has maintained sufficient public float as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) from the Listing Date to the date of this report.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. The information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 50 to 64 of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and auditor of the Company, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2022. The Audit Committee has reviewed the Group’s financial controls, risk management and internal control systems.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, which is a certified public accountant and registered public interest entity auditor, and will retire at the forthcoming annual general meeting of the Company, and being eligible, offer itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 12 April 2023, an indirect wholly-owned subsidiary of the Company (as the buyer), and a shipyard (as the seller) entered into two shipbuilding contracts (the “**12 April 2023 Shipbuilding Contracts**”), pursuant to which the seller agreed to build two vessels for the buyer for an aggregate consideration of US\$83.16 million. The acquisition of the vessels under the 12 April 2023 Shipbuilding Contracts 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. The Company has obtained an irrevocable and unconditional written approval for the transactions contemplated under the 12 April 2023 Shipbuilding Contracts 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 12 April 2023). Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders’ approval requirement in respect of the transactions contemplated under the 12 April 2023 Shipbuilding Contracts has been satisfied in lieu of a Shareholders’ general meeting of the Company. A circular containing, among other things, (i) further details of the 12 April 2023 Shipbuilding Contracts and the transactions contemplated thereunder; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders of the Company in May 2023. For details, please refer to the announcement of the Company dated 12 April 2023.

REPORT OF DIRECTORS

On 25 April 2023, an indirect wholly-owned subsidiary of the Company (as the buyer), and a shipyard (as the seller) entered into two shipbuilding contracts (the “**25 April 2023 Shipbuilding Contracts**”), pursuant to which the seller agreed to build two vessels for the buyer for an aggregate consideration of US\$63,387,500. The acquisition of the vessels under the 25 April 2023 Shipbuilding Contracts 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. The Company has obtained an irrevocable and unconditional written approval for the transactions contemplated under the 25 April 2023 Shipbuilding Contracts 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 25 April 2023). Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders’ approval requirement in respect of the transactions contemplated under the 25 April 2023 Shipbuilding Contracts has been satisfied in lieu of a Shareholders’ general meeting of the Company. A circular containing, among other things, (i) further details of the 25 April 2023 Shipbuilding Contracts and the transactions contemplated thereunder; and (ii) other information as required to be disclosed under the Listing Rules, will be despatched to the Shareholders of the Company in May 2023. For details, please refer to the announcement of the Company dated 25 April 2023.

Save as disclosed in note 33 to the consolidated financial statements herein and above, there are no other significant events since 31 December 2022 and up to the date of this report that could have a material impact on the Company’s operations and financial performance.

Save as disclosed in this annual report, to the best knowledge of the Board of the Company, there were no other significant events affecting the Group which occurred after the end of the Reporting Period and up to the date of this report.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**2023 AGM**”) of the Company will be held on Monday, 26 June 2023. The notice of 2023 AGM will be published and dispatched to the Shareholders in due course in the manner prescribed by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 19 June 2023.

By order of the Board

Mr. Guo Jinkui
Chairman of the Board

Hong Kong, 25 April 2023

CORPORATE GOVERNANCE REPORT

The board of directors (the “**Board**”) of the Company is pleased to report to the Shareholders of the Company (the “**Shareholders**”) the corporate governance of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholders’ return will be maximised in the long term and that its employees, business partners and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and improve its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the basis for the corporate governance practices of the Company.

As the Company’s shares were not listed on the Stock Exchange as at 31 December 2022, the CG Code set out in Appendix 14 to the Listing Rules were not applicable to the Company during the year ended 31 December 2022.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. Mr. Guo Jinkui, being the Chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group’s operation and business development.

The Company is committed to enhancing its corporate governance practices used to regulate conduct and promote growth of its business and to reviewing such practices from time to time to ensure that we comply with the CG Code and align with the latest developments of the Company.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

As the Company’s shares were not listed on the Stock Exchange as at 31 December 2022, the relevant rules of the Model Code, to which the Directors were subject, were not applicable to the Company during the year ended 31 December 2022.

Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the Model Code since the Listing Date.

BOARD OF DIRECTORS

The Company is led by an efficient Board. The Board assumes the responsibility for leadership and control, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall make decisions objectively in the best interests of the Company.

The Board strikes a balance among skills, experience and diversity of perspectives in order to meet the requirements of the Company’s business, and regularly reviews the contribution required to be made by the Directors when discharging their duties to the Company, as well as whether they have devoted sufficient time to discharge the duties corresponding to their roles and obligations delegated by the Board. The Board comprises a balanced combination of executive Directors and independent non-executive Directors, so that there is a strong independent element in the Board, which can effectively exercise independent judgment.

COMPOSITION OF THE BOARD

The Board currently consists of the following 7 Directors.

Executive Directors

Mr. Guo Jinkui (*Chairman*)

Mr. Chen Zekai (*General manager*)

Mr. He Gang

Mr. Zhao Yong

Independent Non-executive Directors

Mr. Fu Junyuan

Ms. Zhang Xuemei

Mr. Zhuang Wei

The biographical details of the Directors are set out in the section headed “Biographical Details of the Directors and Senior Management” in this annual report*. The relationships among the Directors are disclosed in the biographical details of the Directors under the section headed “Biographical Details of the Directors and Senior Management” in this annual report*. Save as disclosed above, there were no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, either in person or through electronic means of communication, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committee meetings, reasonable notice has to be given generally. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no Board meetings were held during the year ended 31 December 2022.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board assumes the responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board through effective independent judgement on corporate initiatives and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice* in appropriate circumstances at the Company's expenses, in order that they may discharge their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board may make decision at its discretion on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The management is responsible for implementing the decisions of the Board, directing and coordinating the daily operation and management of the Company.

The Company has arranged appropriate insurance coverage on the Directors' and senior management's liabilities in respect of any legal actions may be taken against the Directors and senior management arising out of the activities of the Company. The insurance coverage would be reviewed on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman was held by Mr. Guo Jinkui. The Company did not appoint a chief executive officer. Please refer to the "Corporate Governance Practices" above for details.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

The Directors shall keep abreast of their Director's responsibilities and of the conduct, business activities and development of the Company.

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction training on the first occasion of his/her appointment, and will be provided with relevant briefing and professional development subsequently as necessary, in order to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements as well as the business and governance policies of the Company.

Pursuant to the applicable code provisions as set out in the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2022 and prior to the Listing, all Directors have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, the Remuneration Committee, the Risk Management Committee, the Environmental, Social and Governance Committee and the Nomination Committee, which are responsible for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference, which clearly stipulates their respective roles and

CORPORATE GOVERNANCE REPORT

responsibilities. The terms of reference of the Audit Committee, the Remuneration Committee, the Risk Management Committee, the Environmental, Social and Governance Committee and the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei. Mr. Fu Junyuan is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee is also responsible for performing functions as required by Provision A.2.1 of the CG Code.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no meetings of the Audit Committee were held during the year ended 31 December 2022.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Ms. Zhang Xuemei (independent non-executive Director), Mr. Chen Zekai (executive Director) and Mr. Zhuang Wei (independent non-executive Director). Ms. Zhang Xuemei is the chairperson of the Remuneration Committee.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no meetings of the Remuneration Committee were held during the year ended 31 December 2022.

The Company offers executive Directors and senior management, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors receive compensation based on their responsibilities.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises five members, namely Mr. Guo Jinkui (executive Director), Mr. He Gang (executive Director), Mr. Fu Junyuan (independent non-executive Director), Ms. Zhang Xuemei (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Risk Management Committee.

The primary functions of the Risk Management Committee include reviewing and supervising the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no meetings of the Risk Management Committee were held during the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance Committee comprises three members, namely Mr. Guo Jinkui (executive Director), Mr. Zhao Yong (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Environmental, Social and Governance Committee.

The primary functions of the Environmental, Social and Governance Committee include reviewing and supervising the Company's environment, social and governance strategies, policies and practices, and monitoring and evaluating material environment, social and governance issues.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no meetings of the Environmental, Social and Governance Committee were held during the year ended 31 December 2022.

NOMINATION COMMITTEE

The Nomination Committee comprises five members, namely Mr. Guo Jinkui (executive Director), Mr. Chen Zekai (executive Director), Mr. Fu Junyuan (independent non-executive Director), Ms. Zhang Xuemei (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the Board composition, formulating and making recommendations to the Board on the appointment and succession planning of Directors, reviewing the board diversity policy (the "**Board Diversity Policy**"), and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as set out in the Company's Board Diversity Policy as well as factors concerning Board diversity.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria of such candidates, such as complementary corporate strategy as set out in the nomination policy and the requisites to achieve board diversity (if applicable), before making recommendation to the Board.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, no meetings of the Nomination Committee were held during the year ended 31 December 2022.

BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy and stipulated the means to achieve Board diversity. The Company recognises and embraces the benefits of having a diverse Board and sees enhanced diversity at the Board level as an essential element in maintaining the Company's competitive advantages.

The Company strives to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, setting and reviewing measurable objectives to implement the policy and ascertain the progress made towards achieving those objectives.

CORPORATE GOVERNANCE REPORT

The Board intends to maintain at least one female Board member. The Board may identify and select suitable female Board members or successors from a variety of sources, including but not limited to, internal promotions, Board member recommendations and external recruitment.

The current Board composition is analysed as follows based on the measurable objectives:

Gender

Male: 6 directors
Female: 1 director

Age group

41–50: 3 directors
51–60: 3 directors
61–70: 1 director

Position

Executive Directors: 4 directors
Independent non-executive Directors: 3 directors

Educational background

Business administration: 4 directors
Accounting and finance: 2 directors
Law: 1 director

Nationality

PRC: 7 directors

Business experience

Accounting and finance: 2 directors
Law: 1 director
Experience relevant to the Company's business: 4 directors

The Nomination Committee and the Board consider that the current Board composition has reached the objectives set out in the Board Diversity Policy.

The Nomination Committee will review at least on a yearly basis the Board Diversity Policy and measurable objectives to ensure the sustained function and effectiveness of the Board.

GENDER DIVERSITY

The Company values gender diversity at all levels of the Group. The table below sets forth the gender ratio of the Group's employees (including the Board and senior management) as at the date of this annual report:

	Female	Male
Board	14.29% (1)	85.71% (6)
Senior management	11.11% (1)	88.89% (8)
Other employees	35.4% (80)	64.6% (146)
All staff	<u>33.88% (82)</u>	<u>66.12% (160)</u>

The Board aims to be composed of at least 10% female Directors, 10% female senior management and 30% female employees and has achieved this goal, and considers such gender diversity is satisfactory at the current stage. In order to continue to achieve gender diversity among our employees, we are committed to creating favourable conditions in our working environment to continuously attract employees of different genders to the Group, thereby maintaining our position as a gender-balanced company. In this process, we may face challenges in matching the availability of gender-specific personnel in the human resources market with the education, experience and skills required for positions of the Group. Despite these challenges, we are committed to maintaining a gender-balanced workforce.

CORPORATE GOVERNANCE REPORT

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the “**Director Nomination Policy**”) in respect of the nomination procedure of Directors, which sets out the selection criteria, nomination procedures and the Board succession planning considerations in relation to nomination and appointment of our Directors, and aims to ensure that the Board maintains a balance of corresponding skills, experience and diversity of perspectives and ensure the continuity of the Board and appropriate leadership at the Board level.

The Director Nomination Policy sets out the nomination procedures as follows:

NOMINATION PROCEDURES

- (i) The Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.
- (ii) For the appointment of any candidate for directorship, the Nomination Committee shall undertake adequate due diligence in respect of such candidate and make recommendations to the Board for its consideration.
- (iii) For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration.
- (iv) For the procedures for nomination of any candidate for directorship by the Shareholders, please refer to the “Procedures for Nomination of Candidates for Directorship of the Company by the Shareholders”, which is available on the Company’s website.

The Board shall have the final decision on all matters relating to recommendation of candidates to stand for election at a general meeting or re-appointment of Directors.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of proposed candidates, including but not limited to:

- Integrity and reputation;
- Educational background, professional qualifications and work experience (including part-time jobs);
- Whether or not they possess the necessary knowledge, skills and experience;
- Whether or not they will devote sufficient time and attention to the affairs of the Company;
- Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- Whether or not the candidates for independent Directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

CORPORATE GOVERNANCE REPORT

The Board composition remained unchanged as of the date of this annual report.

The Nomination Committee will review, at its discretion, the Director Nomination Policy to ensure its effectiveness.

Pursuant to the Board Diversity Policy, the Nomination Committee will review regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider numerous aspects, including but not limited to gender, ethnicity, language, cultural and educational background, industry experience and professional experience.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control mechanisms.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

Notice:

A company should disclose a narrative statement which states the approach that they complete the requirements of the risk management and internal control code during the Reporting Period. The company should disclose in particular:

- (a) the procedures for identifying, assessing and managing significant risks;
- (b) major features of the risk management and internal control systems;
- (c) its board of directors acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The board of directors should also illustrate that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; procedures for reviewing the effectiveness of the risk management and internal control systems and addressing significant internal control deficiencies; and
- (d) procedures and internal control for addressing and disclosing inside information.

CORPORATE GOVERNANCE REPORT

The company should also establish an internal audit function; failure which, an annual review should be performed to see if an internal audit function is needed and the reason for such failure should be disclosed in its corporate governance report.

Notes: The internal audit department usually performs analysis and independent evaluation on the sufficiency and effectiveness of the issuer's risk management and internal control systems.

A group with more than one listing issuers may share group resources and perform internal audit function for the members of the group.

A company which has reviewed the effectiveness of its risk management and internal control systems in the corporate governance report must disclose the following.

- (a) If the issuer has an internal audit function.
- (b) The frequency of, and the period covered by, review of the risk management and internal control systems; and
- (c) If the issuer believes its risk management and internal control systems are effective and adequate.

The Company has formulated a whistle-blowing policy in place for our employees and those who have dealt with the Company to raise concerns, in confidence and anonymity, with the Audit Committee or legal officers of the Company about possible improprieties in any matters related to the Company.

The Company also has formulated an anti-fraud, anti-money laundering and anti-bribery policy in place to avoid the occurrence of corruption and bribery within the Company. The Company has established an internal reporting channel which is open to the Company's employees for reporting any suspected corruption and bribery. Employee may also report, in anonymity, to the internal anti-corruption department/internal audit department which is responsible for investigating the reported incidents and taking appropriate measures thereon. The Company continues to carry out anti-corruption and anti-bribery activities to develop a culture of integrity, and actively organises anti-corruption training and inspections to ensure the effectiveness of such activities.

For the year ended 31 December 2022, the Company held 4 training and briefings on anti-corruption for all employees. There were no non-compliance incidents relating to bribery and corruption.

The Company has developed a disclosure policy, which provides general guidance to our Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to strictly prohibit unauthorised access to and use of inside information.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements with the support from the accounting and finance team.

CORPORATE GOVERNANCE REPORT

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and consistently applied, except for the revised standards, amendments and interpretations to standards so adopted.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern/The Company's financial statements have been prepared on a going concern basis, and the Directors believe that the financial statements give a true and fair view of the financial condition, results and cash flows of the Group for the year ended 31 December 2022, and that the disclosure and reporting of other financial information have complied with relevant laws.

A statement from the external auditors of the Company about their reporting responsibilities for the financial statements is set forth in the Independent Auditor's Report in this annual report.

AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 are set forth below.

Type of services	Remuneration paid/payable US\$'000
Audit services relating to annual audit	164
Audit services relating to listing	445
Non-audit services relating to listing	<u>75</u>
Total	<u><u>684</u></u>

COMPANY SECRETARIES

Ms. Sun Yufeng and Ms. Chan Sze Ting are the joint company secretaries of the Company. Ms. Sun serves as the general manager of the operations management center of our Group. Another joint company secretary is Ms. Chan Sze Ting, who is a member of Tricor Services Limited, an external service provider. Ms. Chan's major contract person in the Company is Mr. He Gang, the executive Director.

The Company was not listed on the Stock Exchange for the year ended 31 December 2022. The joint company secretaries of the Company will receive no less than 15 hours of relevant professional training annually pursuant to the requirements of Rule 3.29 of the Listing Rules.

All Directors may have access to the advice and services of the joint company secretaries on corporate governance and routine Board matters.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association of the Company, an extraordinary general meeting may be convened by the Board whenever it thinks fit. Any one or more Shareholders (including Shareholders as recognised clearing house or its nominees) holding in aggregate, at the date of deposit of the requisition, not less than one-tenth of the share capital of the Company with voting rights (on a one vote per share basis) shall at all times have the right, by making a requisition in writing to the Board or the secretary, to require an extraordinary general meeting to be called for the transaction of any business or resolution specified in such requisition. If within 21 days after deposit of such requisition the Board fails to proceed to convene such meeting, the requisitioner(s) himself/ themselves may do so in the same manner, but such meeting shall be held within two months after the deposit of such requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Submitting Proposal at a General Meeting

There is nothing in the Articles of Association or the Cayman Islands Companies Law that deals with the procedure for Shareholders to submit proposals at general meetings. Shareholders who intend to submit a proposal at a general meeting may convene a general meeting to consider the matters specified in the requisition by following the procedures set out in the preceding paragraph.

Making Enquiries to the Board

Shareholders may send written enquires to the Company for any enquiries put forward by the Board. The Company will normally not deal with verbal or anonymous enquiries.

Contract Details

Shareholders may sent such enquiries or requisitions to the following address:

Address: Unit No. 2010, 20/F., West Tower, Shun Tak Centre, Nos 168-200 Connaught Road Central, Hong Kong

(Attention: Board/Chief Investor Relations Officer)

Tel: +86 18653261553

Fax: +852 3152 2223

Email: office@seacon.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard the interests and rights of the Shareholders, a separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**") to ensure that shareholders of the Company (the "**Shareholders**") will have equal and timely access to information about the Company and exercise their rights in an informed manner and enable them to actively participate in the Company's activities. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy, and the results thereof are satisfactory.

The Company has established a range of channels for maintaining its ongoing dialogue with the Shareholders, the details of which are set out below:

Shareholders' Enquiries

- Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.
- Shareholders may have access to the contact persons, email addresses and enquiry lines designated by the Company in order to enable them to make any query in respect of the Company.

Corporate Communications

- "Corporate communications" refers to any documents issued or to be issued by the Company for information or action of Shareholders, which includes but are not limited to copies of the report of Directors and annual accounts and the auditor's report, interim reports, meeting notices, circulars and proxy forms. Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders are entitled to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).
- Shareholders are encouraged to provide, among others, their email addresses to the Company to facilitate timely and effective communication.

CORPORATE GOVERNANCE REPORT

Company Website

- The Company has set a special column headed “Investor Relations” on our website (www.seacon.com). Information on the Company’s website will be updated regularly.
- Information posted on the Stock Exchange by the Company will also be immediately published on the website of the Company. Such information includes, among others, financial statements, results announcements, circulars, notices of general meetings and relevant statements.
- All presentation materials provided together with the annual general meeting and results announcement of the Company for each year will be available on the website of the Company.
- All press releases and Shareholders’ communications will be available on the website of the Company.

Shareholders’ Meetings

- Shareholders are encouraged to attend general meetings, failure which, proxies may be appointed to attend and vote at the meetings on their behalf.
- Appropriate arrangements will be made to the annual general meetings to encourage Shareholders’ participation in such meetings.
- Procedures of the general meetings of the Company will be monitored and reviewed on a regular basis, and amended if necessary to ensure Shareholders’ needs are satisfied to the maximum extent.
- Board members, in particular chairman of each committee under the Board/Chairman or its proxy, appropriate senior management and external auditor will attend annual general meetings to answer Shareholders’ questions.
- Shareholders are encouraged to participate in Shareholder activities organised by the Company to convey information concerning the Company, including latest strategic planning, products and services.

AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS

The Company did not make any amendments to its Articles of Association since the Listing Date. The latest version of the Articles of Association of the Company is also posted on the website of the Company and the website of the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a dividend policy (the “**Dividend Policy**”) on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group, current economic environment and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year, and any final dividend for a financial year will be subject to the Shareholders’ approval.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Seacon Shipping Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Seacon Shipping Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 70 to 163, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

The key audit matter identified in our audit is related to revenue recognition from shipping business.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition from shipping business

Refer to notes 2.8, 2.22 and 5 to the consolidated financial statements.

For the year ended 31 December 2022, the Group recognised revenue of US\$359.1 million, out of which US\$305.9 million was related to shipping business.

Revenue from shipping business is recognised over time no matter the contract contains a lease or not, and is based on daily hire or freight rate with reference to the voyage details such as cargo quantity, port loading and discharging information.

We considered this is a key audit matter due to the magnitude of revenue recognised from shipping business and significant audit effort on auditing revenue recognition.

Our procedures in relation to management's revenue recognition from shipping business included:

- We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- We understood, evaluated and tested the key controls and process over revenue recognition from shipping business;
- We assessed the appropriateness of the accounting policy on revenue recognition from shipping business;
- For charter arrangement recognised based on daily hire, we tested the daily hire and charter period, on a sample basis, by comparing with supporting documents such as customer contracts and settlement documents;
- For charter arrangement recognised based on freight rate per quantity, on a sample basis, we tested the freight rate and cargo quantity by comparing with supporting documents such as customer contracts and invoices;
- We tested the revenue of shipping business in respect of the vessel voyages in progress at year end, on a sample basis, by checking the vessel departure and arrival information (i.e. time and date) maintained by the Group against supporting documents such as customer contracts, terminal records and invoices.
- We checked the calculations of revenue and reconciled to the accounting records on a sample basis;
- We circulated confirmations for revenue from shipping business on a sample basis.

Based on the audit procedures performed, we found revenue from shipping business was supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December	
		2022 US\$'000	2021 US\$'000
Revenue	5	359,101	372,738
Cost of sales	8	(296,737)	(315,088)
Gross profit		62,364	57,650
Selling, general and administrative expenses	8	(11,939)	(17,215)
Net impairment (losses)/reversal on financial assets		(169)	205
Other income	6	2,179	51
Other gains/(losses) — net	7	4,900	(369)
Operating profit		57,335	40,322
Finance income	10	27	1
Finance costs	10	(6,310)	(3,451)
Finance costs, net	10	(6,283)	(3,450)
Share of net profit of associates and joint ventures accounted for using the equity method	15	9,995	4,314
Profit before income tax		61,047	41,186
Income tax expenses	11	(2,118)	(1,181)
Profit for the year		58,929	40,005
Profit attributable to:			
— Shareholders of the Company		57,316	33,617
— Non-controlling interests		1,613	6,388
		58,929	40,005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December	
		2022 US\$'000	2021 US\$'000
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(106)	5
Other comprehensive income for the year, net of tax		(106)	5
Total comprehensive income for the year		58,823	40,010
Total comprehensive income attributable to:			
– Shareholders of the Company		57,210	33,622
– Non-controlling interests		1,613	6,388
		58,823	40,010
Earnings per share attributable to shareholders of the Company for the year			
Basic earnings per share (expressed in US\$ per share)	12	0.15	0.09
Diluted earnings per share (expressed in US\$ per share)	12	0.15	0.09

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2022

		As at 31 December	
		2022	2021
		US\$'000	US\$'000
Assets			
Non-current assets			
Property, plant and equipment	13	91,135	54,848
Right-of-use assets	14	78,148	91,932
Intangible assets		92	114
Interests in associates and joint ventures	15	7,846	5,233
Deferred tax assets		37	71
Other non-current assets	16	47,742	13,575
		<u>225,000</u>	<u>165,773</u>
Current assets			
Financial assets at fair value through profit or loss	17	1,232	3,285
Inventories	18	10,630	4,651
Prepayment and other current assets	19	5,181	6,134
Trade and other receivables	20	25,002	25,542
Restricted bank deposits	21	32	31
Cash and cash equivalents	21	20,170	25,030
		<u>62,247</u>	<u>64,673</u>
Total assets		<u><u>287,247</u></u>	<u><u>230,446</u></u>
Equity			
Share capital		—*	—
Treasury stock		—*	—
Combined capital		—	785
Reserves	22	9,692	8,839
Retained earnings		94,914	37,696
		<u>104,606</u>	<u>47,320</u>
Equity attributable to shareholders of the Company		104,606	47,320
Non-controlling interests		4,404	4,087
Total equity		<u>109,010</u>	<u>51,407</u>

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	As at 31 December	
		2022 US\$'000	2021 US\$'000
Liabilities			
Non-current liabilities			
Borrowings	23	61,575	27,476
Lease liabilities	14	55,504	65,586
		<u>117,079</u>	<u>93,062</u>
Current liabilities			
Advances and contract liabilities	24	4,396	4,448
Trade and other payables	25	27,695	53,247
Current tax liabilities		1,941	1,840
Borrowings	23	9,851	5,369
Lease liabilities	14	17,275	21,073
		<u>61,158</u>	<u>85,977</u>
Total liabilities		<u>178,237</u>	<u>179,039</u>
Total equity and liabilities		<u>287,247</u>	<u>230,446</u>

—* The amount which is less than US\$1,000 is presented as “—*” for the whole report.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on page 70 to page 163 were approved and authorised for issue by the Board of Directors of the Company on 25 April 2023 and were signed on its behalf by

Executive Director: Guo Jinkui

Executive Director: He Gang

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to shareholders of the Company						Total equity US\$'000
	Note	Combined capital US\$'000	Reserves US\$'000	Retained earnings US\$'000	Sub-total US\$'000	Non- controlling interests US\$'000	
Balance at 1 January 2021		785	(500)	4,096	4,381	911	5,292
Comprehensive income							
Profit for the year		—	—	33,617	33,617	6,388	40,005
Other comprehensive income	22	—	5	—	5	—	5
Total comprehensive income		—	5	33,617	33,622	6,388	40,010
Transactions with shareholders in their capacity as shareholders							
Profit appropriation to statutory reserves	22	—	17	(17)	—	—	—
Dividends declared to non-controlling interests in subsidiaries	26	—	—	—	—	(3,200)	(3,200)
Deemed contribution	22	—	3,670	—	3,670	—	3,670
Transaction with non-controlling interests	22	—	12	—	12	(12)	—
Employee share schemes — value of employee services	22	—	5,635	—	5,635	—	5,635
		—	9,334	(17)	9,317	(3,212)	6,105
Balance at 31 December 2021		<u>785</u>	<u>8,839</u>	<u>37,696</u>	<u>47,320</u>	<u>4,087</u>	<u>51,407</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Attributable to shareholders of the Company

	Note	Share capital US\$'000	Combined capital US\$'000	Reserves US\$'000	Retained earnings US\$'000	Sub-total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 January 2022		—	785	8,839	37,696	47,320	4,087	51,407
Comprehensive income								
Profit for the year		—	—	—	57,316	57,316	1,613	58,929
Other comprehensive income	22	—	—	(106)	—	(106)	—	(106)
Total comprehensive income		—	—	(106)	57,316	57,210	1,613	58,823
Transactions with shareholders in their capacity as shareholders								
Profit appropriation to statutory reserves	22	—	—	98	(98)	—	—	—
Dividends declared to non-controlling interests in subsidiaries	26	—	—	—	—	—	(1,296)	(1,296)
Merger reserves arising from the re-organisation	22	—*	(785)	(53)	—	(838)	—	(838)
Debt waive from shareholders of the Company	22	—	—	914	—	914	—	914
		—	(785)	959	(98)	76	(1,296)	(1,220)
Balance at 31 December 2022		—*	—	9,692	94,914	104,606	4,404	109,010

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December	
		2022 US\$'000	2021 US\$'000
Cash flows from operating activities			
Cash generated from operations	27(a)	78,071	88,271
Interest received		27	1
Income tax paid		(2,301)	(125)
Net cash inflow from operating activities		75,797	88,147
Cash flows from investing activities			
Repayments from third parties		—	5,061
Repayments from related parties		9,347	4,560
Proceeds from disposal of property, plant and equipment	27(b)	15,805	7,346
Dividends from joint ventures and associates		4,278	1,485
Proceeds from disposal of financial assets at fair value through profit or loss		2,006	180
Payments for property, plant and equipment and other non-current assets		(45,096)	(19,672)
Payments for financial assets at fair value through profit or loss		—	(176)
Advances to related parties		(8,020)	(4,788)
Net cash (outflow) from investing activities		(21,680)	(6,004)
Cash flows from financing activities			
Proceeds from borrowings		7,862	16,476
Advances from third parties		—	867
Advances from related parties		9,600	3,755
Repayments to third parties		—	(154)
Repayments to related parties		(33,229)	(31,242)
Repayments of borrowings		(10,537)	(20,420)
Dividends paid to non-controlling interests in subsidiaries		(1,296)	(3,200)
Deemed distribution		(838)	(1,237)
Repayments of principal and interest of lease liabilities and deposits for right-of-use assets		(26,404)	(23,599)
Interests paid of borrowings		(3,523)	(1,934)
Payments for listing fees		(538)	(827)
Net cash (outflow) from financing activities		(58,903)	(61,515)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December	
		2022 US\$'000	2021 US\$'000
Net (decrease)/increase in cash and cash equivalents		<u>(4,786)</u>	<u>20,628</u>
Cash and cash equivalents at the beginning of year		25,030	4,420
Effects of exchange rate changes on cash and cash equivalents		<u>(74)</u>	<u>(18)</u>
Cash and cash equivalents at end of the year		<u><u>20,170</u></u>	<u><u>25,030</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

1.1 General information

Seacon Shipping Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 22 October 2021 as an exempted company with limited liability under the Companies Act (Cap.22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the provision of (i) shipping business which provides foreign trade shipping services through dry bulk carrier, oil tanker and chemical tanker with flag of convenience, and (ii) ship management business which provides ship management services. The Group is controlled by Mr. Guo Jinkui (“Mr. Guo”).

A reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited was completed on 28 February 2022. As at 31 December 2022, Jin Chun Holding Ltd. (owned by Mr. Guo), Jin Qiu Holding Ltd. (owned by Mr. Guo), CZK Holding Ltd. (owned by Mr. Chen Zekai (“Mr. Chen”)), Kaimei Holding Ltd. (owned by Mr. Chen), Ruigao Holding Ltd. (owned by Mr. Zhao Yong (“Mr. Zhao”)), Passion Wealth Ltd. (owned by Mr. He Gang (“Mr. He”)) and Jovial Alliance Limited (being a discretionary Share Award Trust with the Company as the settlor and Tricor Trust (Hong Kong) Limited as trustee for future post-IPO Share Award Plan) held 3%, 66%, 1%, 19%, 2%, 1% and 8% of shareholding interests in the Company respectively.

The Share Award Plan was cancelled pursuant to the written resolutions of the Directors on 20 January 2023, thus Tricor Trust (Hong Kong) Limited transferred all the shares in Jovial Alliance Limited to Mr. Guo and the Share Award Trust was terminated pursuant to a Deed of Termination dated 23 February 2023.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 29 March 2023. Immediately after completion of the Global Offering and the Capitalization Issue, Jin Chun Holding Ltd. (owned by Mr. Guo), Jin Qiu Holding Ltd. (owned by Mr. Guo), Jovial Alliance Limited (owned by Mr. Guo), CZK Holding Ltd. (owned by Mr. Chen), Kaimei Holding Ltd. (owned by Mr. Chen), Ruigao Holding Ltd. (owned by Mr. Zhao), Passion Wealth Ltd. (owned by Mr. He) and public shareholders held 2.25%, 49.5%, 6%, 0.75%, 14.25%, 1.5%, 0.75% and 25% of shareholding interests in the Company respectively.

These financial statements are presented in United States dollar (“US\$”) and all values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New and amended standards and interpretations not yet adopted

New standard, amendments to existing standards and interpretations that have been issued but are not effective and have not been early adopted by the Group are set out below:

	New standards, amendments and interpretations	Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contract (new standard and amendments)	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company are of the opinion that the adoption of the above new standards, amendments to existing standards and interpretations would not have a material impact on the Group’s financial statements when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated since the beginning of the earliest period. They are deconsolidated from the date that control ceases.

Apart from the business combination under common control including the Reorganisation which has been accounted for by regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the Group, where there is a shorter period, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in reserves within equity attributable to shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Principles of consolidation *(Continued)*

2.2.3 Associates and Joint arrangements

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates and joint ventures are accounted for using the equity method of accounting (see Note 2.2.4), after initially being recognised at cost.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interests in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The functional currency of the Company and its major subsidiaries located in Hong Kong, Singapore, Japan and other countries except the People's Republic of China ("PRC") is US\$, while the functional currency of the subsidiaries in the PRC is Renminbi ("RMB") respectively. The financial statements is presented in US\$, which is the Group's presentation currency.

2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the first day of the month of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains/(losses), net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

2.5.3 Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

For the year ended 31 December 2022, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

2.6.1 Vessels

Vessels are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Vessels are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values by reference to the lightweight tones of the vessels and the average demolition steel price of similar vessels.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off and recognised in profit or loss immediately.

The estimated useful lives of vessels and the period of estimated next dry-docking date are as follows:

- Vessels 25 years
- Dry-docking 2.5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

2.6.2 Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Transportation equipment 4–10 years
- Buildings 41 years
- Office equipment and other equipment 3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the consolidated statement of comprehensive income.

2.7 Intangible Assets

Intangible assets are mainly acquired software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives of 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Leases

The Group as a lessee

The Group leases vessels, as well as certain office buildings in the PRC, Hong Kong, Japan and Singapore.

Lease is recognised as a right-of-use assets and a corresponding lease liability at the date while the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. The Group uses the incremental borrowing rate ("IBR"), for the implicit rate cannot be readily determined, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Leases *(Continued)*

The Group as a lessee (Continued)

To determine the IBR, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the IBR.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Short-term leases are leases with a lease term of 12 months or less without a purchase option. The Group applies the lease recognition exemption to short-term leases and leases for which the underlying asset is of low value such as office equipment. Payments associated with short-term leases of vessels and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Leases *(Continued)*

The Group as a lessor

The Group leases out self-owned vessels under various charter arrangements.

The Group identifies that a charter arrangement does not contain a lease if the customer does not have the right to control the use of the ship because it does not have the right to direct its use, otherwise, it may contain a lease.

For charter arrangement which contains a lease, except the vessels, the Group also provides technical management services and crew manning services, thus the arrangement contains both a lease (i.e. bareboat charter) and non-lease components (i.e. shipping services including technical management services and crew manning services). Consideration of the lease component and non-lease component is allocated with reference to the stand-alone market prices which are benchmarked against market data available, and accordingly recognised as rental income and service income.

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the year in which they are incurred.

The lease receivables under lease arrangements are included as “trade receivables” in the consolidated balance sheets. Please refer to Note 2.14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Leases *(Continued)*

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee (“sublease lessor”) to a third party, and the lease (“head lease”) between the head lessor and lessee remains in effect. The Group leased in certain vessels and then leased them out under various charter arrangements. The Group identifies whether the sublease arrangement contains a lease based on whether customer has the right to control the use of the ship. For sublease arrangement which contains a lease, consideration of the lease component and non-lease component of a charter is allocated with reference to the stand-alone market prices which are benchmarked against market data available, and accordingly recognised as rental income and service income.

In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

- (a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.
- (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each year.

2.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Non-current assets held for sale *(Continued)*

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss ("FVPL") or OCI ("FVOCI").

As at 31 December 2022, the Group has financial assets in the category of financial assets at amortised cost and at fair value through profit and loss.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Investments and other financial assets *(Continued)*

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented within “Other gains/(losses) — net” in the consolidated statement of comprehensive income. Impairment losses are presented as separate line item in the statement of profit or loss.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Inventories

Inventories mainly comprise of bunkers. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realizable value of bunkers is the expected amount to be realized from use as estimated by the directors/management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other receivables

Trade receivables include freight receivables, charter-hire receivables, and ship management receivables from customers for services performed.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group's entity purchases the Group's equity share capital, for example as the result of a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity owners. Where such shares are subsequently sold or reissued, the cost of the shares held for employee share scheme is reversed from the treasury share account and the realised gain or loss on sales or reissue, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised in the share premium of the Company.

2.17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the year.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.20.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.20.2 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits

2.21.1 Wages and salaries

Liabilities for wages, salaries and annual leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2.21.2 Other employee benefit obligations

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, set up and administered by the PRC government. According to the relevant regulations, the monthly contributions that should be borne by the PRC subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of the Group in independent funds managed by the PRC government.

The subsidiaries in Hong Kong operate the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee administered funds. Under the MPF scheme, the employer and its employees are each required to make regular mandatory contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The subsidiaries in Singapore contributes to the Central Provident Fund, a defined contribution plan regulated and managed by the government of Singapore, which applies to the majority of the employees who are either Singapore citizens or permanent residents.

The subsidiaries in Japan contributes to the defined contribution plan regulated and managed by the government of Japan.

The Group has no further payment obligations once the above contributions have been paid. The Group's contributions to these plans are charged in the consolidated statement of comprehensive income as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

2.21.3 Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21.4 Share-based compensation

Share-based compensation benefits are provided to employees via employee share scheme. Mr. Guo transferred 2% and 1% of shareholding interests in the Company to Mr. Zhao and Mr. He in November 2021 without any consideration or service restriction, which lead to share-based compensation. Mr. Guo also transferred 8% of shareholding interests in the Company to Jovial Alliance Limited for future post-IPO employee Share Award Plan in 2022, however, the Share Award Plan is cancelled in 2023.

The fair value of the services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date.

2.22 Revenue recognition

Revenue is recognised when or as the control of the services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point of time.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

Contract liabilities (included in advances and contract liabilities) are recognised for expected volume discounts to customers in relation to sales made until the end of the year.

Trade receivables expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

Revenue from ship management business

Certain subsidiaries of the Group generate revenue from operation of ship management business which include provision of ship management services and shipbuilding supervision services. Revenue from ship management business is recognised over time, which is determined on a straight-line basis. Revenue from shipbuilding supervision services are also recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of progress towards complete satisfaction of performance obligation, which is measured based on the Group's effort or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

Rental and service income from shipping business

The Group also generates revenue from shipping activities. Shipping revenue is derived from various charter arrangements including shipping service income and rental income. Revenue is recognised over time based on daily hire or freight rate with reference to the voyage details such as cargo quantity, port loading and discharging information.

For charter arrangement which does not contain a lease, revenue from shipping services is recognised over time, which is determined on a time proportion method of the voyage from loading to discharging.

For charter arrangement which contains a lease, the Group separately accounts for the rental income from lease components and shipping services income from non-lease components for the charter contracts. Please refer to Note 2.8 for details.

2.23 Earnings per share

2.23.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares ;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.23.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in "other income" over the period necessary to match them with the costs that they are intended to compensate. Government grants that compensate the Group for the cost of an asset are included in non-current liabilities as deferred income and are credited to the "other income" on a straight-line basis over the expected useful lives of the related assets.

2.26 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including market freight rate risk, foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are managed by the Group's financial management policies and practices described below.

(a) Market risk

(i) Market freight rate risk

The freight rate of the Group's shipping business is very sensitive to economic fluctuations. The Group's revenue from operations of shipping business may be impacted if freight rates will have any significant changes. Had the freight rates been decreased/increased by 10% for the year ended 31 December 2022 with all other variables held constant, the revenue would have been US\$16,056,000 (2021: US\$21,260,000), lower or higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Foreign exchange risk

The Group operates internationally with most of the transactions settled in US\$. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk, other than certain trade and other receivables, cash and cash equivalents, borrowings, trade and other payables denominated in RMB, JPY and SG\$, details of which have been disclosed in Note 20, Note 21, Note 23 and Note 25, respectively.

The Group's exposure to foreign currency risk expressed in US\$ at the end of each year mainly for subsidiaries with US\$ as the functional currency, was as follows:

Assets	As at 31 December 2022			As at 31 December 2021		
	RMB US\$'000	JPY US\$'000	Others US\$'000	RMB US\$'000	JPY US\$'000	Others US\$'000
Trade and other receivables	233	107	67	416	311	108
Cash and cash equivalents	32	2,068	383	35	708	260
	<u>265</u>	<u>2,175</u>	<u>450</u>	<u>451</u>	<u>1,019</u>	<u>368</u>
Liabilities	As at 31 December 2022			As at 31 December 2021		
	RMB US\$'000	JPY US\$'000	Others US\$'000	RMB US\$'000	JPY US\$'000	Others US\$'000
Trade and other payables	456	21	82	857	124	1,455
Borrowings	—	608	373	—	781	556
Lease liabilities	—	364	447	—	—	—
	<u>456</u>	<u>993</u>	<u>902</u>	<u>857</u>	<u>905</u>	<u>2,011</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of change in the relevant foreign currencies against US\$. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should the relevant currencies strengthen/weaken by 5% against US\$, the effect on post-tax profit at the end of each year would be as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
US\$/RMB exchange rate — increase	10	20
US\$/RMB exchange rate — decrease	(10)	(20)
US\$/JPY exchange rate — increase	(59)	(6)
US\$/JPY exchange rate — decrease	59	6

(iii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate borrowings and lease liabilities and other financial assets at amortised cost. The cash flow interest rate risks of the Group relate primarily to floating-rate borrowings. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. For the years ended 31 December 2022 and 2021, there were no hedging activities. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term. For the years ended 31 December 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in US\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The Group's interest rate profile as monitored by management is set out as below.

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Financial instruments with floating rate		
Borrowings	66,247	26,250
Financial instruments with fixed rate		
Borrowings	5,179	6,595
Lease liabilities	72,779	86,659
	77,958	93,254
Interest-free financial instruments		
Amount due to related parties	1,345	26,850
Amount due to third parties	108	—
	1,453	26,850

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate borrowings at the end of each year were outstanding. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates on borrowings at variable rates had been 50 basis points higher/lower with all other variables held constant, the impact on post-tax profit were as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Impact on post-tax profit at 50 basis point higher	(331)	(131)
Impact on post-tax profit at 50 basis point lower	331	131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iv) Effect of IBOR reform

The Group has adopted the Interest Rate Benchmark Reform — Phase 2 Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Leases as issued in 9 October 2020 since 1 January 2021.

“Phase 2” of the amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate.

Following the financial crisis, the reform and replacement of benchmark interest rates remains some uncertainty around the timing and precise nature of these changes.

As at 31 December 2022, there have been general communications with debt counterparties, but specific changes required by the reform have not yet been agreed. Risks arising from the transition relate principally to the potential impact of rate differences if the debt do not transition to the new benchmark interest rate at the same time and/or the rates move by different amounts. This could result in a net cash expense to the Group as a result of transition.

The following table contains details of all of the financial instruments that the Group holds at 31 December 2022 which reference US\$ LIBOR and JPY TIBOR and have not yet transitioned to an alternative interest rate benchmark:

	Carrying value at 31 December 2022 Liabilities US\$'000
Liabilities measured at amortised cost	
Borrowings — exposed to US\$ LIBOR	65,507
Borrowings — exposed to JPY TIBOR	238
Total liabilities exposed to US\$ LIBOR and JPY TIBOR	<u>65,745</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables.

To manage the risk arising from cash and bank deposits, the Group only conducts transactions with reputable commercial banks which are all high-credit-quality financial institutions in Singapore, Hong Kong, Japan and the PRC. There has been no recent history of default in relation to these financial institutions.

Trade receivables consist principally of freight receivables, charter-hire receivables and ship management receivables. It is industry practice that 95% to 100% of freight is paid upon completion of loading, with any balance paid after completion of discharge and the finalisation of port disbursements, demurrage claims or other voyage-related charges. It is also industry practice that charter hire and ship management fee is paid in advance. The Group normally will not grant any credit terms to its customers and therefore all trade receivables are past due.

There is no significant concentration of the Group's credit losses. During the year ended 31 December 2022, no revenue from a single customer accounted for more than 10% of the Group's total revenue (2021: Nil).

For other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each year to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each year. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the balance sheet date with the risk of default as at the date of initial recognition.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking domestic and international macroeconomic data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Trade receivables

The Group measures the loss allowance provision of trade receivables according to the amount of expected credit losses equivalent to the entire life period, and calculates its expected credit losses based on the comparison table for credit risk rating and default loss rate.

The provision of trade receivable with a customer as at 31 December 2022 was made on individual basis with loss rate of 8.47% after taking into consideration of its long-aging status (31 December 2021: on individual basis with loss rate of 0.51%). The remaining trade receivables have been grouped to measure the expected credit losses based on shared credit risk characteristics. The average loss rate applied for trade receivables from ship management business as at 31 December 2022 were 0.69% (31 December 2021: 0.04%). The average loss rate applied for trade receivables from shipping business on collective basis as at 31 December 2022 were 0.25% (31 December 2021: 0.22%). The expected credit losses have incorporated forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(ii) Other receivables

Other receivables mainly include receivables and advances to related parties and third parties, deposits and guarantees. The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. The Group applies either 12-month expected credit loss or lifetime expected losses method, depending on whether there has been a significant increase in credit risk since initial recognition.

In view of the history of cooperation with the debtors and collection from them, the management of the Group believes that all of the Group's other receivables are classified in Stage 1 as at 31 December 2022. The average loss rate applied for other receivables as at 31 December 2022 were 1.07% (31 December 2021: 0.76%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iii) Loss allowance provision movement

The movement of loss allowance provision of trade receivables, other receivables for the years ended 2022 and 2021 is as follow:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Loss allowance provision:		
At beginning of the year	107	312
Provision	169	16
Reversal	—	(221)
At the end of the year	<u>276</u>	<u>107</u>

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through borrowing from the banks and leasing companies. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by funding from banks and leasing companies.

The Group's primary cash requirements have been for purchases of vessels, repayment of charter hire cost and bunker, and repayment of rentals under bare-boat charter arrangement and debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans, leases, advances from related parties.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the undiscounted cash outflow relating to the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
As at 31 December 2022					
Borrowings	14,244	12,516	30,240	34,658	91,658
Lease liabilities	18,666	15,626	27,862	14,785	76,939
Trade and other payables*	24,011	—	—	—	24,011
	<u>56,921</u>	<u>28,142</u>	<u>58,102</u>	<u>49,443</u>	<u>192,608</u>
As at 31 December 2021					
Borrowings	6,868	6,278	14,757	14,667	42,570
Lease liabilities	22,111	15,754	31,627	22,232	91,724
Trade and other payables*	49,843	—	—	—	49,843
	<u>78,822</u>	<u>22,032</u>	<u>46,384</u>	<u>36,899</u>	<u>184,137</u>

* Trade and other payables exclude salaries and staff welfare payable, taxes payable and provision for legal proceedings.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders of the Group and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, lease liabilities, amount due to related parties and third parties less cash and cash equivalents. Total equity is shown in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

As at 31 December 2022, the net debt to total equity ratios were as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Total borrowings	71,426	32,845
Lease liabilities	72,779	86,659
Amount due to related parties	1,345	26,850
Amount due to third parties	108	—
Less: cash and cash equivalents (Note 21)	(20,170)	(25,030)
Net debt	125,488	121,324
Total equity	109,010	51,407
Gearing ratio (%)	115	236

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group analyses the financial instruments carried at fair value, by valuation method. The different level has been defined as follow:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group has no level 1 and level 2 financial instruments as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(ii) Fair value measurements using significant unobservable inputs of level 3 financial assets

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2022:

	Financial assets using unobservable inputs	
	As at 31 December	
	2022 US\$'000	2021 US\$'000
Financial assets at fair value through profit or loss	1,232	3,285

Financial assets at fair value through profit or loss represent the Group's right of gain/loss sharing from vessel disposal and the right to receive the returning deposit (collectively the "Identified Financial Assets"). Please refer to Note 17 for details.

There were no transfers among different categories for the year ended 31 December 2022.

The Group has used income approach to estimate the fair value of the Identified Financial Assets. The following table presents the changes of the fair value of the Identified Financial Assets for the year ended 31 December 2022:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Fair value of Identified Financial Assets		
At beginning of the year	3,285	2,365
Purchase of financial assets at FVPL	—	182
Change in fair value through profit or loss	(47)	920
Disposal of financial assets at FVPL	(2,006)	(182)
At the end of the year	1,232	3,285

(iii) Valuation inputs and relationships to fair value

The Group used income approach to estimate the fair value of the right of gain sharing from vessel disposal for the year ended 31 December 2022 and 2021. The higher the discount rate the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events thus may have a financial impact on the equity that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated useful lives and residual value of vessels

The Group's major operating assets represent vessels. Management determines the estimated useful lives, residual values and related depreciation expenses for its vessels. Management estimates useful lives of the vessels by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of vessels are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2022, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased US\$313,000 or increased by US\$382,000 for the year ended 31 December 2022 (31 December 2021: decreased US\$169,000 or increased US\$200,000).

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2022, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by US\$133,000 respectively for the year ended 31 December 2022 (31 December 2021: decreased or increased by US\$176,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Determination of the lease term

The Group as the lessee leases in vessels. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option, whether or not to exercise the purchase option and when to exercise the purchase option. Extension options (or periods after termination options) and purchase option are only included in the lease term if the lease is reasonably certain to be extended (or not terminated); purchase option are only included in the lease term if the Group is reasonably certain to exercise the purchase option right.

For leases of vessels, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If the market price is much higher than the purchase option price and the Group has the financial capability, the Group is typically reasonably certain to exercise the purchase option right;
- Otherwise, the Group considers other factors including historical lease duration and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(c) Leases – Estimating the IBR

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiaries’ stand-alone credit rating).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Impairment of vessels

The Group's major operating assets represent vessels in property, plants and equipments and right-of-use assets. Management performs review for impairment of the vessels whenever events or changes in circumstances indicate that the carrying amounts of the vessels may not be recoverable. In assessing the indicators of potential impairment, internal and external sources of information such as reported sale and purchase prices, market demand and general market conditions are considered.

Vessels that are interchangeable are grouped together into one cash-generating unit ("CGU"). An impairment is recognised when the carrying value exceeds the recoverable amount, where the recoverable amount is the higher of value-in-use and fair value less costs of disposal. The recoverable amounts of vessels based on value-in-use calculations which involve significant management judgements and assumptions in particular forecast utilisation, daily time-charter equivalent ("TCE") rates and cost inflation rates applied to the future cash flows forecasts of the CGU.

Impairment of individual vessels that are classified as assets held for sale is recognised when their carrying values exceed their fair values less costs of disposal.

Management assessed the recoverable amount of the CGU, and determined that there was no impairment for vessels as at 31 December 2022.

(e) Provision for impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant changes in business and customers' financial position including, among others, the economic impact of the unprecedented COVID-19 pandemic on the customers and the region in which they operate. At every balance sheet date, historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management, see Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5 REVENUE AND SEGMENT INFORMATION

The Company's executive directors are the Group's CODM. The Group's CODM mainly examines the Group's performance from a business perspective, and has identified two reporting segments of its business as follows:

- Shipping business
- Ship management business

(a) Segment information of the Group

The following is an analysis of the Group's revenue and results by reportable segments:

	For the year ended 31 December 2022			
	Shipping business US\$'000	Ship management business US\$'000	Elimination US\$'000	Total US\$'000
Total reportable segment revenue				
Revenue from external customers	305,862	53,239	—	359,101
Inter-segment revenue	—	2,487	(2,487)	—
Total reportable segment revenue	305,862	55,726	(2,487)	359,101
Segment results				
Profit before income tax	54,495	6,552	—	61,047
Segment results included:				
Finance income	23	4		27
Finance costs	(6,251)	(59)		(6,310)
Depreciation and amortisation	(29,881)	(547)		(30,428)
Net impairment (losses)/reversal on financial assets	(175)	6		(169)
Share of profit of associates and joint ventures	9,969	26		9,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment information of the Group *(Continued)*

	For the year ended 31 December 2021			
	Shipping business US\$'000	Ship management business US\$'000	Elimination US\$'000	Total US\$'000
Total reportable segment revenue				
Revenue from external customers	323,742	48,996	—	372,738
Inter-segment revenue	—	11,107	(11,107)	—
Total reportable segment revenue	323,742	60,103	(11,107)	372,738
Segment results				
Profit before income tax	38,343	2,843	—	41,186
Segment results included:				
Finance income	—*	1		1
Finance costs	(3,399)	(52)		(3,451)
Depreciation and amortisation	(17,973)	(291)		(18,264)
Net impairment reversal on financial assets	60	145		205
Share of profit of associates and joint ventures	4,302	12		4,314

The following is an analysis of the Group's assets and liabilities by reportable segments:

	As at 31 December 2022			
	Shipping business US\$'000	Ship management business US\$'000	Elimination US\$'000	Total US\$'000
Segment assets	270,193	23,248	(6,194)	287,247
Segment liabilities	171,905	12,526	(6,194)	178,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information of the Group (Continued)

	As at 31 December 2021			
	Shipping business US\$'000	Ship management business US\$'000	Elimination US\$'000	Total US\$'000
Segment assets	213,982	22,058	(5,594)	230,446
Segment liabilities	168,902	15,731	(5,594)	179,039

(b) Analysis of revenue

The Group's businesses are managed on a worldwide basis. The revenues generated from provision of shipping business and ship management business, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

The Group's revenues for the year ended 31 December 2022 are recognised over-time.

(i) The revenue is listed as below:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Revenue from shipping business		
Shipping service income — over time	236,867	281,385
Rental income	68,995	42,357
	<u>305,862</u>	<u>323,742</u>
Revenue from Ship management business		
Ship management income — over time	55,726	60,103

(ii) Information about major customers

For the year ended 31 December 2022, there were no sales to any single customer which contributed 10% or more of the Group's revenue (2021: Nil).

(c) Unsatisfied performance obligations

There is no significant long-term unsatisfied performance obligations for the year ended 31 December 2022 (2021: Nil). For the above contracts with customers, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6 OTHER INCOME

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Contract Compensation (i)	1,958	—
Government grants	222	39
Others	(1)	12
	<u>2,179</u>	<u>51</u>

(i) Contract compensation represents the compensation received for customer's cancellation of charter arrangement.

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Foreign exchange gains/(losses), net	542	(242)
Bank charges	(554)	(258)
Provision for legal proceedings (i)	(680)	(803)
Net gains on disposal of property, plant and equipment	5,508	3
Net fair value gains/(losses) on financial assets at fair value through profit or loss	(47)	920
Others	131	11
	<u>4,900</u>	<u>(369)</u>

(i) Provision for legal proceedings represents the provision made for on-going legal proceedings in connection with disputes, please refer to Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8 EXPENSES BY NATURE

Expenses included in cost of sales and selling, general and administrative expenses are analysed as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Charter hire costs (i)	132,422	176,683
Crew manning expenses (ii)	51,619	47,837
Bunker consumed	42,527	36,468
Depreciation and amortisation (iii), (iv)	30,428	18,264
Employee benefit expenses (Note 9)	10,889	13,096
Port charges	9,879	13,919
Lubricating oil and spare parts costs	7,794	5,562
Shipbuilding supervision outsourced fee	3,833	3,592
Insurance	3,704	2,581
Brokerage	2,990	4,154
Repair expenses	2,457	1,374
Vessel certificate and inspection related cost	1,911	914
Listing expenses	1,858	1,377
Vessel take over fee	802	980
Business development and entertainment expenses	624	407
Auditor's remuneration	190	23
Others	4,749	5,072
Total cost of sales, selling, general and administrative expenses	308,676	332,303

- (i) Charter hire costs mainly comprise the cost of short-term charters with a term of 12 months or less.
- (ii) Crew manning expenses represent the wages of the crew members charged by the crew manning agencies.
- (iii) Depreciation charged to profit or loss is analysed as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Depreciation for the year		
– Property, plant and equipment (Note 13)	3,989	2,261
– Right-of-use assets (Note 14)	24,999	14,998
Amount charged to profit or loss	28,988	17,259
Charged to:		
– Cost of sales	28,331	16,817
– Selling, general and administrative expenses	657	442
	28,988	17,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

8 EXPENSES BY NATURE *(Continued)*

(iv) Amortisation charged to profit or loss is analysed as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Amortisation for the year		
– Dry-docking of right-of-use assets	1,424	997
– Intangible assets	16	8
Amount charged to profit or loss	<u>1,440</u>	<u>1,005</u>
Charged to:		
– Cost of sales	1,341	997
– Selling, general and administrative expenses	99	8
	<u>1,440</u>	<u>1,005</u>

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Wages, salaries, bonuses and allowances	10,109	6,987
Social benefits	303	256
Contributions to pension schemes	275	117
Other welfare expenses	202	101
Share based compensation (i)	–	5,635
	<u>10,889</u>	<u>13,096</u>

(i) As mentioned in Note 2.21.4, in November 2021, Mr. Guo transferred 2% and 1% shareholding interests of the Company to Mr. Zhao and Mr. He respectively without any consideration or any service restriction, which led to share-based compensation. Base on the valuation report issued by an independent institution, the fair value for the grant of the shares amounted to US\$5,635,000 is recognised as an expense and reserves. The valuation inputs include P/E ratio and discount for lack of marketability, which were 10% and 30% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 are as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Directors (Note 31)	559	5,924
Non-directors	527	1,291
	<u>1,086</u>	<u>7,215</u>

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 includes three directors whose emoluments are reflected in the analysis presented in Note 31(2021: two). The emoluments payable to the remaining individuals during the year ended 31 December 2022 are as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Wages and salaries	457	508
Bonus	35	764
Social benefits	30	13
Contributions to pension schemes	5	6
	<u>527</u>	<u>1,291</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(ii) Five highest paid individuals *(Continued)*

The emoluments to the non-directors fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands (in HK\$)		
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	2
HK\$4,500,001 to HK\$5,000,000	—	1

10 FINANCE COSTS, NET

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Finance income	(27)	(1)
Finance costs:		
— borrowings	4,354	1,934
— lease liabilities	1,956	1,517
Finance costs expensed	6,310	3,451
Finance costs, net	6,283	3,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11 INCOME TAX EXPENSES

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Current income tax:		
– Hong Kong profits tax	140	398
– PRC enterprise income tax	75	28
– Japan income tax	1,245	500
– Singapore income tax	624	302
Deferred income tax	34	(47)
	<u>2,118</u>	<u>1,181</u>

For the years ended 31 December 2022 and 2021, taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates.

(i) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to Cayman Islands income tax.

(ii) British Virgin Islands (“BVI”) Income Tax

Under the current laws of the BVI, the BVI subsidiaries are not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the BVI.

(iii) Marshall Islands Income Tax

Under the current laws of the Marshall Islands, the Marshall Islands subsidiaries are not subject to Marshall Islands tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the Marshall Islands.

(iv) Liberia Income Tax

Under the current laws of Liberia, the Liberia subsidiaries are not subject to tax on its income or capital gains as the income is not Liberia sourced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11 INCOME TAX EXPENSES *(Continued)*

(v) Singapore Income Tax

Certain subsidiaries engaged in ship management business and shipping business are registered in Singapore or are Singapore tax resident, while the statutory rate for Singapore income tax is 17%, however, profit from shipping business derived by the Group is exempted from tax under Section 13F of the Singapore Income Tax Act.

For subsidiaries which are engaged in ship management business, the partial tax exemption scheme applies on the first SG\$200,000 of normal chargeable income; and specifically 75% of up to the first SG\$10,000 of a company's normal chargeable income, and 50% of up to the next SG\$190,000 is exempt from corporate tax.

(vi) Hong Kong Profits Tax

Certain subsidiaries engaged in ship management business and shipping business are registered in Hong Kong or are Hong Kong tax resident. The provision for Hong Kong profits tax of shipping management services are calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profit tax rates regime, the first HK\$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. A group of "connected entities" can only nominate one entity within the group to enjoy the two-tier rates for a given year of assessment. The profits of corporation which is not qualifying for the two-tiered profits tax rates regime is taxed at a flat rate of 16.5%. The profits from shipping business which are not derived from or arising in Hong Kong meets the criteria of Inland Revenue Ordinance of Hong Kong Section 23B and should be exempt from profits tax.

(vii) Japan Income Tax

Certain subsidiaries engaged in shipping business are registered in Japan or are Japanese tax resident. The Japan income tax have been provided at the progressive tax rate on the estimated profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11 INCOME TAX EXPENSES *(Continued)*

(viii) PRC Enterprise Income Tax (“EIT”)

Certain subsidiaries engaged in ship management business are registered in the PRC. The statutory rate for PRC enterprise income tax is 25% except for certain subsidiaries which are taxed at preferential tax rate.

According to Cai Shui [2019] No. 13, Announcement [2021] No. 12 and [2022] No. 13 issued by the Ministry of Finance and the State Administration of Taxation, certain PRC subsidiaries of the Company were entitled to the preferential income tax applied for small low-profit enterprises as follows:

- For companies with the annual taxable income of no more than RMB 1 million, the portion of annual taxable income shall be deducted into the taxable income by 12.5%, and the EIT shall be prepaid at the rate of 20%;
- For companies with the annual taxable income exceeds RMB 1 million but no more than RMB 3 million, the annual taxable income shall be deducted into the taxable income by 50%, and the EIT shall be prepaid at the rate of 20% for the year ended 31 December 2021; and the annual taxable income shall be deducted into the taxable income by 25%, and the EIT shall be prepaid at the rate of 20% from 1 January 2022 to 31 December 2024.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. As at 31 December 2022, except certain PRC subsidiaries has retained earning of US\$216,000, there was still accumulated loss of other PRC subsidiaries with foreign investor, the Group did not have any plan to require the PRC subsidiaries to distribute their retained earnings to any foreign investor in the foreseeable future. Accordingly, no tax liability on withholding tax was accrued as of the end of each year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11 INCOME TAX EXPENSES *(Continued)*

(viii) PRC Enterprise Income Tax ("EIT") *(Continued)*

- (a) The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Profit before income tax	61,047	41,186
Tax calculated at applicable tax rates	10,946	7,083
Expenses not deductible for taxation purposes	36	241
Tax effect of share of profits of associates and joint ventures	(1,699)	(712)
Net exempted gains (i)	(7,165)	(5,431)
Income tax expense	2,118	1,181

- (i) As is disclosed in Note 11 (v) and Note 11 (vi), certain profit from shipping business derived by the Group's Singapore-incorporated subsidiaries is exempted from tax under Section 13F of the Singapore Income Tax Act, and certain profit from shipping business derived by the Group's Hong Kong-incorporated subsidiaries which is not derived from or arising in Hong Kong should be exempt from profits tax, tax effect of such profit which was largely exempted from income tax were reflected as exempted gains.

12 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2022 are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the capitalisation issue of 374,990,000 shares on 29 March 2023 which are deemed to have been in issue since 1 January 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to the owners of the Company (US\$'000)	57,316	33,617
Weighted average number of ordinary shares in issue	375,000,000	375,000,000
Basic earnings per share (expressed in US\$ per share)	0.15	0.09

As the Company has no dilutive instruments for the years ended 31 December 2022 (2021: Nil), the Group's diluted earnings per share equals to its basic earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2022	Vessels US\$'000	Buildings US\$'000	Transportation equipment US\$'000	Office equipment and other equipment US\$'000	Total US\$'000
Cost					
Opening balance	59,480	1,297	371	87	61,235
Additions	50,206	292	37	145	50,680
Disposal	(11,440)	—	—	—	(11,440)
Currency translation differences	—	(110)	(18)	(1)	(129)
Closing balance	<u>98,246</u>	<u>1,479</u>	<u>390</u>	<u>231</u>	<u>100,346</u>
Accumulated depreciation					
Opening balance	(6,021)	(157)	(129)	(80)	(6,387)
Depreciation charge	(3,852)	(41)	(75)	(21)	(3,989)
Disposal	1,143	—	—	—	1,143
Currency translation differences	—	13	8	1	22
Closing balance	<u>(8,730)</u>	<u>(185)</u>	<u>(196)</u>	<u>(100)</u>	<u>(9,211)</u>
Net book amount					
As at 31 December 2021	<u>53,459</u>	<u>1,140</u>	<u>242</u>	<u>7</u>	<u>54,848</u>
As at 31 December 2022	<u>89,516</u>	<u>1,294</u>	<u>194</u>	<u>131</u>	<u>91,135</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Year ended 31 December 2021	Vessels US\$'000	Buildings US\$'000	Transportation equipment US\$'000	Office equipment and other equipment US\$'000	Total US\$'000
Cost					
Opening balance	50,181	1,267	309	86	51,843
Additions	9,299	—	96	1	9,396
Disposal	—	—	(37)	—	(37)
Currency translation differences	—	30	3	—	33
Closing balance	<u>59,480</u>	<u>1,297</u>	<u>371</u>	<u>87</u>	<u>61,235</u>
Accumulated depreciation					
Opening balance	(3,881)	(120)	(78)	(56)	(4,135)
Depreciation charge	(2,140)	(34)	(63)	(24)	(2,261)
Disposal	—	—	12	—	12
Currency translation differences	—	(3)	—	—	(3)
Closing balance	<u>(6,021)</u>	<u>(157)</u>	<u>(129)</u>	<u>(80)</u>	<u>(6,387)</u>
Net book amount					
As at 31 December 2020	<u>46,300</u>	<u>1,147</u>	<u>231</u>	<u>30</u>	<u>47,708</u>
As at 31 December 2021	<u>53,459</u>	<u>1,140</u>	<u>242</u>	<u>7</u>	<u>54,848</u>

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Cost of sales	3,852	2,168
Selling, general and administrative expenses	137	93
	<u>3,989</u>	<u>2,261</u>

As at 31 December 2022, property, plant and equipment with the carrying amounts of US\$90,812,000 (31 December 2021: US\$53,461,000) were pledged to secure borrowings (Note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the Group is a lessee. The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Right-of-use assets		
Vessels	76,724	91,500
Building	1,424	432
	<u>78,148</u>	<u>91,932</u>
Lease liabilities		
Current	17,275	21,073
Non-current	55,504	65,586
	<u>72,779</u>	<u>86,659</u>
	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Right-of-use assets		
Cost		
Opening balance	111,698	50,162
Additions (i)	24,997	85,726
Expiration of lease	(1,546)	(4,488)
Change of lease term (ii)	(15,794)	(19,702)
	<u>119,355</u>	<u>111,698</u>
Closing balance		
	<u>119,355</u>	<u>111,698</u>
Accumulated depreciation		
Opening balance	(19,766)	(16,779)
Depreciation charge	(24,999)	(14,998)
Expiration of lease	1,546	4,488
Change of lease term (ii)	2,012	7,523
	<u>(41,207)</u>	<u>(19,766)</u>
Closing balance		
	<u>(41,207)</u>	<u>(19,766)</u>
Net book amount	<u>78,148</u>	<u>91,932</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

- (i) Additions to the right-of-use assets were mainly attributable to the new lease agreements entered into for vessels.
- (ii) Change of lease term in 2022 were mainly caused by termination of one vessel leasing agreement.
- (iii) The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Depreciation charge of right-of-use assets		
Vessels	24,479	14,649
Buildings	520	349
	<u>24,999</u>	<u>14,998</u>
Interest expense (included in finance cost)	1,956	1,517
Expense relating to short-term leases		
– Cost of sales	132,422	176,683
– Administrative expenses and selling expenses	189	24

The total cash outflow for leases for the year ended 31 December 2022 was US\$154,144,000 (2021: US\$204,456,000).

- (iv) The guarantors for certain lease liabilities were as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Guarantor:		
Seacon Shipping Group	17,525	31,345
Sunny Star Shipping Ltd./Seacon Marine (SG)* /Mr. Guo/Mr. Chen	—	45,670
The Company/Mr. Guo/Mr. Chen	40,454	—
Seacon Ships Qingdao*/The Company	5,556	—
The Company/Seacon Shipping Group	5,660	—
	<u>69,195</u>	<u>77,015</u>

* These companies are the subsidiaries of the Group, and the rest of guarantors are all related parties.

All the guarantees provided by related parties has been fully released upon the Initial Public Offering in March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

- (v) The Group's leasing activities and how these are accounted for

The Group leases in various vessels and certain offices. Rental contracts are typically made for fixed periods of one year to ten years but may have extension options and purchase options as described in (viii) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

- (vi) Variable lease payments

Certain vessel leases contain variable payment terms that are linked to the market price of the vessel when the leases are terminated. Variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

- (vii) Extension and purchase options

Extension and purchase options are included in a number of vessels leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and purchase options held are exercisable only by the Group and not by the respective lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

15 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the joint ventures and associates of the Group as at 31 December 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of Incorporation/ establishment and operations	Principal activities	% of ownership interest		Nature of relationship	Measurement method	Carrying amount		Note
			31 December 2022	31 December 2021			31 December 2022	31 December 2021	
							US\$'000	US\$'000	
Msm Ship Management Pte. Ltd.	Singapore	Ship management	50%	50%	Joint venture	Equity method	74	48	
Hongkong Xinyihai 55 Co., Limited	Hong Kong	Vessel holding and chartering services	35%	35%	Associate	Equity method	31	1,172	
Seacon 6 Limited ("Seacon 6")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	2,463	732	(1)
Seacon 7 Limited ("Seacon 7")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	1,202	242	(1)
Seacon 8 Limited ("Seacon 8")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	867	1,308	(1)
Seacon 9 Limited ("Seacon 9")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Associate	3,209	1,731	(1)
							<u>7,846</u>	<u>5,233</u>	

- (1) Seacon Star Group Ltd (ultimately controlled by Mr. Guo) acquired the 100% equity interests in Hongkong Zengzhou Co., Limited ("Hongkong Zengzhou", which is a holding company) with a consideration of US\$2,300,000 in July 2021. Hongkong Zengzhou held 49.5% equity interests in Seacon 6, Seacon 7, Seacon 8 and Seacon 9 respectively. Pursuant to the Reorganisation, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 were treated as the associates of the Group, thus the consideration of US\$2,300,000 paid by Seacon Star Group Ltd was accounted for as a deemed contribution by shareholders to the Group. The Group received a dividend of US\$1,485,000 from Seacon 6 in 2021.

The above associates and joint ventures are all private entities with no quoted price available. There are no commitments or contingent liabilities in respect of associates and joint ventures.

The Company had no directly owned associates or joint ventures as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

15 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

There is no associate or joint venture that is individually material to the Group as at 31 December 2022. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the associates and joint ventures:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Aggregate carrying amount of individually immaterial associates and joint ventures	7,846	5,233
Aggregate amounts of the Group's share of:		
Net profit	9,995	4,314
Other comprehensive income	—	—
Total comprehensive income	9,995	4,314
Dividend received/receivable (i)	(7,382)	(1,485)

(i) Dividend amounted to US\$3,104,000 declared by Hongkong Xinyihai 55 Co., Limited in 2022 and has been received in April 2023.

16 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Prepayment for dry-docking and equipment purchased	2,388	2,288
Prepayment for vessels purchased (i)	43,094	10,030
Prepayment for right-of-use assets	1,979	1,140
Others	281	117
	<u>47,742</u>	<u>13,575</u>

(i) The Group prepaid for vessels purchased according to the payment schedule of the purchase contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Identified Financial Assets	1,232	3,285
Less: current portion	(1,232)	(3,285)
	<u>—</u>	<u>—</u>

In 2019, the Group entered into lease agreements for two vessels under bare-boat charter arrangement with a third party leasing company (“Leasing Company A”). According to the lease agreements, the Group paid US\$1,000,000 for each vessel to Leasing Company A upfront. During or at the end of the charter period, if Leasing Company A sells the vessel to any third party and the net sale proceeds exceeds its net book value, Leasing Company A shall pay 10% of disposal gain and return US\$1,000,000 to the Group for each vessel. However, if the net sale proceeds are less than its net book value, the Group should share the disposal loss under the cap of US\$1,000,000 for each vessel. The Group treated this arrangement including both the right of gain/loss sharing from vessel disposal and the right to receive the returning deposit as financial assets at fair value through profit or loss (“Identified Financial Assets”). In May 2022, one of the vessels was sold by Leasing Company A.

18 INVENTORIES

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Lubricating oil and spare parts	2,147	715
Fuels	8,483	3,936
	<u>10,630</u>	<u>4,651</u>
Less: provision for impairment	—	—
	<u>10,630</u>	<u>4,651</u>

The cost of inventories recognised as cost of sales amounted to approximately US\$50,321,000 for the year ended 31 December 2022 (2021: US\$42,030,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19 PREPAYMENT AND OTHER CURRENT ASSETS

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Prepayments for:		
– vessels under short term charter basis and office rental	1,887	3,943
– insurance expenses	1,182	426
– spare parts purchase	616	516
– listing expense	842	385
– others	654	864
	<u>5,181</u>	<u>6,134</u>

20 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Trade receivables – ship management business		
– third parties	2,601	5,486
– related parties (Note 30(i))	473	121
Less: provision for impairment	<u>(21)</u>	<u>(17)</u>
Trade receivables – net	<u>3,053</u>	<u>5,590</u>
Trade receivables – shipping business		
– third parties	11,640	11,363
– related parties (Note 30(i))	–	32
Less: provision for impairment	<u>(155)</u>	<u>(25)</u>
Trade receivables – net	<u>11,485</u>	<u>11,370</u>
Other receivables		
– amount due from related parties (Note 30(i))	184	3,623
– deposits to related parties (Note 30(i))	–	50
– deposits and guarantees	5,202	3,496
– dividends receivable from an associate (Note 30(i))	3,104	–
– others	<u>2,053</u>	<u>1,478</u>
	<u>10,543</u>	<u>8,647</u>
Less: provision for impairment of other receivables	<u>(79)</u>	<u>(65)</u>
Other receivables – net	<u>10,464</u>	<u>8,582</u>
	<u>25,002</u>	<u>25,542</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER RECEIVABLES *(Continued)*

- (a) Aging analysis of trade receivables of the Group on each balance sheet date, based on the invoice date, was as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Trade receivables — ship management business		
Within 3 months	2,876	2,942
3–6 months	88	347
6–12 months	90	853
1–2 years	20	1,465
	3,074	5,607
Less: provision for impairment	(21)	(17)
	<u>3,053</u>	<u>5,590</u>

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Trade receivables — shipping business		
Within 3 months	10,059	10,662
3–6 months	31	711
6–12 months	1,528	—
1–2 years	—	—
2–3 years	—	22
3–4 years	22	—
	11,640	11,395
Less: provision for impairment	(155)	(25)
	<u>11,485</u>	<u>11,370</u>

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

Information about the impairment of trade receivables and the Group exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER RECEIVABLES (Continued)

- (a) Aging analysis of trade receivables of the Group on each balance sheet date, based on the invoice date, was as follows: (Continued)

Movements in allowance for impairment of trade receivables is as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Trade receivables — ship management business		
At beginning of the year	(17)	(11)
Provision	(4)	(16)
Reversal	—	10
At the end of the year	<u>(21)</u>	<u>(17)</u>

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Trade receivables — shipping business		
At beginning of the year	(25)	(30)
Provision	(130)	—
Reversal	—	5
At the end of the year	<u>(155)</u>	<u>(25)</u>

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
US\$	13,961	16,012
RMB	577	948
	<u>14,538</u>	<u>16,960</u>

All carrying amounts of trade receivables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Aging analysis of other receivables of the Group on each balance sheet date was as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Within 1 year	10,305	8,092
1–2 years	180	495
2–3 years	10	60
Over 3 years	48	—
	<u>10,543</u>	<u>8,647</u>

Movement of provision for impairment of other receivables was as follows:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
At beginning of the year	(65)	(115)
Provision	(14)	—
Reversal	—	50
At the end of the year	<u>(79)</u>	<u>(65)</u>

The carrying amounts of other receivables were denominated in the following currencies:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
US\$	9,348	6,985
RMB	942	1,033
SG\$	41	242
JPY	107	311
Others	26	11
	<u>10,464</u>	<u>8,582</u>

All other receivables' carrying amounts approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

21 CASH AND BANK BALANCES

(a) Restricted bank deposits

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Restricted bank deposits — current		
— Security deposits for letter of guarantee	32	31

(b) Cash and cash equivalents

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Cash in hand	21	62
Cash at banks	20,149	24,968
	20,170	25,030

(c) Cash in hand and at banks (including restricted bank deposits of the Group) are denominated in the following currencies:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
US\$	16,373	22,850
SG\$	354	260
RMB	1,378	1,243
JPY	2,068	708
HK\$	29	—
	20,202	25,061

The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2022, the RMB cash at bank held by the PRC subsidiaries amounted to US\$1,317,000 (2021: US\$1,177,000).

The carrying amount of cash in hand and at banks approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

22 RESERVES

	Reserves US\$'000	Statutory reserve US\$'000	Share-based compensation US\$'000	Exchange differences on translation of foreign operations US\$'000	Total US\$'000
Balance at 1 January 2022	3,157	17	5,635	30	8,839
Exchange differences on translation of foreign operations	—	—	—	(106)	(106)
Profit appropriation to statutory reserves	—	98	—	—	98
Debt waive from shareholders of the Company (v)	914	—	—	—	914
Merger reserves arising from the Reorganisation (vi)	(53)	—	—	—	(53)
Balance at 31 December 2022	<u>4,018</u>	<u>115</u>	<u>5,635</u>	<u>(76)</u>	<u>9,692</u>

	Reserves US\$'000	Statutory reserve US\$'000	Share-based compensation US\$'000	Exchange differences on translation of foreign operations US\$'000	Total US\$'000
Balance at 1 January 2021	(525)	—	—	25	(500)
Exchange differences on translation of foreign operations	—	—	—	5	5
Profit appropriation to statutory reserves	—	17	—	—	17
Deemed contribution — Seacon Shipping Group (i)	1,370	—	—	—	1,370
Deemed contribution — Seacon 6, Seacon 7, Seacon 8, Seacon 9 (ii)	2,300	—	—	—	2,300
Transaction with non-controlling interests (iii)	12	—	—	—	12
Employee share schemes — value of employee services (iv)	—	—	5,635	—	5,635
Balance at 31 December 2021	<u>3,157</u>	<u>17</u>	<u>5,635</u>	<u>30</u>	<u>8,839</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

22 RESERVES (Continued)

- (i) Pursuant to the Reorganisation, Seacon Shipping Group was retained in Seacon Group, the net liabilities of Seacon Shipping Group are treated as a deemed contribution of the shareholders on 31 December 2021.
- (ii) As mentioned in Note 15, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 were treated as the associates of the Group, thus the consideration of US\$2,300,000 paid by Seacon Star Group Ltd were accounted for as a deemed contribution by shareholders to the Group.
- (iii) Mr. Shi acquired 3% of equity interests in Seacon Ships Qingdao from Mr. Chen on 6 December 2021, as the consideration were paid to Mr. Chen, 3% of the net liabilities of Seacon Ships Qingdao was treated as deemed distribution to non-controlling interests and recognised in reserves.
- (iv) In November 2021, Mr. Guo transferred 2% and 1% shareholding of the Company to Mr. Zhao and Mr. He respectively. There is no any consideration or any service restriction and is treated as share-based compensation. The fair value of the services received in exchange for the grant of the shares amounted to US\$5,635,000 is recognised as expense and reserves.
- (v) Star Wealth Ltd was dissolved on 6 January 2022, the debt of Star Wealth Ltd was waived from shareholders of the Company and treated as deemed contribution by shareholders to the Group and recognized as reserves.
- (vi) In February 2022, 97% shareholding interests amounted to US\$785,000 of Seacon Ships Qingdao was transferred to Seacon Ships Shanghai with the consideration of US\$838,000, the excess portion amounted to US\$53,000 was treated as merger reserves arising from the Reorganisation.

23 BORROWINGS

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Non-current		
Long-term borrowings		
Bank loans		
– secured (i)	7,530	9,827
– unsecured	225	261
Other borrowings (ii)		
– secured (i)	63,671	22,757
	<u>71,426</u>	<u>32,845</u>
Less: borrowings due within one year		
Bank loans		
– secured (i)	(2,144)	(2,097)
– unsecured	(8)	(74)
Other borrowings (ii)		
– secured (i)	(7,699)	(3,198)
	<u>(9,851)</u>	<u>(5,369)</u>
	<u>61,575</u>	<u>27,476</u>

The increase in long-term borrowings as at 31 December 2022 were mainly secured borrowings for the purpose of vessel purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23 BORROWINGS (Continued)

- (i) The guarantors and the pledge for each secured borrowing were as follows:

		As at 31 December	
		2022	2021
		US\$'000	US\$'000
Guarantor:	Pledge:		
The Company	N/A	41,098	—
The Company/Seacon Shipping Pte. Ltd*	N/A	18,514	—
The Company/Mr. Guo/Mr. Chen	N/A	4,060	—
Seacon Osaka Ltd*	Vessels	2,340	3,060
Seacon Kobe Ltd*	Vessels	2,048	2,633
Seacon Victory Ltd*	Vessels	1,883	2,462
N/A	Buildings	502	—
Individual F	N/A	383	520
Mr. Guo/Mr. Wang Guangfu	N/A	373	518
Seacon Shipping Group	Vessels	—	16,442
Seacon Shipping Group/Sunny Star Shipping Ltd./Seacon Marine (SG)*/ Mr. Guo/Mr. Chen		—	4,708
Seacon Shipping Group/Mr. Guo/Mr. Chen/ Individual C/Individual D	Vessels	—	1,607
Mr. Guo	N/A	—	596
N/A	Car	—	38
		71,201	32,584

* These companies are the subsidiaries of the Group, and the rest of guarantors are all related parties.

All the guarantees provided by related parties has been fully released upon the Initial Public Offering in March 2023.

- (ii) The Group's other borrowings related to five (2021: four) owned vessels with a combined net book value of US\$77,008,000 (2021: US\$40,726,000) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined times during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23 BORROWINGS (Continued)

- (a) The Group's borrowings were repayable as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Bank loans		
Within 1 year	2,152	2,171
1-2 years	2,597	2,686
2-5 years	2,860	4,938
Over 5 years	146	293
	<u>7,755</u>	<u>10,088</u>
Other borrowings		
Within 1 year	7,699	3,198
1-2 years	6,176	2,385
2-5 years	18,934	7,666
Over 5 years	30,862	9,508
	<u>63,671</u>	<u>22,757</u>
	<u>71,426</u>	<u>32,845</u>

- (b) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Within 1 year	67,454	27,556
1-2 years	948	1,334
2-5 years	2,902	3,750
Over 5 years	122	205
	<u>71,426</u>	<u>32,845</u>

- (c) The carrying amount of borrowings are not materially different from their fair value as at each balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23 BORROWINGS (Continued)

- (d) The Group was required to maintain cash on deposit in respect of certain borrowings under sales and lease back arrangement. The cash cannot be withdrawn or used by the Group for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the Group and the lender intend to net settle. As a result, the Group's borrowings have been presented net of the cash on deposit, as the requirements under HKFRS to offset have been met. The offsetting amounts were US\$809,000 as at 31 December 2022 (2021: Nil).
- (e) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
US\$	69,942	30,912
RMB	503	596
JPY	608	781
SG\$	373	556
	<u>71,426</u>	<u>32,845</u>

- (f) The average rates of the Group's borrowings for the respective years are summarised as below:

	As at 31 December	
	2022	2021
Borrowings	<u>4.81%</u>	<u>4.60%</u>

24 ADVANCES AND CONTRACT LIABILITIES

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Contract liabilities — ship management business	825	464
Advances and contract liabilities — shipping business	<u>3,571</u>	<u>3,984</u>
	<u>4,396</u>	<u>4,448</u>

Advances and contract liabilities balance amounted to US\$4,396,000 as at 31 December 2022 will be recognised as revenue for the year ending 31 December 2023 (2021: US\$4,448,000 has been recognised as revenue for the year ended 31 December 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

25 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Trade payables (a)		
– third parties	20,498	15,712
– related parties (Note 30(i))	556	4,137
	<u>21,054</u>	<u>19,849</u>
Other payables (b)		
– amount due to related parties (Note 30(i))	1,345	26,850
– deposits from related parties (Note 30(i))	18	154
– amount due to third parties	108	–
– deposits and guarantees	980	2,025
– salaries and staff welfare payable	1,903	2,524
– provisions for legal proceeding	1,398	784
– listing expenses	650	935
– others	239	126
	<u>6,641</u>	<u>33,398</u>
	<u>27,695</u>	<u>53,247</u>

- (a) Aging analysis of trade payable of the Group on each balance sheet date, based on the invoice date, was as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Less than 1 year	20,866	19,670
1–2 years	76	176
2–3 years	110	3
Over 3 years	2	–
	<u>21,054</u>	<u>19,849</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

25 TRADE AND OTHER PAYABLES *(Continued)*

(b) Aging analysis of other payables of the Group on each balance sheet date was as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Less than 1 year	5,893	32,452
Over 1 year	748	946
	<u>6,641</u>	<u>33,398</u>

The carrying amounts of other payables of the Group are denominated in the following currencies:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
US\$	3,312	27,967
RMB	3,307	4,702
Others	22	729
	<u>6,641</u>	<u>33,398</u>

(c) The carrying amounts of trade and other payables of the Group approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

26 DIVIDENDS

Seacon Enterprise Pte. Ltd., a non-wholly owned subsidiary which the Group has 60% shareholding interests, declared cash dividend of US\$3,237,940 for the year ended 31 December 2022 to the Group and the non-controlling interests (2021: US\$8,000,000), among which US\$1,295,176 has been paid in cash to its non-controlling interests (2021: US\$3,200,000).

No dividends have been declared or paid by the Company for the year ended 31 December 2022 (2021: Nil).

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash flows generated from operations:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Profit before income tax	61,047	41,186
Adjustments for:		
– Net impairment reversal/(losses) on financial assets	169	(205)
– Depreciation and amortisation (Note 8)	30,428	18,264
– Gains on disposal of property, plant and equipment and right-of-use assets	(5,646)	(3)
– Share of profit of associates and joint ventures	(9,995)	(4,314)
– Finance costs (Note 10)	6,310	3,451
– Finance income	(27)	(1)
– Share-based compensation	–	5,635
– Fair value losses/(gains) of financial assets at fair value through profit or loss	47	(920)
Changes in working capital:		
– (Increase)/decrease on restricted cash	(1)	41
– Inventories	(5,979)	1,051
– Trade and other receivables	2,550	(27,166)
– Advances and contract liabilities	(52)	103
– Trade and other payables	(780)	51,149
Cash generated from operations	78,071	88,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Net book amount of property, plant and equipment disposed (Note 13)	10,297	25
Net book amount of assets classified as held for sale	—	7,318
Net gains on disposal of property, plant and equipment (Note 7)	5,508	3
Proceeds from disposal of property, plant and equipment	<u>15,805</u>	<u>7,346</u>

(c) Summary of net debt

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Cash and cash equivalents	20,170	25,030
Borrowings — repayable within 1 year	(9,851)	(5,369)
Borrowings — repayable after 1 year	(61,575)	(27,476)
Lease liabilities — repayable within 1 year	(17,275)	(21,073)
Lease liabilities — repayable after 1 year	(55,504)	(65,586)
Amount due to related parties	(1,345)	(26,850)
Amount due to third parties	(108)	—
Net debt	<u>(125,488)</u>	<u>(121,324)</u>
Cash and cash equivalents	20,170	25,030
Gross debt — interest free	(1,453)	(26,850)
Gross debt — fixed interest rates	(77,958)	(93,254)
Gross debt — floating interest rates	(66,247)	(26,250)
Net debt	<u>(125,488)</u>	<u>(121,324)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(d) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Amount due to related parties	Amount due to third parties	Total
As at 1 January 2022	(32,845)	(86,659)	(26,850)	—	(146,354)
Lease liabilities recognised	—	(23,857)	—	—	(23,857)
Change of lease term	—	13,289	—	—	13,289
Cash flows	2,675	24,448	23,629	—	50,752
Non-cash transaction	(40,425)	—	1,876	(108)	(38,657)
Interest charged	(4,354)	(1,956)	—	—	(6,310)
Interest paid	3,523	1,956	—	—	5,479
As at 31 December 2022	<u>(71,426)</u>	<u>(72,779)</u>	<u>(1,345)</u>	<u>(108)</u>	<u>(145,658)</u>

	Borrowings	Lease liabilities	Amount due to related parties	Amount due to third parties	Total
As at 1 January 2021	(50,008)	(32,506)	(33,946)	(472)	(116,932)
Lease liabilities recognised	—	(85,726)	—	—	(85,726)
Change of lease term	—	12,179	—	—	12,179
Cash flows	3,944	20,942	27,487	(713)	51,660
Non-cash transaction	13,219	—	1,104	827	15,150
Effect of Seacon Shipping Group	—	(1,548)	(21,495)	358	(22,685)
Interest charged	(1,934)	(1,517)	—	—	(3,451)
Interest paid	1,934	1,517	—	—	3,451
As at 31 December 2021	<u>(32,845)</u>	<u>(86,659)</u>	<u>(26,850)</u>	<u>—</u>	<u>(146,354)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(e) Major non-cash transactions:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Cash flows from investing activities		
Vessel purchase payment offset by borrowings from leasing companies (i)	40,425	—
Borrowings repayment offset by loans receivable from Company A	—	13,219
Cash flows from financing activities		
Vessel purchase payment offset by borrowings from leasing companies (i)	40,425	—
Borrowings repayment offset by loans receivable from Company A	—	13,219

- (i) The Group purchased vessels from third party sellers in 2022, and then got borrowings from leasing companies under sales and lease back arrangements. The leasing companies paid directly to the sellers on behalf of the Group.
- (ii) Receivables and payables between the Group and related parties are offset and the net amount is reported in the balance sheet when they mutually agreed to settle on a net basis. For non-cash transactions with related parties paid/received on behalf between the Group and related parties, see Note 30(d)(e).
- (iii) The Group's cash inflows and outflows with certain related parties of which turnover is quick, amounts are large and maturities are short, are net presented on the consolidated statement of cash flows.

28 CONTINGENCIES

As mentioned in Note 7, there are three on-going legal proceedings.

A customer initiated the arbitration proceeding against the Group and claimed for various damages of approximately US\$1,013,000 in February 2022 which is in connection with a dispute arose from the redelivery date of one vessel. Based on the legal counsel's opinion that the Group had a good chance of success to defend the claim, the management made a provision of US\$384,000 in 2022 based on the estimated compensation amount.

The Group chartered in one vessel from one supplier ("Claimant B") and then chartered out to one customer ("Sub-charterer"). A dispute arose from the readiness of the holds of this vessel on arrival in 2021. In February 2022, Claimant B claimed reimbursement of US\$296,000 against the Group for the entire off-hire deduction plus cleaning expenses, while the Group claimed reimbursement of US\$403,000 against the Sub-charterer in March 2022. Based on the legal counsel's opinion, the management made a provision of US\$296,000 in 2022 based on the estimated compensation amount. However, the contingent assets was not recognised regarding to the claimed reimbursement against the Sub-charterer.

There is also a dispute over a bareboat charter contract and management made a provision of US\$803,000 in 2021. The compensation amount is approximately US\$1,154,000 according to the Court decision made on 31 March 2023. The Directors believed that the discrepancy was not material, thus no additional provision was made in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

29 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Property, plant and equipment	183,045	210,286

The Group entered into eight vessels purchase contracts up to 2022, the expected delivery date of 6 vessels will be in 2023 and 2 vessels will be in 2024.

(b) Lease commitments

Bare-boat charter contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
— Within 1 year	—	3,940
— From 1 year to 5 years	—	25,774
	—	29,714

The Group entered into 2 bare-boat charter contracts in 2021, which have been delivered to the Group in February and May 2022 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

29 COMMITMENTS (Continued)

(c) Non-cancellable operating lease

At 31 December 2022, the Group had future minimum rental receivable under certain non-cancellable leases as follows:

	As at 31 December	
	2022 US\$'000	2021 US\$'000
— Within 1 year	31,160	27,176

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholders' families. Members of key management and their close family member of the Group are also considered as related parties.

The following is a summary of the significant transactions took place between the Group and its related parties at terms as mutually agreed among the parties concerned for the year ended 31 December 2022.

(a) Purchases of goods or services

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Seacon Group	19,341	27,998

(b) Provide services

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Joint ventures and associates	4,469	4,739
Seacon Group	374	114
	4,843	4,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Lease

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Rental income		
Seacon Group	—	52

(d) Advances to related parties

Advances to joint ventures and associates

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances to related parties during the year		
— Cash	2,226	628
Repayments from related parties during the year		
— Cash	(2,485)	(1,587)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Advances to related parties *(Continued)*

Advances to Seacon Group

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances to related parties during the year		
— Cash	5,794	3,750
— Non cash	2,270	244
	<u>8,064</u>	<u>3,994</u>
Repayments from related parties during the year		
— Cash	(6,862)	(2,547)
— Non cash	(4,382)	(1,448)
	<u>(11,244)</u>	<u>(3,995)</u>

Advances to other related parties

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances to related parties during the year		
— Cash	—	410
— Non cash	—	28
	<u>—</u>	<u>438</u>
Repayments from related parties during the year		
— Cash	—	(426)
— Non cash	—	(249)
	<u>—</u>	<u>(675)</u>

Advances to related parties also includes amount paid/received on behalf between the Group and related parties.

Advances to related parties were all unsecured and collectable within one year. As mutually agreed with the parties in concern, the Group did not charge any interest on the advances to related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS (Continued)

(e) Advances from related parties

Advances from joint ventures and associates

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances from related parties during the year		
– Cash	177	–
– Non cash	11	–
	<u>188</u>	<u>–</u>
Repayments to related parties during the year		
– Cash	135	–
– Non cash	53	–
	<u>188</u>	<u>–</u>

Advances from Seacon Group

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances from related parties during the year		
– Cash	9,423	3,755
– Non cash	28,130	12,086
	<u>37,553</u>	<u>15,841</u>
Repayments to related parties during the year		
– Cash	(32,965)	(31,242)
– Non cash	(30,095)	(13,190)
	<u>(63,060)</u>	<u>(44,432)</u>

Advances from other related parties

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Advances from related parties during the year		
– Non cash	2	–
	<u>2</u>	<u>–</u>

Advances from related parties also includes amount paid/received on behalf between the Group and related parties.

Advances from related parties were all unsecured and repayable within one year. As mutually agreed with the parties in concern, the Group did not pay any interest on the advances from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS *(Continued)*

(f) Guarantees provided by related parties

The information set out below represents the balance of borrowings and lease liabilities guaranteed by related party at the end of each year.

	As at 31 December	
	2022 US\$'000	2021 US\$'000
For borrowings:		
The Company/Mr. Guo/Mr. Chen	4,060	—
Mr. Guo/Mr. Wang Guangfu	373	518
Seacon Shipping Group	—	16,442
Seacon Shipping Group/Sunny Star Shipping Ltd./Seacon Marine (SG)* /Mr. Guo/Mr. Chen	—	4,708
Seacon Shipping Group/Mr. Guo/Mr. Chen/Individual C/ Individual D	—	1,607
Mr. Guo	—	596
	4,433	23,871
For lease liabilities:		
The Company/Mr. Guo/Mr. Chen	40,454	—
Seacon Shipping Group	23,185	31,345
Sunny Star Shipping Ltd./Seacon Marine (SG)* /Mr. Guo/Mr. Chen	—	45,670
	63,639	77,015
	68,072	100,886

The information set out below represents the amount of new borrowings and lease liabilities recognized and guaranteed by related party for the year ended 31 December 2022, excluding existing borrowings and lease liabilities with the change of guarantors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS (Continued)

(f) Guarantees provided by related parties (Continued)

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
For borrowings:		
Seacon Shipping Group/Sunny Star Shipping Ltd./ Seacon Marine (SG)*/Mr. Guo/Mr. Chen	—	5,100
For lease liabilities:		
Sunny Star Shipping Ltd./Seacon Marine (SG)*/ Mr. Guo/Mr. Chen	—	52,578
The Company/Mr. Guo/Mr. Chen	17,526	—
	<u>17,526</u>	<u>57,678</u>

* These companies are the subsidiaries of the Group, and the rest of guarantors are all related parties.

All the guarantees provided by related parties has been fully released upon the Initial Public Offering in March 2023.

(g) Guarantees provided for related parties

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Seacon Group	—	596

Management has cancelled the guarantees provided to related party in 2022.

(h) Key management compensation

Key management includes directors (executive and non-executive) and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022 US\$'000	2021 US\$'000
Salaries, bonuses and other benefits	697	599
Share-based compensation expenses	—	5,635
	<u>697</u>	<u>6,234</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS *(Continued)*

- (i) Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Receivables from related parties		
Trade receivables:		
– Joint ventures and associates	458	102
– Seacon Group	15	51
	<u>473</u>	<u>153</u>

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Other receivable		
Amount due from:		
– Joint ventures and associates	–	259
– Seacon Group	184	3,364
	<u>184</u>	<u>3,623</u>
Deposits to:		
– Seacon Group	–	50
Dividends receivable from:		
– Joint ventures and associates	3,104	–
Total other receivables from related parties	<u>3,288</u>	<u>3,673</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS (Continued)

- (i) Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services (Continued)

	As at 31 December	
	2022 US\$'000	2021 US\$'000
Payables to related parties		
Trade payables:		
– Joint ventures and associates	–	367
– Seacon Group	556	3,770
	<u>556</u>	<u>4,137</u>
Other payables:		
Amount due to:		
– Seacon Group	1,343	26,826
– Other related parties	2	24
	<u>1,345</u>	<u>26,850</u>
Deposits from:		
– Joint ventures and associates	18	21
– Seacon Group	–	133
	<u>18</u>	<u>154</u>
Total other payables to related parties	<u>1,363</u>	<u>27,004</u>
Lease liability:		
– Seacon Group	439	–
	<u>439</u>	<u>–</u>

Except amount due to and due from Seacon Group which were generated from non-operating activities and were non-trade in nature, all other balances with related parties were generated from normal operating activities and were of trade in nature. The Group has settled the amount due to and due from Seacon Group before the initial public offering of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every Director and the chief executive is set out below:

For the year ended 31 December 2022:

Name	Director's	Salaries	Bonus	Social	Contributions	Share-based	Total
	Fee			benefits	to pension	compensation	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Chairman							
Mr. Guo*	—	173	7	26	5	—	211
Executive directors							
Mr. Chen*	—	172	7	—	3	—	182
Mr. Zhao	—	134	—	2	2	—	138
Mr. He	—	134	22	6	4	—	166
	—	613	36	34	14	—	697

For the year ended 31 December 2021:

Name	Director's	Salaries	Bonus	Social	Contributions	Share-based	Total
	Fee			benefits	to pension	compensation	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Chairman							
Mr. Guo*	—	93	39	31	6	—	169
Executive directors							
Mr. Chen*	—	110	31	—	—	—	141
Mr. Zhao	—	84	53	2	2	3,757	3,898
Mr. He	—	84	54	6	4	1,878	2,026
	—	371	177	39	12	5,635	6,234

* Mr. Guo and Mr. Chen are also the shareholders and directors of Seacon Group, and they also received salaries from Seacon Group for the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaken.

(c) Directors' termination benefits

No payment was made to Directors as compensation for the early termination of the appointment for the year ended 31 December 2022 (2021: Nil).

(d) Consideration provided to third parties for making available Directors' services

No payment was made to the former employer of Directors for making available the services of them as a Director of the Company during the year ended 31 December 2022 (2021: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors

There are no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the year ended 31 December 2022 (2021: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 30, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year ended 31 December 2022 (2021: Nil).

(g) Inducement of joining the Group or compensation for loss of office, waive of remuneration

During the year ended 31 December 2022, there are no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2022, particulars of the Group's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and operations*	Principal activities	Registered/ Issued and paid-up capital	Effective interest held		Note
				31 December 2022	2021	
Directly Held						
Seacon Ships Management Group (BVI) Ltd	BVI, 27 October 2021	Investment holding	US\$50,000/—	100%	100%	
Seacon Marine Ltd.	BVI, 27 October 2021	Investment holding	US\$50,000/—	100%	100%	
Indirectly Held						
Seacon Ships Management Group (HK) Limited ("Seacon Ships Group (HK)")	Hong Kong, 8 November 2021	Investment holding	HK\$10,000/—	100%	100%	
Seacon Ships Management (SG)	Singapore, 14 May 2019	Ship management	SG\$50,000/SG\$2	100%	100%	
Seacon Ships Management Co., Limited	Hong Kong, 14 December 2012	Ship management	HK\$10,000/ HK\$10,000	100%	100%	
Seacon Marine Technical Pte. Ltd.	Singapore, 17 June 2020	Shipbuilding consultation	SG\$100,000/SG\$2	100%	100%	
Seacon Tankers Shipmanage Pte. Ltd.	Singapore, 17 July 2019	Ship management	US\$10,000/ US\$10,000	100%	100%	
Seacon Ships Management (Ningbo) Ltd.	Republic of the Marshall Islands, 12 May 2021	Ship management	US\$50,000/—	100%	100%	
Ocean Fleet Shipmanage Limited	Hong Kong, 1 November 2021	Ship management	HK\$10,000/—	100%	100%	
Seacon Ships Shanghai	PRC, 21 December 2021	Investment holding	US\$2,000,000/—	100%	100%	
Seacon Ships Qingdao	PRC, 12 April 2013	Ship management	RMB10,000,000/ RMB5,000,000	97%	97%	
Seacon Ships Management Co., Limited (Zhejiang)	PRC, 27 June 2018	Ship management	RMB20,000,000/ RMB2,600,000	100%	100%	
Seacon Ships Management (Europe) SA ("Seacon Ships Management (Europe)")	Republic of the Marshall Islands, 19 April 2022	Ship management	US\$100/—	51%	N/A	(b)
Seacon Marine Technical Company Limited (Qingdao)	PRC, 15 June 2020	Shipbuilding consultation	RMB1,000,000/—	100%	100%	
Seacon Ningbo Company Limited	PRC, 25 March 2021	Ship management	RMB5,000,000/—	100%	100%	
Seacon Ships Management Co., Limited (Fujian)	PRC, 3 November 2021	Ship management	RMB10,000,000/—	100%	100%	
Seacon Marine Pte. Ltd.	Singapore, 20 January 2020	Investment holding	SG\$100,000/—	100%	100%	
Seacon Shipping Pte. Ltd.	Singapore, 29 January 2020	Vessel holding and chartering services	SG\$100,000/SG\$2	100%	100%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment and operations*	Principal activities	Registered/ Issued and paid-up capital	Effective interest held		Note
				31 December 2022	2021	
Indirectly Held (Continued)						
Golden Lotus Ltd	Republic of the Marshall Islands, 24 November 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Golden Violet Ltd (rename from Estar Shipping Ltd)	Republic of the Marshall Islands, 3 November 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Rizhao Ltd	Republic of the Marshall Islands, 3 February 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Jasper Shipping Ltd (rename from Sky Height Shipping Ltd)	Republic of the Marshall Islands, 19 February 2021	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	
Seacon Ningbo Ltd	Liberia, 5 June 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	
Seacon Shanghai Ltd	Liberia, 11 June 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	
Seacon Brazil Ltd	Liberia, 18 April 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	
Seacon Star Shipping (Qingdao) Co., Limited ("Seacon Star Shipping (Qingdao)")	PRC, 10 May 2022	Vessel holding and chartering services	US\$2,000,000/—	100%	N/A	(c)
Seacon Qingdao Ltd	Republic of the Marshall Islands, 8 April 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	
Seacon Singapore Ltd	Republic of the Marshall Islands, 8 April 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	
Golden Bridge Ships Limited	Hong Kong, 22 October 2018	Vessel holding and chartering services	HK\$10,000/ HK\$10,000	100%	100%	
Golden River Ships Limited	Hong Kong, 22 October 2018	Vessel holding and chartering services	HK\$10,000/ HK\$10,000	100%	100%	
Seacon Peru Ltd	Republic of the Marshall Islands, 27 May 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	
Golden Orchid Ltd.	Republic of the Marshall Islands, 6 April 2017	Vessel holding and chartering services	US\$50,000/ US\$50,000	100%	100%	
Seacon Africa Ltd	Republic of the Marshall Islands, 31 March 2021	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	
Golden Camellia Limited	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/—	100%	100%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment and operations*	Principal activities	Registered/ Issued and paid-up capital	Effective interest held		Note
				31 December 2022	2021	
Indirectly Held (Continued)						
Golden Dahlia Limited	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/—	100%	100%	
Golden Daisy Limited	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/—	100%	100%	
Golden Lavender Limited	Hong Kong, 13 September 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Enterprise Pte. Ltd.	Singapore, 19 April 2017	Chartering services	SG\$800,000/ SG\$800,000	60%	60%	
Seacon Shipping Japan Co., Ltd	Japan, 25 October 2018	Vessel holding and chartering services	JPY98,000,000/ JPY98,000,000	100%	100%	
Seacon Victory Ltd	Republic of the Marshall Islands, 8 April 2015	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Kobe Ltd	Republic of the Marshall Islands, 20 January 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Osaka Ltd	Republic of the Marshall Islands, 20 January 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Manila Ltd	Republic of the Marshall Islands, 23 February 2021	Vessel holding and chartering services	US\$50,000/—	100%	100%	
Seacon Logistics Co., Ltd	Japan, 25 May 2021	Chartering services	JPY20,000,000/—	100%	100%	
Seacon Shipping (Qingdao) Co., Limited	Hong Kong, 29 December 2021	Vessel holding and chartering services	HK\$10,000/—	100%	100%	
Seacon Ships Management (Fuzhou) Co., Limited	Hong Kong, 14 September 2022	Ship management	HK\$10,000/—	100%	N/A	(c)
Seacon Nola Ltd	Liberia, 10 August 2022	Vessel holding and chartering services	US\$500/—	100%	N/A	(c)
Seacon Hamburg Ltd	Liberia, 10 August 2022	Vessel holding and chartering services	US\$500/—	100%	N/A	(c)
Seacon Vancouver Ltd	Liberia, 10 August 2022	Vessel holding and chartering services	US\$500/—	100%	N/A	(c)
Seacon Santos Ltd	Liberia, 10 August 2022	Vessel holding and chartering services	US\$500/—	100%	N/A	(c)
Seacon Tokyo Ltd	Liberia, 10 August 2022	Vessel holding and chartering services	US\$500/—	100%	N/A	(c)
Star Wealth Ltd	Republic of the Marshall Islands, 23 August 2016	Vessel holding and chartering services	US\$50,000/—	N/A	100%	(d)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

32 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

- * The Group's shipping business and ship management business are all operated worldwide.
- (a) All companies comprising the Group have adopted 31 December as the financial year end.
- (b) Seacon Ships Management (Europe) was incorporated in the Marshall Islands on 19 April 2022, and its 49% and 51% of shareholding interests were owned by China Maritime General Service Limited and Seacon Ships Group (HK), respectively. It has not commenced operation with no paid-up capital.
- (c) Those wholly owned companies were established in 2022, and have not commenced operation with no paid-up capital except Seacon Star Shipping (Qingdao).
- (d) Star Wealth Ltd was incorporated in the Marshall Islands and was dissolved on 6 January 2022.

33 SUBSEQUENT EVENT

Pursuant to the written resolutions of the Shareholders passed on 2 March 2023, the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$7,000,000 divided into 700,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 662,000,000 new Shares of a par value of HK\$0.01 each, each ranking pari passu in all respect with our Shares then in issue.

On 29 March 2023, the Company issued 125,000,000 new shares with a nominal value of HK\$0.01 each for its global offering and public offer at the offer price of HK\$3.27 each. Gross proceeds from the global offering amounted to HK\$408.8 million (equivalent to USD\$52.1 million). A total of capitalisation issue is 374,990,000 shares.

Subsequent to 31 December 2022, the Group has contracted with third parties in April 2023 to purchase four vessels for an aggregate consideration of US\$146.6 million. Two vessels are expected to be delivered in 2024 and another two vessels in 2025. The Group has also contracted with third party leasing companies relating to sales and lease back arrangements of four vessels between January 2023 and April 2023 for an aggregate borrowings of US\$93.8 million.

The Russian-Ukraine conflict broke out in February 2022, which disrupted global supply chain networks. After the evaluation, the Group was not aware of any material adverse effects on its business operations. With the increasing market uncertainty regarding to the impact of the conflict, the Group will pay close attention to the development of the conflict and evaluate the impact on its future financial position and operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December 2022 US\$'000	As at 31 December 2021 US\$'000
Assets		
Non-current assets		
Interests in subsidiaries	65,144	—
Current assets		
Cash and cash equivalents	400	—
Prepayment	841	385
Other receivables	697	—*
	<u>1,938</u>	<u>385</u>
Total assets	<u>67,082</u>	<u>385</u>
Equity		
Share capital	—*	—*
Treasury stock	—*	—*
Reserves	70,779	5,635
Accumulated losses	(9,084)	(7,015)
Total equity	<u>61,695</u>	<u>(1,380)</u>
Liabilities		
Current liabilities		
Trade and other payables	5,387	1,765
Total equity and liabilities	<u>67,082</u>	<u>385</u>

The balance sheet of the Company was approved and authorised for issue by the Board of Directors of the Company on 25 April 2023 and were signed on its behalf by

 Executive Director: Guo Jinkui

 Executive Director: He Gang

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Reserves		Sub-total US\$'000	Accumulated losses US\$'000	Total US\$'000
	Reserves US\$'000	Share-based compensation US\$'000			
Balance at 1 January 2022	—	5,635	5,635	(7,015)	(1,380)
Loss for the year	—	—	—	(2,069)	(2,069)
Merger reserves arising from the Reorganisation (i)	65,144	—	65,144	—	65,144
Balance at 31 December 2022	65,144	5,635	70,779	(9,084)	61,695

	Reserves		Sub-total US\$'000	Accumulated losses US\$'000	Total US\$'000
	Reserves US\$'000	Share-based compensation US\$'000			
Balance upon incorporation	—	—	—	—	—
Loss for the year	—	—	—	(7,015)	(7,015)
Employee share schemes — value of employee services (ii)	—	5,635	5,635	—	5,635
Balance at 31 December 2021	—	5,635	5,635	(7,015)	(1,380)

- (i) Merger reserves arising from the Reorganisation of the Company represent the net asset value of the subsidiaries comprising the Group acquired by the Company in excess of the nominal value of the Company's shares issued for the interests of the subsidiaries pursuant to the Reorganisation.
- (ii) In November 2021, Mr. Guo transferred 2% and 1% shareholding of the Company to Mr. Zhao and Mr. He respectively. There is no any consideration or any service restriction, which led to share-based compensation. The fair value of the services received in exchange for the grant of the shares amounted to US\$5,635,000 is recognised as expense and other reserve.

FOUR-YEAR FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			
	2022 US\$'000	2021 US\$'000	2020 US\$'000	2019 US\$'000
Revenue	359,101	372,738	178,929	135,607
Gross profit	62,364	57,650	12,727	16,054
Operating profit	57,335	40,322	5,546	11,445
Profit before income tax	61,047	41,186	1,394	8,923
Income tax expenses	(2,118)	(1,181)	(670)	(489)
Profit for the year	58,929	40,005	724	8,434
Profit attributable to:				
Owners of the Company	57,316	33,617	451	7,747
Non-controlling interests	1,613	6,388	273	687

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December			
	2022 US\$'000	2021 US\$'000	2020 US\$'000	2019 US\$'000
Assets				
Non-current assets	225,000	165,773	101,110	127,346
Current assets	62,247	64,673	51,330	28,935
Total assets	287,247	230,446	152,440	156,281
Equity and liabilities				
Equity attributable to the owners of the Company	104,606	47,320	4,381	3,267
Non-controlling interests	4,404	4,087	911	492
Total equity	109,010	51,407	5,292	3,759
Non-current liabilities	117,079	93,062	60,840	80,422
Current liabilities	61,158	85,977	86,308	72,100
Total liabilities	178,237	179,039	147,148	152,522
Total equity and liabilities	287,247	230,446	152,440	156,281