OVERVIEW

We are an integrated shipping services provider headquartered in the PRC. We endeavour to provide comprehensive shipping solutions to our customers along the value chain of the maritime shipping industry. We have been successful in the provision of ship management and shipping services. According to the F&S Report, we accounted for approximately 0.9% of the total global market share in terms of the number of third-party owned vessels under management in 2021. With a combined weight carrying capacity of approximately (i) 1.26 million dwt for our entire controlled vessel fleet and (ii) approximately 1.15 million dwt for our controlled dry bulk carrier fleet, we accounted for approximately 0.1% of the total market share of all dry bulk shipping companies globally in 2021.

Our history can be traced back to 2012 when we commenced to provide ship management services to customers. Through years of development, we have established ourselves as a leading ship management services provider with a proven track record of providing comprehensive and high-quality ship management solutions to major stakeholders in the shipping industry such as shipowners, ship operators and financial institutions. For the year ended December 31, 2021, we managed 203 vessels in total, of which 176 were third-party owned vessels and for the five months ended May 31, 2022, we managed 176 vessels of which 149 were third-party owned vessels. The vessels under our management are of varying types and sizes registered under the flag states of major global shipping hubs such as Singapore, Hong Kong, the PRC, Panama, the Marshall Islands and Liberia.

We are committed to providing our customers first-rate service experiences. In recognition of our high service quality, we have been awarded the "Most Popular Ship Management Company" by China Zhenghe Sailing Awards Organizing Committee* (中國鄭和航海風雲榜組委會) in 2018, and the "2021 Ship Management and Crew Service Excellence Award" by the 2021 International Ship Management (Shanghai) Summit Organizing Committee* (2021國際船舶管理(上海)高峰論壇組委會) in 2021. We have also maintained the GB/T 19001–2016/ISO 9001: 2015 accreditation for quality management systems since 2017. In line with our commitment to provide our customers with first-rate and comprehensive services, we have further broadened our ship management service offerings to provide shipbuilding supervision services in 2019. Since the commencement of our shipbuilding supervision services and up to May 31, 2022, we have 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.

With our strong foundation of ship management capabilities, we have expanded our service offerings to shipping services in 2017. We provided shipping services through our fleet of controlled vessels and chartered-in vessels. Our controlled fleet of vessels are predominantly comprised of dry bulk carriers which we solely own or jointly own with our business partners, or chartered by us on a long-term basis through bareboat charters or finance lease arrangements. Our controlled vessel fleet also comprised oil and chemical tankers. On the other hand, our chartered-in vessels are comprised of dry bulk carriers chartered from vessel suppliers predominantly under period-based time charters and trip-based time charters (TCT). We believe our chartered-in vessels have been and will remain a vital contributing part to our vessel fleet and our shipping services business segment as it allows us to quickly adjust our shipping capacity in anticipation of, or in response to changing market conditions, especially as we continue to adjust our operations in response to the ongoing COVID-19 pandemic as well as major geopolitical events. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our vessel fleet comprised 16, 15, 22 and 22 controlled vessels.

During the Track Record Period, our vessel fleet consisted mostly of dry bulk carriers with weight carrying capacities ranging from approximately 11,000 dwt to approximately 206,000 dwt. We have established a strong presence across major international dry bulk shipping routes in the global maritime shipping market. With our large and varied fleet of dry bulk carriers, we are able to transport all major kinds of dry bulks for our customers such as iron ore, coal, grain, steel, logs, cement, fertilizer, nickel ore and bauxite. In addition to dry bulk goods, we are also able to transport asphalt, petrochemical products and molten sulphur through our controlled fleet of oil and chemical tankers.

Our comprehensive, asset-light ship management services business segment as well as our sizeable network of trusted vessel suppliers and the strategically balanced asset mix in our vessel fleet for our shipping services business segment have allowed us to continuously scale up our business, quickly respond to market conditions, increase our profitability and better serve our customers. Accordingly, we experienced significant growth and maintained a strong financial performance during the Track Record Period. The following table sets forth a breakdown of our revenue during the Track Record Period by our principal business segments:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000* (Unaudited)	*%*	*USD'000*	*%*
Shipping services	108,855	80.3	142,379	79.6	323,742	86.9	107,866	85.8	155,354	86.8
Ship management services	26,752	19.7	36,550	20.4	48,996	13.1	17,901	14.2	23,598	13.2
Total	**135,607**	**100.0**	**178,929**	**100.0**	**372,738**	**100.0**	**125,767**	**100.0**	**178,952**	**100.0**

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, our total revenue was approximately USD135.6 million, USD178.9 million, USD372.7 million, USD125.8 million and USD179.0 million, respectively, representing an increase of approximately 31.9% from 2019 to 2020, and a further increase of approximately 108.3% from 2020 to 2021. Our revenue increased by approximately 42.3% from approximately USD125.8 million for the five months ended May 31, 2021 to approximately USD179.0 million for the five months ended May 31, 2022.

OUR COMPETITIVE STRENGTHS

We believe that our market position and the success of our business are attributable to the following competitive strengths:

As a leading third-party ship management services provider in the PRC with comprehensive ship management solutions, we are well-positioned to benefit from solid industry growth

Through years of development, we have become a leading market player in the ship management services industry in the PRC. We have successfully expanded our business operations with a strong and steady growth in the number of third-party owned vessels under our management from 74 for the year ended December 31, 2019 to 176 for the year ended December 31, 2021. We provided ship management services to 149 third-party owned vessels for the five months ended May 31, 2022.

Leveraging our competitive advantage as to our brand reputation in the industry, our recognized service quality, and the large number of vessels of varied types and sizes under our management, we have been able to take advantage of the significant momentum of industry growth and successfully expand the scale of our ship management business. According to the F&S Report, shipowners may also seek to better control their costs and streamline their operations by contracting out ship management work to an external ship management services provider who are able to provide a wide range of services. Many shipowners who lack the necessary expertise or know-how to operate their vessels, may seek out an experienced external ship management service providers to manage their vessels in light of increasingly stringent compliance requirements. As a result, the market size of the ship management services industry in the PRC is expected to grow at a CAGR of 5.0% from 2021 to 2025. We are well-positioned to capture such opportunities arising from the solid growth of the PRC ship management services industry. Our revenue derived from our ship management services business segment increased at a CAGR of approximately 35.3% from 2019 to 2021. Our successful business growth has strengthened our competitive advantages and market position in the industry, allowing us to establish stronger relationships with key customers.

We provide our customers with comprehensive ship management solutions. Over the years, we have built up strong capabilities and gained extensive experience in managing a wide variety of vessels which are registered under the flag states of major global shipping hubs including Singapore, Hong Kong, the PRC, Panama, the Marshall Islands and Liberia. Furthermore, we are committed to broaden our service offerings so as to improve customer satisfaction. Our ship management services cover all major aspects of the day-to-day operations of a vessel including but not limited to technical management, crew management, repair and maintenance, and system management. We further broadened our ship management capabilities and began to provide shipbuilding supervision services in 2019 which is in line with our ongoing commitment to provide our customers with comprehensive shipping solutions addressing their evolving shipping needs. We believe our comprehensive ship management solutions, and our dedication to ensuring the safety and seaworthiness of our vessels under management, have allowed us to maintain a competitive edge.

Leveraging our leading market position, sizeable operation scale, ongoing commitment to broadening the scope of our service offerings for customer satisfaction, as well as our strong capability to manage vessels of varying types, sizes and flag states, we believe that we are well-positioned to capture significant business opportunities, strengthen our competitive advantages effectively, further increase our market share in the industry efficiently, and generate attractive investment returns for our Shareholders.

Through our sizeable network of trusted vessel suppliers and the strategically balanced asset mix in our vessel fleet, we are able to offer a comprehensive portfolio of vessels with flexible schedules, meeting customers' needs and enhancing our competitiveness in the industry

We have achieved a considerable reputation and market share in the shipping services industry primarily due to our sizeable, and diversified fleet of vessels comprising controlled vessels, to which we have ownership or long-term interests over, as well as chartered-in vessels, which we chartered from our vessel suppliers predominantly under period-based time charters and trip-based time charters.

The strong growth of our shipping services business segment and the increase in the number of vessels in our fleet was largely attributable to our stable business relationships with vessel suppliers. During the Track Record Period, we worked with a broad network of vessel suppliers who have provided us with various types and sizes of dry bulk carriers. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, entered into over 60, 160, 200 and 55 chartered-in vessel engagements in aggregate, respectively. We believe the longstanding relationships with our vessel suppliers has been critical in maintaining the sizeable scale of our fleet of vessels which allowed us to benefit from economies of scale and maximize our operational flexibility. Moreover, the majority of our period-based time charters and trip-based time charters are generally relatively short with charter periods of 3 months or less which allowed us to quickly adjust our vessel fleet mix to manage the changing market conditions (in particular during times when the global supply chain was disrupted due to the COVID-19 pandemic) and to mitigate against the volatility of market charter rates. The benefit of economies of scale, coupled with our diversified and sizeable network of trusted vessel suppliers, have enabled us to offer customers a comprehensive portfolio of vessels suited to their specific needs.

We believe that maintaining a suitable proportion of chartered-in vessels to controlled vessels allows us to maintain a sizeable fleet of vessels whilst limiting our capital commitments and maximizing flexibility in our business operations. In this regard, we actively and strategically managed the asset mix of our vessel fleet for our shipping services business by striking a fine balance in the number of chartered-in vessels to our controlled vessels, as well as building up our own fleet of controlled vessels, so as to diversify our sources of vessels and mitigate against our reliance on vessel suppliers. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our fleet comprised 16, 15, 22 and 22 controlled vessels, respectively. Through our diversified vessel fleet, we are able to offer a greater range of vessels for selection and more flexible shipping schedules to our customers. All of these enhance our customers' service experience and further strengthen our business relationships with them. By further leveraging our economies of scale, we are able to effectively control our operating costs, and further enhance our profitability and competitiveness in the industry.

As a result, our shipping services business segment has experienced strong growth during the Track Record Period. Revenue derived from our shipping services business segment increased from approximately USD108.9 million in 2019 to approximately USD142.4 million in 2020 by approximately 30.8%, and further increased by approximately 127.4% to approximately USD323.7 million in 2021. Our shipping services revenue increased by approximately 44.0% from approximately USD107.9 million to USD155.4 million for the five months ended May 31, 2021 and 2022, respectively. We believe our shipping services business segment will continue to exhibit considerable growth, which will enable us to cement our leading market position in the maritime shipping industry and gain competitive advantages in terms of pricing and availability of suitable vessels, thereby allowing us to further increase our profit margin, maximise our operational flexibility and capture new market opportunities.

We have developed a high quality and diversified customer base

Leveraging our extensive expertise, in-depth industry knowledge, significant operational experience, strong capabilities of providing comprehensive and high-quality services, we have established stable relationships with our customers. We have proactively approached our existing customers periodically to obtain their feedback on our services and understand their shipping needs more profoundly, which allows us to further develop cost-effective, flexible and professional shipping solutions, to strengthen our business relationships with them and to secure new business engagements from them. As the shipping needs of our customers increases with the growth of their respective businesses, we strive to continuously enhance our capabilities and devise comprehensive shipping solutions addressing their various requirements. As a result of our proven track record in consistently delivering various shipping solutions meeting our customers' particular demands, we have established long-term strategic relationships with them.

We have attracted high quality, diversified customers which consist of leading shipping charterers as well as global trading multinationals. Our 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. We believe that our stable and continued business relationship with such sizeable, internationally-known market players is a testament to the quality of our service offerings as well as our customers' satisfaction with our services.

Furthermore, we believe we have competitive advantages over new entrants in the shipping industry in procuring new engagements from customers due to our ability to capitalise on our accumulated industry reputation and stable cooperative relationships with various industry participants, enabling us to secure new contracts and seize market opportunities.

We are able to achieve customer satisfaction and sustainable development through our quality and reliable service offerings

We believe with the quality and reliability of our service offerings, we have been able to achieve customer satisfaction and sustainable development. In order to maintain and continuously improve our service quality, we have formulated and adopted a series of policies and practices covering various aspects of our service processes and procedures. For instance, in respect of our ship management services, we have established comprehensive management guidelines that allow us to devise management solutions based on each particular type of vessel and the specific requirements of each charter. In addition, we have constantly obtained feedback from our customers and evaluated the quality of our service offerings in a timely manner. We have maintained the GB/T 19001–2016/ISO 9001:2015 certification for quality management systems since 2017 and obtained the Grade A status for the Equipment Supervision Unit Certificate (設備監理單位證書) issued by the China Association of Plant Engineering Consultants (中國設備監理協會) with respect to our shipbuilding supervision services since 2021.

As to our shipping services, we have placed great emphasis on the reliability of our services and the cost-effectiveness of our shipping solutions. With the implementation of stringent and rigorous quality control measures, we have regularly conducted repair and maintenance on each vessel for our shipping engagements. We have also monitored our vessels closely through the effective use of various information technology systems to ensure that adequate supervision as well as risk mitigation and management measures are in place during each ship charter. Such information technology systems cover various aspects of our operations including (i) the PMS Ship Management System for managing the repair and maintenance of our vessels, procurement of spare parts and materials, certificate management, system management and crew management, (ii) the Hifleet Ship Position and Meteorological Charting System for tracking the position of our vessels and providing us with real-time meteorological information, (iii) the LMS Online Staff Training System for providing training to our onshore-based staff members and crew members prior to boarding a vessel, and (iv) the Haiweitong Video Monitoring System for monitoring the conditions of our vessels and the safety of our crew members. See "Information Technology" in this section below for further details. Through such measures, we have been able to minimise delays or accidents during our provision of ship management services and shipping services and prevent damages to cargos transported onboard our vessels.

We have received numerous awards in recognition of our ability to provide quality ship management services from eminent industry associations and leading research institutions. We were awarded the "Most Popular Ship Management Company" by China Zhenghe Sailing Awards Organizing Committee* (中國鄭和航海風雲榜組委會) in 2018 and the "2021 Ship Management and Crew Service Excellence Award" by the 2021 International Ship Management (Shanghai) Summit Organizing Committee* (2021國際船舶管理(上海)高峰論壇組委會) in 2021, which are reputable broad-based rankings of PRC-based ship management companies. Such awards are the endorsements by the industry as to our strong capabilities to provide high quality, first-rate customer experiences, as well as the recognition among our peers in the industry. We believe that such recognition will allow us to enhance our brand value, which will continue to put us in a better position to maintain existing business relationships and capture new business opportunities.

We have a highly qualified and dedicated management team with extensive industry insight and experience

We are led by our seasoned and dedicated management team with comprehensive experience in the shipping industry. We benefit from the strong industry background and proven business track record of Mr. Guo, our executive Director and chairman of our Board; Mr. Chen, our executive Director and general manager; Mr. He Gang, our executive Director and chief financial officer; and Mr. Zhao Yong, our executive Director and president of ship management services. Mr. Guo, Mr. Chen, Mr. He Gang and Mr. Zhao Yong have over 25, 30, 25 and 20 years of experience in the shipping industry, respectively. Mr. Guo has been selected as one of the "Top 100 Most Notable Chinese Individuals in Shipping"* (最受航運界關注的100位中國人) for six consecutive years since 2016. Under the leadership of Mr. Guo, Mr. Chen, Mr. He Gang and Mr. Zhao Yong, we have grown into a well-established integrated shipping services provider. See "Directors and Senior Management" for the biographical details of our Directors and senior management team.

Our experienced management team has played a key role in leading the implementation and development of our business strategies. They provide us with industry and operational acumen, which have been and will continue to be the key to our success in our future operations and profitability. We believe the industry insights of our management team garnered through their many years of experience in the maritime shipping industry will allow us to accurately identify and grasp market opportunities, carefully devise astute business strategies, and effectively execute such strategies to maximize value for our Shareholders.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

We believe that we are well-positioned to further develop our existing service offerings and to capture new business opportunities. To enhance our established market presence in the industry, we plan to continue to capitalise on business opportunities by leveraging our competitive strengths and executing the following business strategies:

Continue to scale up and diversify our vessel fleet with a strategic focus on maintaining an appropriate balance of chartered-in and controlled vessels

In order to enhance our competitiveness in the maritime shipping industry and to cope with the market demand for shipping services, it is important that we diversify our vessel mix and increase the scale of our vessel fleet. Through such diversification and expansion of our vessel fleet, we believe we will be able to achieve the following: (i) enhance our capacity to undertake more customer requests as our ability to secure such business opportunities are dependent on the availability of our vessel fleet; (ii) enhance the flexibility and competitiveness of our shipping solutions as we will be able to offer a wider variety of vessels with differing specifications catering to the varied requirements of our customers; and (iii) offer more competitive prices to our customers which in turn will help attract and secure new business opportunities from our existing and potential customers.

We intend to adhere to our operational strategy to date and expect to maintain an appropriate balance between (i) the number of chartered-in vessels and (ii) the number of controlled vessels. We believe that our business strategy in maintaining a relatively larger number of chartered-in vessels as compared to that of our controlled vessels has been a major contributing factor to the success of our shipping services business segment as we can adjust the size of our vessels fleet efficiently according to the market conditions so that we can manage our operating costs more effectively. Further, as market rates for newbuilding vessels or acquiring second-hand vessels generally fluctuate, we intend to build new vessels and/or acquire second-hand vessels at attractive market rates at appropriate times. In this regard, in determining the appropriate mix of our vessel fleet, we will consider and evaluate, among other things, capital resources available to us at the material time, our liquidity position, the vessel's condition and its technical specifications, the expected remaining useful life and the overall diversification of our vessel fleet.

Expand and diversify chartered-in vessel fleet

We intend to capitalize on the increasing demand for shipping services by continuing to charter in suitable vessels on relatively short-term leases. Owing to the relatively lower capital requirements for chartering in additional vessels compared to purchasing new vessels outright, we believe that we will be able to capture new market opportunities whilst keeping our capital commitments at manageable levels. We are also of the view that the relatively shorter charter periods for these vessels will allow us to quickly react and mitigate against substantial volatility in market charter rates, thereby reducing our risk exposure and ensuring stable profits.

In order to maintain a sizeable, and diversified fleet of vessels so as to benefit from economies of scale and provide suitable vessels to our customers at cost-effective charters, we intend to invest resources and manpower towards maintaining and expanding our network of vessel suppliers. In this regard, we plan to bolster our business relationships with our existing suppliers by reaching out to them on a regular basis, so as to gauge their future vessel capacities and to update them of our shipping needs. Additionally, personnel with relevant experience in the highly technical maritime shipping industry are crucial to our business as they can effectively and quickly source vessels from the market and make necessary charter arrangements with suppliers and customers alike. We intend to hire highly-qualified individuals with solid experience in vessel chartering and to cultivate our existing workforce through extensive training programs to ensure we have a strong team with necessary skills and expertise. Through consistent efforts in reinforcing our existing relationships with key industry stakeholders and implementing measures to effectively source new suppliers from the market, we will be able to build up a strong and diverse network of vessel suppliers which we believe will help us strengthen secured access to a broad portfolio of vessels and meet the varying shipping needs of our customers on a timely basis.

Expand and optimize controlled vessel fleet

We believe that a strategic and controlled expansion of our fleet of controlled vessels will strengthen our risk management capability and reduce reliance on our vessel suppliers. Moreover, our customers, especially well-established market players, may take into account our shipping expertise and the scale of our fleet of controlled vessels when deciding whether to select us as their ship management services provider or whether to charter our vessels. By expanding our controlled vessel fleet, we believe this will allow us to further attract potential business opportunities from larger market players who generally assess, among other things, market reputation, the condition of our vessels, and the size of our fleet, in particular, our controlled vessel fleet when they select shipping services and ship management services providers.

In addition to expanding our fleet of controlled vessels, we also intend to optimize our existing fleet of controlled vessels and gradually replace our controlled vessels of higher ages with newer vessels so as to maintain our competitive edge. As the regulatory landscape of the global maritime shipping industry pertaining to decarbonization and vessel emissions becomes increasingly complex and stringent, and our customers have enhanced their vessel specification requirements in order to achieve greater cost-effectiveness over their chartered vessels, we believe that vessels that are able to meet such market and customer requirements will be critical to our continued business success. Newer vessels tend to have more features than older vessels, are more fuel-efficient and of higher operational efficiency, which are in line with the latest environmental regulations and/or prevailing specification requirements in the shipping industry.

We historically have employed a mix of strategies to expand and optimize our controlled vessel fleet such as the purchase of new vessels. In view of the low newbuilding costs at the relevant time, we have engaged two well-established shipyards to build six new vessels which are under construction as at May 31, 2022. In addition to purchasing new vessels, we have also purchased or bareboat chartered existing vessels which generally involves a lower capital commitment and lower turnaround time compared to the purchase of a new vessel as the newbuilding of a vessel often takes a considerably longer period of time to construct. Depending on the availability and suitability of financing channels available to us and market factors such as market charter hire rates and the cost of newbuilding, we may expand our controlled vessel fleet through (i) the purchase of second-hand vessels; (ii) chartering additional vessels through bareboat charters; and (iii) the purchase of new vessels. Alternatively, given the volatile nature of the shipping industry, we may instead opt to settle part of the purchase costs of our six new vessels currently under construction.

We intend to utilise approximately [REDACTED]% of our [REDACTED], or approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), from the [REDACTED] as well as our operating cash flow and capital resources to expand and optimise our vessel fleet.

Expand our ship management capabilities by reinforcing our existing market share and establishing a presence in global markets

To reinforce our position as a leading ship management services provider, we intend to expand our ship management capabilities through establishing new offices at strategic locations and recruit qualified staff to support our expansion plans.

Our Directors believe that establishing a presence in key locations such as Shanghai, Greece and Japan is greatly conducive to the expansion of our ship management business. Given the importance of Shanghai, Greece and Japan as major shipping hubs where internationally renowned shipping companies, shipowners, vessel suppliers and other major players across the shipping supply chain network are based, our Directors believe that being in close proximity with such major market players allows us to better grasp new market opportunities and enhance the coverage of our service offerings. Additionally, we seek to establish a presence in locations such as the Philippines that are complementary to our business operations and service offerings. According to the F&S Report, a quarter of the world's sailors originate from the Philippines. Given the gradual increase in average wages of Chinese sailors in recent years, our Directors believe that setting up offices in the Philippines will facilitate the pre-boarding training process for Philippine sailors and allow us to effectively manage our costs going forward. In order to better navigate through local business customs and practices of our new locations, we intend to recruit local professionals to effectively support our business expansion efforts.

In addition to establishing a presence in new markets domestically and internationally, we also intend to strengthen our existing ship management capabilities in Qingdao, Fuzhou and Ningbo. As the number of vessels which we are able to manage is largely influenced by the number of qualified ship management personnel, our Directors believe that the recruitment of qualified staff with experience in the highly technical field of ship management is integral to the continued success of our ship management business. In this regard, we plan to recruit ship management personnel to support the proposed expansion of our ship management business. We intend to utilise approximately [REDACTED]%, or approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), of the [REDACTED] from the [REDACTED] to expand our ship management capabilities by bolstering our existing ship management operations at our existing offices and establishing a presence in new global markets by setting up offices at key locations.

Adopt digital technologies and implement advanced information technology systems in our business operations

According to the F&S Report, the shipping industry is undergoing a digital transformation in recent years, although the shipping industry is traditionally known as heavily relying on paperwork and manual processes for daily operations. The advent of COVID-19 and the prevailing trend towards digitalization have accelerated the adoption of advanced information technology and artificial intelligence systems in the shipping industry. For instance, major market players in the PRC maritime shipping industry have increasingly adopted information technology systems to streamline various aspects of their business processes such as automating freight bookings. They have also utilised cloud-based systems so that their customers, agents and brokers can effectively track a vessel and easily access pertinent information such as vessel license and voyage. While human involvement cannot be completely eliminated, the adoption of these systems has reduced incidents of human error, thereby improving the efficiency of the entire shipping process. Various market players along the value chain of the shipping industry are expected to continuously adopt such digitalization initiatives in their business operations in the coming future.

We currently utilise various information technology systems in our day-to-day business operations. See "Information Technology" in this section below for further details. We plan to implement new operational management systems which utilize big data such as a customer relationship management system that will help us consolidate the large volume of management data generated during our provision of ship management services so as to improve the efficiency and quality of our services. We also intend to adopt a big data platform to comprehensively analyse data garnered from our services which will aid us in higher level of risk prevention, better decision-making, and more effective costs control.

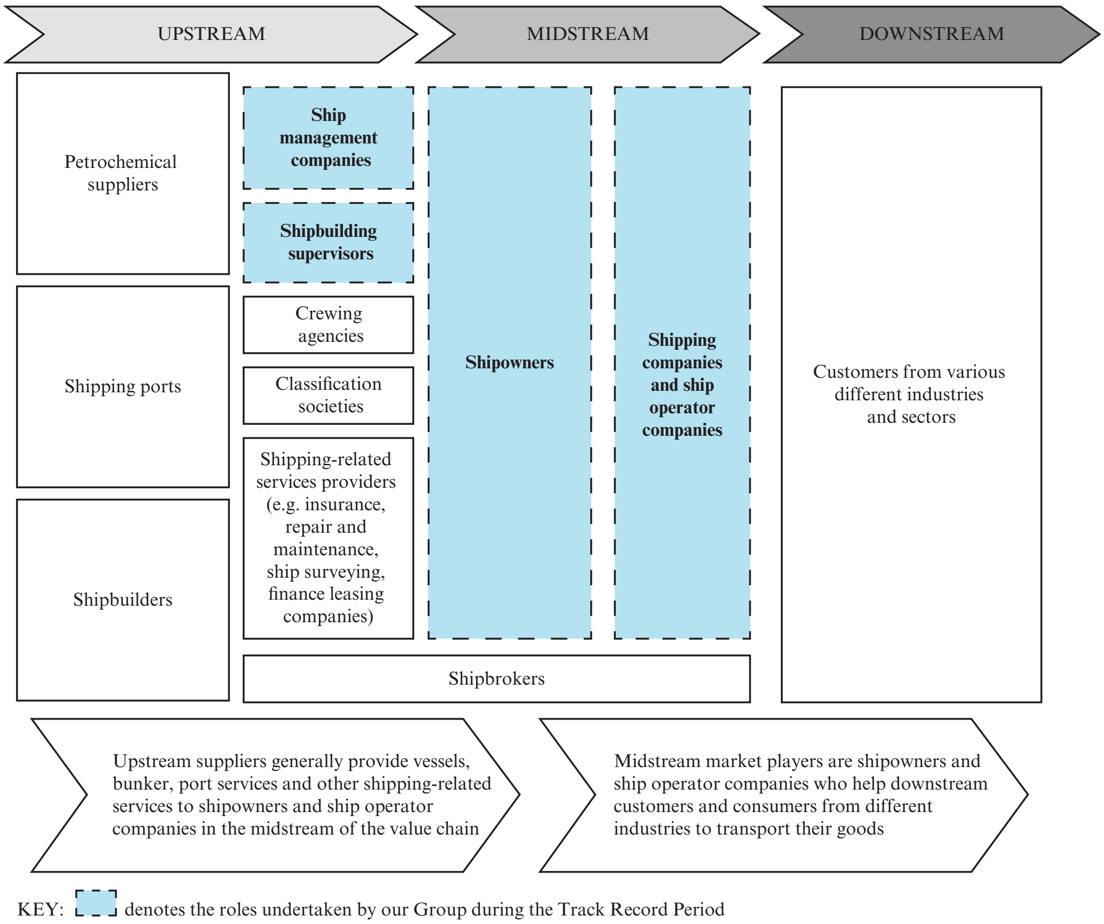
We also plan to improve and optimise our existing information technology systems, in particular, those systems utilized for crew training as to the health and safety of our crew members. For instance, we intend to implement a crew rest time control system which is used to manage shifts and work hours of our crew members in accordance with the applicable maritime conventions. We also plan to further upgrade and optimise our LMS Online Crew Training System to enable our crew members aboard each vessel to access training modules and programs on safety awareness, risk prevention, ship management available on the LMS Online Crew Training System even when a vessel is seafaring. We have plans to introduce a virtual reality training simulation programme to improve the navigational skills of our crew as well as their abilities to deal with emergencies during voyages at sea.

We have used third-party software providers to develop information technology systems to meet the particular requirements of our business operations. We intend to expand our technical support team to facilitate the liaison with software providers during the design process of our digitalization initiatives including the eventual implementation, roll-out and integration of such initiatives into our business operations. In line with our practice, we intend to continue to use such software providers to further improve our information technology systems. We believe that through the increasing adoption and continuous improvement of digital technologies in our business operations, we are able to enhance the efficiency, quality control and standardization of our service offerings, ensuring that we maintain our competitiveness in the increasingly digitalised shipping industry.

We intend to utilise approximately [REDACTED]% of our [REDACTED], or approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), from the [REDACTED] for the purchase, improvement and implementation of digital technologies and advanced information technology systems in our business operations.

OUR BUSINESS MODEL

We are an integrated shipping services provider, principally engaged in the provision of shipping services and ship management services. With our service offerings, we are mainly positioned in the upstream and the midstream of the value chain of the maritime shipping industry. The following diagram illustrates the business ecosystems and the value chain along the maritime shipping industry:



The maritime shipping industry can be divided into three major parts along the value chain. The upstream of the value chain comprises major players such as shipbuilders, petrochemical suppliers and shipping ports as well as provider of shipping-related services such as ship management companies, ship insurance providers, ship surveyors, classification societies, and crewing agencies. The midstream of the value chain comprises the providers of shipping services such as shipowners who own their vessels as well as shipping companies and ship operator companies who generally charter in their vessels to provide such shipping services. The downstream comprised customers from different industries where shipping services are required.

Upstream market players are generally suppliers of shipping capacity as well as bunker, port services and other shipping-related goods and services to shipowners and ship operators in the midstream of the value chain. Upstream suppliers also include ship management companies who provide ship management services to midstream shipping companies who often outsource ship management of their vessels to manage costs effectively. The midstream of the value chain are shipping companies and ship operators that provide the actual shipping and transportation of goods for downstream customers. Shipping companies in the midstream may charter in shipping capacity from upstream vessel suppliers or they may be shipowners who have their own vessels to undertake shipping engagements. The downstream of the maritime shipping industry is vast and highly fragmented as it comprises customers from a multitude of industry backgrounds that require shipment of diversified goods and products such as dry bulk cargoes, oil products, and containers containing a variety of products. In particular, the downstream for dry bulk carriers generally involves diversified market players in the agricultural, manufacturing, construction industries who seek to ship dry bulk cargo such as iron ore, coal, grains and other metal ores.

Shipbrokers traditionally have served an important facilitatory role in the maritime shipping industry by matching shipowners, shipping companies and commodities owners. As such, shipbrokers straddle both the upstream and midstream of the maritime shipping industry as they provide services to shipowners and shipping companies by matching shipowners' available shipping capacity to shipping companies in need of such capacity to meet their customers' needs. Shipbrokers may also match up downstream end-customers who require shipping of their commodities with midstream shipping companies who provide shipping services to such end-customers.

The following table sets forth a breakdown of our revenue during the Track Record Period by our principal business segments:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000* (Unaudited)	*%*	*USD'000*	*%*
Shipping services	108,855	80.3	142,379	79.6	323,742	86.9	107,866	85.8	155,354	86.8
Ship management services	26,752	19.7	36,550	20.4	48,996	13.1	17,901	14.2	23,598	13.2
Total	**135,607**	**100.0**	**178,929**	**100.0**	**372,738**	**100.0**	**125,767**	**100.0**	**178,952**	**100.0**

OUR SHIPPING SERVICES

Overview

During the Track Record Period, we provided shipping services to our customers through our fleet of vessels which comprised (i) controlled vessels and (ii) chartered-in vessels.

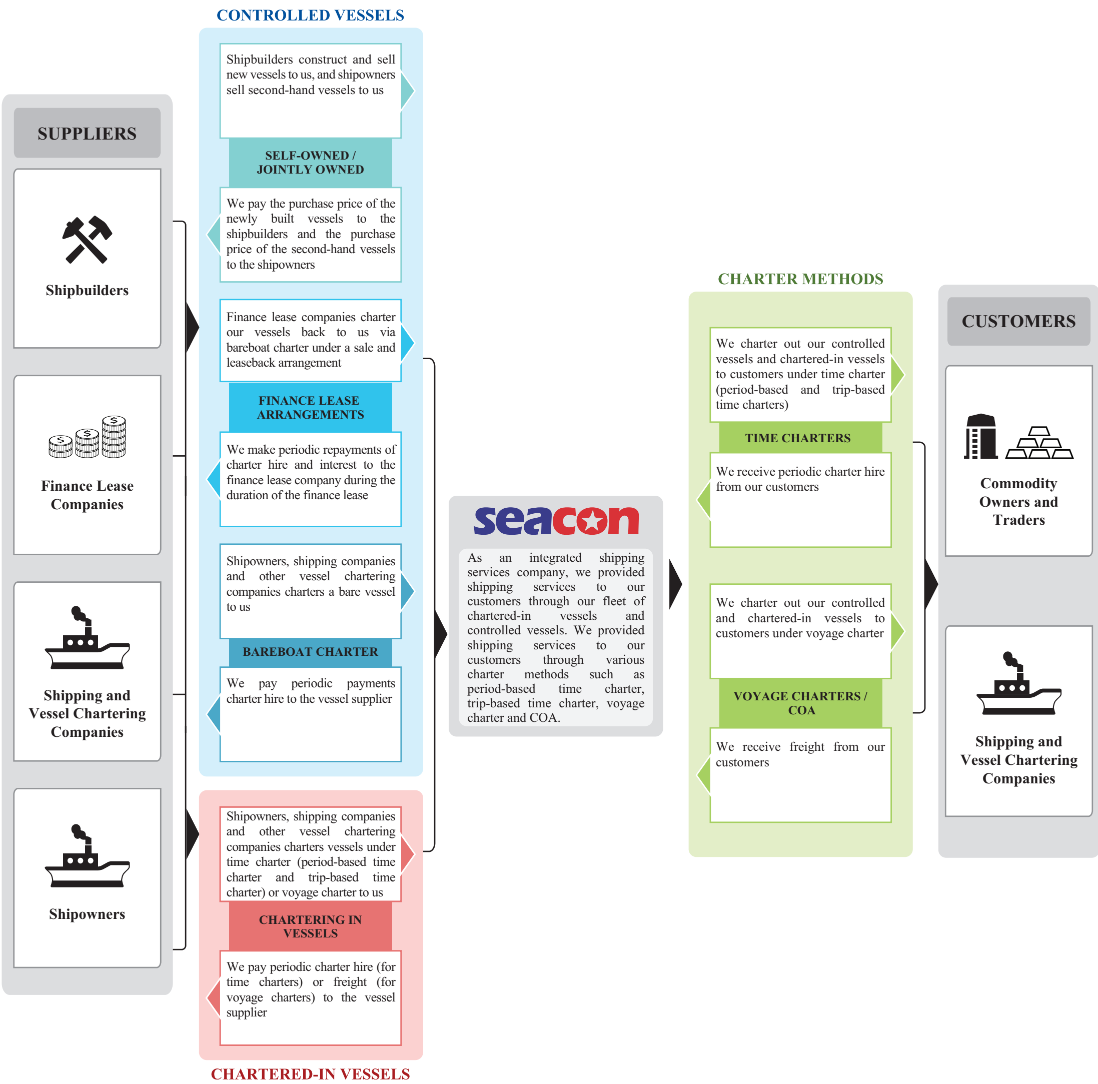
During the Track Record Period, our fleet of controlled vessels predominantly consisted of dry bulk carriers and several other vessels such as oil and chemical tankers. Our controlled vessel fleet is comprised of vessels which we (i) self-owned; (ii) jointly-owned with our business partners; (iii) chartered from finance leasing companies under finance lease arrangements; and (iv) chartered from vessel suppliers under bareboat charters.

During the Track Record Period, our vessel fleet also consisted of dry bulk carriers which we chartered from our vessel suppliers predominantly on under period-based time charters and trip-based time charters. Given that these chartered-in vessels are chartered by us predominantly through time charters, such vessels are already crewed and are ready for operation.

See "Our fleet of vessels" in this section below for further details of our vessel fleet.

Transaction flows with suppliers and customers

Set out below is a diagram illustrating the different methods which we source in vessels as well as the different methods which we charter out vessels to our customers in respect of our shipping services business segment:



Transaction flows with our suppliers

In respect of the different methods which we source in vessels from our vessel suppliers, our vessel fleet can be broadly categorised into controlled vessels and chartered-in vessels. Our controlled vessels are comprised of self-owned vessels, jointly-owned vessels, vessels chartered in by us under bareboat charter and vessels under finance lease arrangements. Our chartered-in vessels largely comprised vessels chartered in by us from vessel suppliers under time charters (period-based time charter and trip-based time charter) and occasionally under voyage charters.

Our controlled vessels can be broadly categorized as vessels which (i) we solely own; (ii) jointly own with our business partners or; (iii) chartered in by us under bareboat charters or under finance lease arrangements. We regard vessels chartered in by us under bareboat charters and those under finance lease arrangements to be part of our controlled vessel fleet as the roles and responsibilities of our Group over such vessels are very similar to that of a shipowner. Given the similarity in the roles and responsibilities, vessels under bareboat charters and finance lease arrangements are often considered as part of a shipping company's own fleet of vessels in the maritime shipping industry. Chartered-in vessels can be broadly defined as vessels which have been chartered in by us typically under shorter time charters (including both period-based time and trip-based time charter) or voyage charters to supplement our shipping capacity. We do not bear a shipowner's responsibilities with respect to such chartered-in vessels, hence vessels which are chartered in by a shipping company under time and voyage charters are typically not viewed as part of a shipping company's own fleet of vessels. Please refer to the subsection headed "Our fleet of vessels — Overview" for further details regarding our controlled vessels and chartered-in vessels.

Set out below is a table setting out the material differences in operations, costs structures and how different transactions flows are recognized in our financial statements:

	Ownership type	Type of supplier	Type of charter	Operations and costs involved	Recognition in Group's statements of financial position
Controlled vessels	Self-owned	We may purchase new vessels from shipbuilders or purchase second-hand vessels from shipowners	Not applicable as we own these vessels and do not charter it from any supplier	We are the shipowners over our self-owned vessels and we are responsible for overhead costs and other vessel upkeep expenses	Our self-owned vessels are recorded under property, plant and equipment in our statements of financial position
	Jointly-owned	Not applicable as our associated companies own these vessels and the associated companies purchased these vessels.	Not applicable as our associated companies own these vessels and do not charter it from any supplier	Our associated companies are the shipowners over jointly-owned vessels. As we only held minority shareholding interests in such associated companies, our Group is not responsible for the costs of our jointly-owned vessels as such costs are borne by the respective holding companies. We receive or are responsible for our proportional share of the net profits and/or losses of these associated companies only	As we held minority shareholding interests over the holding companies of our jointly-owned vessels (i.e. associated companies), we receive or are responsible for our proportional share of the net profits and/or losses of these associated companies and is recorded in out statements of comprehensive income Our proportional interest in these jointly-owned vessels through our shareholding in the respective holding companies are also recorded as interests in associates and joint ventures under non-current assets in our statements of financial position
	Bareboat charter	Shipowners and vessel chartering companies	Involves a bareboat charter for a relatively longer duration of time	We are considered the "disponent owner" of the vessel and generally have the same responsibilities as that of a shipowner of a self-owned vessel Periodic charter hire is paid by us to the vessel supplier on top of overhead costs and vessel upkeep expenses	Bareboat charters are recorded as right of use assets and lease liabilities on our statements of financial position
	Finance lease arrangements	Finance lease companies	Finance lease arrangements are essentially a financing arrangement for our self-owned vessels whereby we sell our vessel to a finance lease company who then leases back the same vessel to us under bareboat charter Once the repayments under the finance lease arrangements are fully paid up, the finance lease company is obligated to transfer the title of the vessels back to our Group.	As the vessel is chartered back to us through bareboat charter under the finance lease arrangements, we are considered the "disponent owner" of the vessel and generally have the same responsibilities as that of a shipowner of a self-owned vessel Periodic charter hire is paid by us to the vessel supplier on top of overhead costs and vessel upkeep expenses as well as repayments under the finance lease	Vessels under finance lease arrangements are essentially our self-owned vessels whose title has been transferred to the finance lease company as part of a financing arrangement. As such, these vessels are recorded under property, plant and equipment in our statements of financial position. The financing obtained from these finance lease arrangements are also recorded as borrowings in our statements of financial position.

	Ownership type	Type of supplier	Type of charter	Operations and costs involved	Recognition in Group's statements of financial position
Chartered-in vessels	Chartered in under time charter	Shipowners, shipping companies and vessel chartering companies	Involves a time charter where we charter in a vessel for a predetermined charter period as in the case of a period-based time charter or for the duration of a particular predetermined voyage as in the case of a trip-based time charter (TCT)	We as the charterer under a time charter (regardless whether a period-based time charter or trip-based time charter) are responsible for voyage costs which include bunker fees and port charges Under a time charter, the vessel supplier is responsible for the operating expenses of the vessel (e.g. crew costs, repair and maintenance etc.) We pay charter hire periodically to the vessels supplier throughout the charter period	Vessels chartered in by us under time charter (period-based time charter and trip-based time charter) are recorded as right-of-use assets if the charter period is longer than a year and recorded as charter hire costs under our operating expenses if the charter period is under a year
	Chartered in under voyage charter	Shipowners, shipping companies and vessel chartering companies	Involves a voyage charter where we charter in a vessel for the duration of a particular predetermined voyage	Under a voyage charter, the vessel supplier is responsible for the operating expenses as well as the voyage costs We as the charterer under a voyage charter are only responsible for paying freight to the vessel supplier	Vessels chartered in by us under voyage charter are generally recorded as charter hire costs under our operating expenses

For further details as to our vessel fleet and the different methods of sourcing in vessels from our vessel suppliers, please refer to "Our fleet of vessels" in this section below for further details.

Transaction flows with our customers

We provided shipping services to our customers by chartering out our controlled vessels and chartered-in vessels under different charter methods, namely time charter (which includes period-based time charter and trip-based time charter), voyage charter and contract of affreightment ("**COA**"). The charter methods and terms governing such charter methods entered into with our customers are largely the same as those entered in by us with our vessel suppliers with respect to our chartered-in vessels. Set out below is a table setting out the material differences in operations, costs structures and the calculation basis for the charter hire and freight charged under each of our charter methods:

Charter method	Operations	Responsibilities and costs	Calculation basis for the charter hire and freight charged
Time charter (period-based time charter)	Involves a time charter where we charter out a vessel to our customers for a predetermined charter period	Under a time charter, we as the vessel supplier is responsible for the operating expenses of the vessel (e.g. crew costs, repair and maintenance etc.) Our customers as the charterer under a time charter are responsible for voyage costs which include bunker fees and port charges Our customers pay to us charter hire periodically throughout the charter period	The charter hire payable by our customers under a time charter is calculated based on the daily rate and days of charter period
Time charter (trip-based time charter) ("**TCT**")	Involves a time charter where we charter out a vessel to our customers for the duration of a particular predetermined voyage	A TCT is a variant of a typical period-based time charter with characteristics of both a time charter and voyage charter Like a voyage charter, its charter duration is fixed by a particular voyage and the cargo to be transported as well as the shipping route is predetermined. Save for this particular aspect, the costs involved, pricing basis, payment, and responsibilities under a TCT are the same as that of a typical period-based time charter, where we as the vessel supplier are responsible for the operating expenses of the vessel (e.g. crew costs, repair and maintenance etc.) Our customers as the charterer under a TCT are responsible for voyage costs which include bunker fees and port charges	The charter hire payable by our customers under a TCT is calculated based on the daily rate and the estimated duration of the predetermined voyage
Voyage charter	Involves a voyage charter where we charter out a vessel to our customers for the duration of a particular predetermined voyage	Under a voyage charter, we as the vessel supplier is responsible for the operating expenses as well as the voyage costs Our customers as the charterer under a voyage charter are only responsible for paying freight to us	The freight payable by our customers under a voyage charter is calculated based on various factors such as the cargo quantity, market freight rates, bunker expected to be consumed for the particular voyage, etc.
COA	A COA is very similar to a voyage charter in that we charter out a vessel to our customers for a series of predetermined voyages.	Like a voyage charter, we as the vessel supplier is responsible for the operating expenses as well as the voyage costs of each voyage under the COA Our customers as the charterer are only responsible for paying freight to us for each predetermined voyage under the COA	Like a voyage charter, the freight payable by our customers under COA is calculated based on various factors such as the number of voyages, cargo quantity, market freight rates, bunker expected to be consumed for the particular voyage, etc.

For further details as to the differences between the different charter methods entered into with our customers, please refer to "Charterparty contracts entered into with our customers" in this section below for further details.

While we generally do not make a distinction in respect of the charter methods for our controlled vessels and chartered-in vessels, we generally prefer to charter out customers controlled vessels under longer period-based time charters and our chartered-in vessels under shorter voyage charters. This preference is largely due to the fact that our controlled vessels have fixed overhead costs whereas the costs in respect of our chartered-in vessels may fluctuate as the charter hire or freight payable by us to vessels suppliers generally fluctuate in line with market rates and indices such as the BDI. Given this, we prefer to charter out our controlled vessels to customers under longer period-based time charters to ensure a relatively stable and fixed source of revenue over a longer period of time. Further, we prefer to charter out our chartered-in vessels to customers under shorter voyage charters so as to retain a certain degree of flexibility and capitalize on inherent fluctuations in market charter rates. Please refer to "Our fleet of vessels — Chartered-in vessel fleet" below for further details on the strategy employed by us regarding out chartered-in vessels.

Sub-chartering

During the Track Record Period, a large portion of our shipping services provided to our customers involved sub-charters as a significant majority of our vessels and shipping capacity were chartered in from vessel suppliers. According to the F&S Report, the sub-chartering of vessels is highly commonplace in the maritime shipping industry. Shipping companies may charter in vessels and then sub-charter said vessel out to other shipping companies provided that the terms of the sub-charterparty contract do not extend or go beyond the terms of the original charterparty contract (e.g. the charter period of the sub-charter extending beyond the charter period under the original charterparty contract). It is generally also understood that a vessel can only be sub-chartered under time charter (including period-based time charter and TCT) or voyage charter and COA and not a bareboat charter as a bareboat charter entails the handing over of a bare vessel to the charterer. The charterparty contracts entered into with vessels suppliers generally do not stipulate any restriction on sub-chartering of the vessel. Please refer to "Salient terms of the charter contracts with our customers" in this section below for further details of the charterparty contracts entered into with our customers.

For vessels which were chartered by us under time charter (including period-based time charter and TCT) or voyage charter, the vessel supplier or the original shipowners of the vessel is responsible and remains responsible for the management, condition, and the operating expenses including crew manning costs, repair and maintenance of the vessel regardless how many times a vessel is sub-chartered. This is in contrast to vessels which are chartered by us under bareboat charter from the shipowners and then sub-chartered to our customers where our Group would be responsible for the management, condition, and the operating expenses including crew manning costs, repair and maintenance of said vessel regardless how many times it is sub-chartered.

We generally ensure that the terms of any sub-charterparty contracts mirrors or does not extend beyond the scope of the terms of the original charterparty contract such as charter period, any geographic restrictions, or type of goods allowed to be transported etc. If the charterparty contracts are not entered into on a back-to-back basis (i.e. we first secure business from our customers before chartering in an appropriate vessel), there is a possibility that the terms of the sub-charter may not exactly mirror the terms of the charterparty contract entered into between us and the vessel supplier, but our Directors are of the view that the risk and potential impact of mismatch between the charterparty contract and the sub-charterparty is minimal seeing as (i) we generally used BIMCO standard form contracts meaning the potential for a mismatch in contract terms is reduced, and (ii) a majority of our charterparty contracts entered into with our vessel suppliers are short meaning we will generally not experience any material losses in the event of a mismatch. To avoid such mismatches, our ship operations staff are responsible for reviewing the terms of each charterparty contract and the relevant sub-charter agreements to ensure congruity in material terms.

Risk of disintermediation by our customers

According to the F&S Report, the procurement or trading of shipping capacity and vessels from various vessels suppliers and between shipping service companies in the maritime shipping services industry is highly commonplace. As such, it is theoretically possible that our customers, which include other shipping services companies, may transact directly with our vessel suppliers.

While there exists an inherent risk of disintermediation, our Directors believe that the degree of such risk to us is not material as our customers (which include shipping services companies) have opted to charter in vessels from us instead of other shipping services companies and/or vessel suppliers primarily for the following reasons:

- Sourcing new vessels directly from shipowners such as shipyards involves high capital commitment to purchase and often takes a lengthy duration of time to construct. According to the F&S Report, it is industry practice for shipping companies in need of shipping capacity to charter in shipping capacity from other shipping companies (such as our Group).

- Smaller shipping companies or new market entrants may have difficulty chartering in vessels from certain shipowners and vessel leasing companies as such shipowners often prefer to charter out vessels to more established shipping companies with considerable scale and market reputation such as our Group. This gives rise to the emergence of shipping companies in the industry chain which acts as the bridge between shipowners and end users.

- We are able to charter in a wider range of vessels compared to smaller shipping services companies owing to our strong relationships with vessel suppliers and shipowners garnered from our market-leading ship management business as well as our established market presence and reputation for reliability and excellence associated with such market-leading position.

- We have the necessary liquid capital and critical size to charter in of a variety of vessels to meet the specific needs of end-customers, which may often be a significant limiting factor for other smaller-sized or less well-established shipping services companies.

In light of the foregoing, our Directors believe that our Group, as an integrated shipping company, serves a valuable role by bridging the requirements of shipowners and the needs of shipping services companies or end customers who invariably have differing preferences and limitations when it comes to the chartering of vessels. Our Directors believe that the value created by our Group for our customers mainly lies in our ability to effectively bridge and reconcile the needs and wants of vessel suppliers who possess available shipping capacity and the requirements of customers who require such shipping capacity for their own business needs. This bridging role played by our Group is important in the maritime shipping industry which at heart is characterized by the chartering of vessels, and this bridging function is primarily exemplified through the following situations:

- Vessel suppliers with available shipping capacity may often want to charter out vessels for a particular duration or extended period of time whereas end-customers may often just require transportation of their goods for a particular voyage. As such, shipping companies like our Group assumes a critical role in bridging this mismatch by chartering in vessels and effectively matching suitable vessels to our customers. Our Directors believe we are able to execute this matching function as we have established longstanding relationships with vessel suppliers which allows us to secure shipping capacity with relative ease, and we have maintained close relationships with a broad network of shipbrokers who periodically provide us with information on potential end-customers.

- From our Directors' experience, it was noted that many end-customers in the maritime shipping industry may not have the necessary networks or contacts with vessel suppliers as they may be relatively new entrants to the industry. Further, end-customers often lack the requisite expertise or know-how to directly charter vessels under time charter from vessels suppliers, as they may prefer to engage shipping companies under voyage charters to ship their goods from one location to another. It is also the case that many vessel suppliers may not be inclined to deal with a multitude of different shipping companies and may only prefer to transact with a select few shipping services providers. As such, "middle-charterers" such as our Group are important to end-customers who require shipping services but often do not have the requisite expertise to operate a vessel themselves or do not have the necessary contacts in the industry to charter-in shipping capacity effectively.

- Our Directors are of the view that we possess a considerable advantage over other similar shipping companies as we have a steady and adequate supply of shipping capacity owing to our longstanding relationships with vessel suppliers largely due to our considerable history in the industry from our provision of ship management services to these vessels suppliers. We also possess a competitive edge compared to other shipping companies in the maritime shipping industry as our vessel fleet is of a considerable size and scale. We believe that our size, scale and reputation for excellence inspires confidence in us from our suppliers and end-customers alike.

Cargoes transported by us

During the Track Record Period, our vessels transported a wide range of cargoes. Our dry bulk carriers transported all major types of dry bulks including coal, grain, steel, logs, cement, fertilizer, and mineral ores. We also transported petrochemical products through our oil tankers as well as asphalt and molten sulphur through our chemical tankers during the Track Record Period.

The following table sets forth a breakdown of our revenue during the Track Record Period derived from our shipping services by type of vessel:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*
							(Unaudited)			
Dry bulk carrier	96,983	89.1	136,257	95.7	321,414	99.3	107,866	100.0	143,487	92.4
Oil tanker and chemical tanker	11,872	10.9	6,122	4.3	2,328	0.7	—	—	11,867	7.6
Total	108,855	100.0	142,379	100.0	323,742	100.0	107,866	100.0	155,354	100.0

Charterparty contracts entered into with our customers

During the Track Record Period, we primarily chartered our vessels to our customers under time charter (period-based time charter and trip-based time charter) and voyage charter. We also provided shipping services to our customers through contract of affreightment during the Track Record Period including the transport of iron ore from India and Australia to China and metallurgical coal from China to Japan. Please refer to the paragraphs headed "Our Shipping Services — Charterparty contracts entered into with our customers — Time charter (period-based time charter and TCT)" and "Our Shipping Services — Charterparty contracts entered into with our customers — Voyage charter and COA" in this section below for further details on the different charter method entered into with our customers.

Different charter types involve different responsibilities and payment arrangements for us and our customers, and our customers generally opted for a particular charter type based on their individual shipping needs and other factors such as prevailing market charter rates, and bunker rates.

See "Salient terms of the charter contracts with our customers" in this section below for the salient terms of the charterparty contracts entered into with our customers.

Time charter (period-based time charter and TCT)

We primarily entered into two types of time charter with customers during the Track Record Period, namely, period-based time charters and trip-based time charter (or more commonly known as a "**TCT**") . Both period-based time charter and trip-based time charter are both regarded as a time charter because the charter hire payable by customers under both period-based time charters and TCT are both calculated on a daily basis. Generally, a time charter refers to the hiring of vessel by a charterer for a specific period of time. Under a period-based time charter, the charterer customer is free to direct the vessel and its crew to set sail to designated port and transport cargo subject to legal regulations and provisions of each individual charterparty contract during the duration of the charter period. The charterer customers generally are not physically onboard the vessel, and they exercise their right to direct the vessel by providing instructions to the captain of the vessel.

For a typical time charter, we, as the vessel supplier to our customers are generally responsible for providing a vessel with valid licenses, crew members as well as repair and maintenance services. We generally also bear the operating costs incurred such as crew expenses, management fees, insurance expenses, and repair and maintenance costs, whereas the charterer customer bears voyage costs such as bunker fees and port charges.

Under time charters, we usually charge charter hire on a daily basis, and we generally require prepayments from our customers. The charter hire charged for a time charter is generally fixed for the duration of the charterparty contract. Where the charter period under the time charter is of a relatively short duration, the charter hire under time charters is less susceptible to fluctuations in market charter rates and any changes in the shipping routes under time charters generally have no material impact on our revenue.

As the customer has the right to direct the journey taken by the vessel under a period-based time charter, our vessels chartered to our customers under a period-based time charter were directed to sail to various locations and ports around the globe during the Track Record Period, without being fixed to certain shipping routes, subject to certain geographic restrictions on countries and ports sanctioned under major International Sanctions laws. We monitored our vessels through the use of IT systems and daily status reports from each vessel. See "Operational management of vessels — Monitoring of vessels" in this section below for further details.

The charter period for a period-based time charter has a specific numerical duration (e.g. six months) whereas a TCT is a time charter where the contract term is the duration of one voyage. Although TCT is similar to a voyage charter to the extent that its charter period is based on the duration of a pre-determined voyage and that the cargo to be transported as well as the shipping route is predetermined, the major distinction is that under a TCT, being a time charter, the charterer customer pays a pre-determined charter hire for the vessel known as charter hire. On the other hand, under a voyage charter, the charterer customer pays freight which are based on a variety of factors such as weight of goods transported and particular shipping route.

Voyage charter and COA

Voyage charter refers to the hiring of vessel and crew by a charterer for a single voyage between two designated locations. In contrast to a time charter, the charterer customer is essentially hiring a vessel for a single voyage akin to the hiring of taxi cab for a specific journey, of which the shipping route as well as loading and destination ports are pre-determined. The customers are responsible to direct the captain of the vessel by providing instructions through us based on their specific voyage requirements.

Under a typical voyage charter, we, as the vessel supplier, are generally responsible for both the operating costs and voyage costs including port charges and costs involved in berthing of the vessel and loading of goods.

Instead of charter hire, freight is paid to us by our customers for voyage charters which is generally determined with reference to prevailing market rates, cargo quantity, locations of loading port and discharging port, and price of bunker. We generally receive full or a substantial portion of payment from our customers within a few business days after completion of loading of cargo at the originating port.

We also provided shipping services to our customers through COA during the Track Record Period. COAs are very similar to voyage charter. Under a typical COA, our vessels are chartered to our customers for a series of voyages over a specified period of time in return for payment known as freight charges with terms similar to those of voyage charters. However, unlike a typical voyage charter, the freight charges are pre-determined and prevail throughout the agreed period under the COA. We generally received full or a substantial portion of payment within a few business days after the completion of cargo loading.

The following table sets forth a breakdown of our revenue during the Track Record Period derived from our shipping services by type of charter entered into with our customers:

	Year ended December 31,						**Five months ended May 31,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*
							(Unaudited)			
Voyage charter	58,227	53.5	99,023	69.5	154,104	47.6	71,729	66.5	67,133	43.2
COA	945	0.9	2,247	1.6	68,505	21.2	13,894	12.9	25,650	16.5
Period-based time charter	26,559	24.4	24,109	16.9	57,739	17.8	14,678	13.6	41,712	26.8
TCT	23,124	21.2	17,000	11.9	43,394	13.4	7,565	7.0	20,859	13.4
Total	**108,855**	**100.0**	**142,379**	**100.0**	**323,742**	**100.0**	**107,866**	**100.0**	**155,354**	**100.0**

Our dry bulk carriers are often operated on a tramp basis (i.e. finishing one charter (or contract) and then returning to the open market to look for another charter) which means that in a given year our dry bulk carriers may load and carry a diverse range of cargoes between many different locations and travel to many different ports located around the globe with no major discernable patterns in shipping routes. In addition, owing to the nature of a period-based time charter, the charterer customer can direct a vessel to travel to various locations with no predetermined shipping routes. Nonetheless, during the Track Record Period, we provided shipping services through TCT, voyage charters and COAs for shipping routes covering major international dry bulk shipping routes. Set forth below is a table of major dry bulk shipping routes during the Track Record Period and the typical voyage duration (excluding loading and unloading times) for each of these major shipping routes based on the experience of our management team (barring any inclement weather conditions and assuming the vessel is traveling at average speeds):

Major shipping routes (to/from)		**Range of voyage duration** *(Approximately)*	**Major dry bulks transported**
South America	China	40 to 50 days	Grains, mineral ores
Australia	Far East *(Note)*	14 to 16 days	Coal, mineral ores
Gulf of the United States	Far East *(Note)*	35 to 40 days	Coal, grains
West Africa	Far East *(Note)*	40 to 45 days	Mineral ores, grains
South East Asia	Far East *(Note)*	8 to 10 days	Coal, mineral ores, cement, cement clinker
Persian Gulf	Far East *(Note)*	18 to 23 days	Mineral ores
India	China	12 to 17 days	Mineral ores
South Africa	China	25 to 30 days	Coal, mineral ores

Note: Countries in shipping routes to the Far East are generally comprised of South Korea, Japan and China.

During the Track Record Period, we also provided voyage chartering services through our oil and chemical tankers that transported asphalt, petrochemical products and molten sulphur, primarily from South Korea and Japan to China.

Exposure to liabilities

Under typical voyage charterparty contracts and COA entered into with our customers, our customers are generally solely responsible for the cargoes transported and as such, are responsible for obtaining their own insurance in respect of the cargoes transported onboard our vessels during a voyage charter and COA. Under typical time charterparty contracts (including period-based time charters and TCT) entered into with our customers, we are generally responsible for the safety of the vessel as well as the cargoes transported on board our vessels.

Depending on the chartering-in method of the vessels, our exposure to liabilities arising from claims may differ. For instance, under a sub-chartering arrangement involving a chartered-in vessel, in the event that we were claimed by the vessel supplier, we may initiate a back-to-back proceeding against the sub-charterer customer on the same grounds with a view to cover our losses should the vessel supplier succeed in its claim. The same is applicable where we as a charterer are claimed by a sub-charterer customer upon which we may initiate back-to-back proceedings against the vessel supplier. On the other hand, for our controlled vessels, we bear all risks arising from the operations, management and maintenance of the vessels.

In light of our exposure to liabilities, during the Track Record Period, we have maintained various types of insurance such as hull and machinery insurance which covers physical damage to a vessel's hull and machinery and protection and indemnity insurance which covers a shipowner's legal and statutory liabilities for third party liabilities in connection with a vessel's shipping operations. For details of our insurance coverage, see "Business — Insurance".

In the case of misconduct by vessel captains or crew members, our exposure to liabilities may differ depending on the nature of such misconduct and our role. For instance, certain type of liabilities arising from the misconduct by vessel captains or crew members might be covered by the insurance maintained by us (as the shipowner for our controlled vessels) or third-party shipowners (for third-party owned vessels under our management) as mentioned above. For liabilities that are not covered by insurance, such as unauthorized disembarkation of crew members, we may be subject to claims from our customers or the shipowners (except where we only provide technical management services to third-party owned vessels, in which case we will not be liable for misconduct by vessel captains or crew members). In such case, we may initiate proceedings against the crew manning agencies which sourced the vessel captains or crew members in question, or the vessel captains or crew members themselves, to seek contributions for any losses arising from claims by our customers or the shipowners.

Also, as preventive measures, we have adopted guidelines in ensuring the quality of the crew members utilized in our business operations. For instance, we generally conduct evaluations on the background, capabilities and qualifications of the crew manning agencies. We also generally conduct screenings on the crew members based on the documents and information provided by crew manning agencies to ensure the crew members are formally employed by the crew manning agencies, fit to work on our vessels and have obtained all required licenses and certificates. In addition, we generally require prospective crew members to undergo multiple rounds of interviews with our vessel supervisors before allocating crew members to the vessels to ensure the crew members are up to standard. For details of our outsourcing arrangements for crew members, see "Business — Outsourcing arrangements — Outsourcing of crew members".

Salient terms of the charter contracts with our customers

The salient terms our typical time and voyage charterparty contracts and COA entered into with our customers which are legally binding, are set out below:

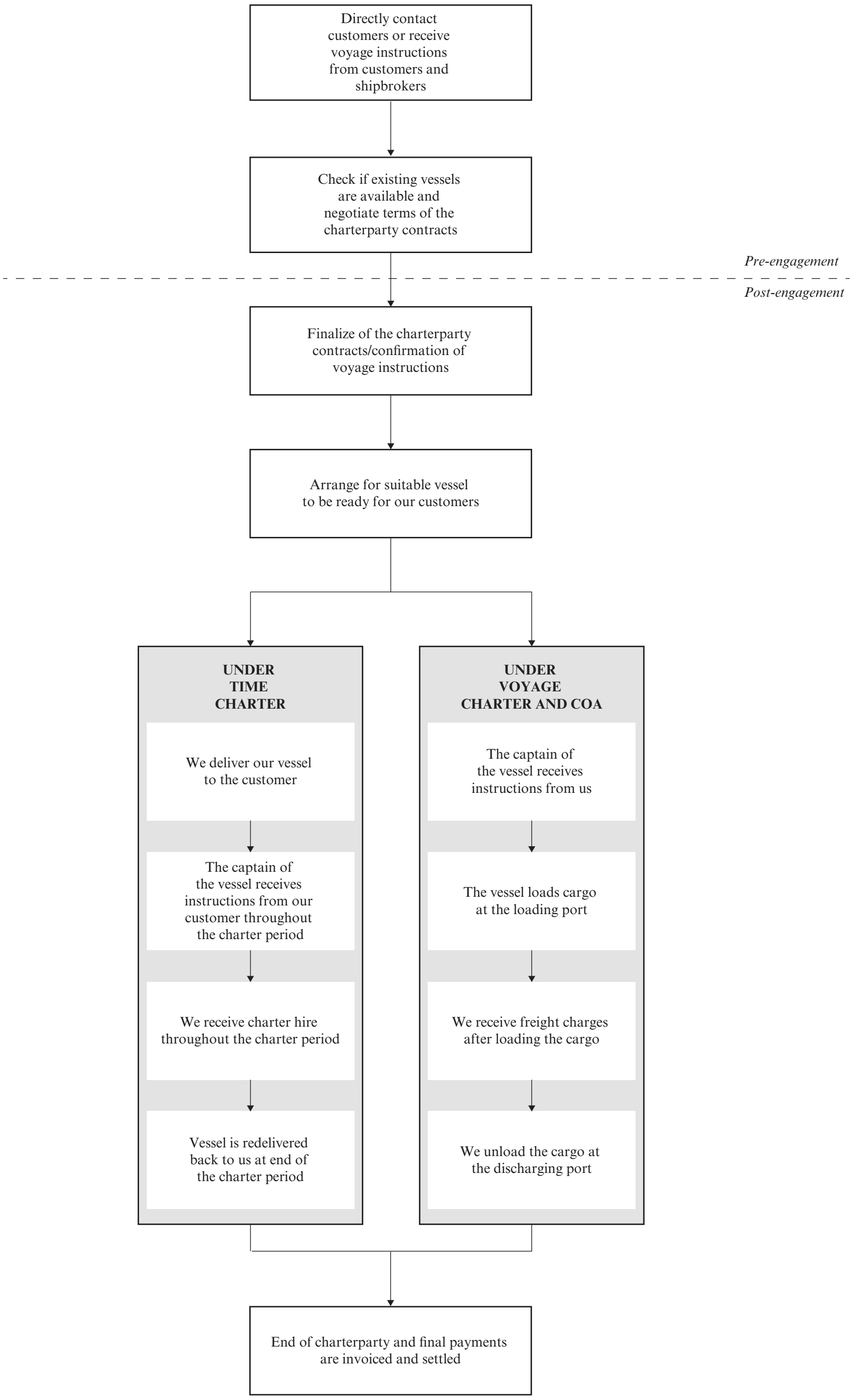
	Description	
Salient terms	**Time charter (period-based time charter and TCT)**	**Voyage charter and COA**
Charter period	• Our time charters either have a fixed period (period-based time charter) or are trip-based time charters (TCT). • Our period-based time charters have charter periods ranging from 30 days to around 15 months. • The duration of our TCTs are fixed to the time taken for a predetermined voyage which are generally short.	• Our voyage charters are chartered out for a specific voyage. • Our vessels chartered to our customers under COA have charter periods covering a series of pre-determined voyages.

Salient terms	Description: Time charter (period-based time charter and TCT)	Description: Voyage charter and COA
Charter hire, fees and payment terms	• We charge our customers charter hire which is calculated on a daily basis and is generally prepaid to us by our customers. • Payment schedule: — The initial sum of charter hire is generally paid by our customers a few days after delivery of the vessel to our customer. — We generally received prepayments for the subsequent month or period from our customers on a monthly basis or an even shorter period throughout the time charter based on the duration of the charter period.	• We receive freight from our customers for transport of cargoes. We generally receive full or a substantial portion of payment within a few business days after completion of loading of cargo onto the vessel. • The time and pace for our customer to load and unload dry bulks (also known as laytime) are expressly provided for which determines how much demurrage and despatch is payable by us and our customers.
Condition of the vessel	• The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated. The speed that the vessel is required to travel at and permissible fuel consumption are also expressly stated. • Our vessels are generally required to be registered under reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo on and off the vessel.	• The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated. • Our vessels are generally required to be registered under reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo onto and off the vessel.

	Description	
Salient terms	**Time charter (period-based time charter and TCT)**	**Voyage charter and COA**
Our customer's major responsibilities	• Our customers are generally responsible for voyage costs such as bunker fees, port charges and other customary expenses under a time charter. • Prior to return of the vessel to us, our customers have to give prior notice of such return. Such notice period depends on the length on the charter period. • Our customers are also responsible for any stevedores costs if they leave any cargo onboard the vessel after its return.	• Our customers are generally solely responsible for the cargo transported and as such, are responsible for obtaining their own insurance in respect of the cargoes transported onboard our vessels during a voyage charter and COA. • Our customers are generally responsible for paying a penalty known as demurrage to us where our customers exceed the laytime. Demurrage is charged each day over the laytime.
Our major responsibilities	• We are generally responsible for operation costs such as wages of crew, insurance fees, repair and maintenance fees and all other customary expenses associated with the operations of a vessel. • If a shipbroker is used, we are responsible for paying the shipbrokers' commission was generally around 1.25% of the charter hire per customary industry standards. • We are responsible for the safety of the vessel as well as the cargoes transported onboard our vessels.	• We are generally responsible for both the operation costs and voyage costs during the voyage charter and COA. • If a shipbroker is used, we are responsible for paying the shipbrokers' commission was generally around 1.25% to 2.0% of the freight payable per customary industry standards. • We are generally responsible for paying a fee known as despatch to our customers where our customers are able to complete loading and unloading of the cargo ahead of the stipulated laytime.
Termination	• Where customers do not make timely payments to us, we generally have the right to withdraw the vessel from the time charter subject to a grace period of a few business days.	• Generally not provided for in our voyage charters and COAs. In case of default of payment by customers, we generally have a lien over the cargo onboard the vessel.

Operating procedures for our shipping services

The following diagram illustrates the key operating procedures of our shipping services:



Pre-engagement stage

Our shipping services begin with the identification of customers. We may contact customers directly or potential customers may reach out to us to discuss their shipping needs. We then receive voyage instructions from customers setting out certain voyage details such as, among other things, number and type of vessel(s) required, estimated charter period, charter type, and voyage commencement date. We also identified customers through shipbrokers.

We will first check if we have existing vessels that are suitable for our customers' requirements. Subject to our customers' requirement and the shipping capacity of our vessel fleet at the relevant times, we may charter in additional vessels. After evaluating our customers' voyage instructions, we generally communicate and negotiate with our customers as to major payment terms based on the specifics of each voyage. If the customers are referred to us by shipbrokers, the shipbrokers generally assist in the contract negotiations on our customers' behalf. See "Suppliers — Shipbrokers" in this section below for further details as to the business arrangements with our shipbrokers.

Post-engagement stage

After we and our customers have reached a consensus as to the major terms of the intended charter, we generally prepare a formal charterparty contract. Our charterparty contracts with customers are typically standard format BIMCO contracts which we can alter and amend in accordance with the specific shipping needs of each of our customers. See "Our Shipping Services — Salient terms of the charter contracts with our customers" in this section above for further details of the content of our charterparty contracts.

Following finalisation of the terms of the intended charter, we will arrange for a suitable vessel to be ready for our customers' intended voyage. The vessel chartered to our customers may be our controlled vessels or chartered-in vessels. See "Our fleet of vessels" in this section below for further information as to our vessel fleet.

Period-based time charter and TCT

Under period-based time charters and TCT, we deliver the vessel to our customers at the designated place and time. Our customers will then directly give instructions to the captain of the vessel. During the charter period, our customers generally bear the expenses for bunker and port charges (if any), and direct the destination of the vessels subject to any geographic restrictions as stipulated in the charterparty contracts. We generally issue interim invoices, usually on a monthly basis, to our customers for payment of charter hire for the following month. In respect of time charter engagements with a relatively short charter period, i.e. less than three months or TCT which are generally shorter in nature, the payment period may be shorter than one month, and we may issue a final invoice at the end of the charter period, without issuing interim invoices. We closely track the remaining charter period of each vessel and we will provide a reminder to our customers of the remaining charter period under the charterparty contract, allowing them to make the necessary redelivery arrangements. At the end of the charter period, our customers will have to redeliver the vessel back to us at a designated place. Following the redelivery of the vessel, we will calculate any remaining fees and expenses payable to us by our customers and will issue a final invoice for such remaining fees and expenses. For extension of the charter period, our customers are required to inform us in advance. Upon confirmation of the details regarding the extension, we will enter into a supplemental charterparty contract with our customers. We may have to inform the shipowner and/or the vessel supplier to extend the charter period of the relevant vessel or enter into a fresh charterparty contract if necessary.

Voyage charter and COA

Under voyage charters, instead of the customer providing instructions, we are responsible for instructing the captain of a vessel to carry out the voyage charter services between the loading port and the discharging port. The voyage charter services will end upon the arrival of the vessel at the destination port and completion of unloading of goods. Depending on the speed at which our customer unloads the cargo from the vessel, our customers may have to pay us demurrage if the time taken exceeds the laytime stipulated in the charterparty contract, or our customers may claim against us to pay them despatch if the time taken is faster than the stipulated laytime. During the charter period, in addition to being responsible for the operating expenses of the vessel, we generally also bear the expenses for bunker and port charges (if any). We generally receive full or a substantial portion of the payment from our customers within a few business days after completion of cargo loading at the originating port.

The operational procedures of our COA are largely the same as those of our voyage charters, but instead of one single voyage, the COA sets out a series of pre-determined voyages. Upon the completion of one of the voyages under the COA, we await further instructions from our customers and then direct the captain of the vessel to travel to the loading port of the next voyage set out under the COA. We generally also receive full or a substantial portion of freight payments from our customers a few business days after loading the cargo at the designated loading port.

OUR FLEET OF VESSELS

Overview

Our fleet of vessels can be broadly categorised into controlled vessels and chartered-in vessels. Our fleet of controlled vessels are predominantly comprised of dry bulk carriers which we solely own or jointly own with our business partners, or chartered in by us on a long-term basis through bareboat charters. Our controlled vessel fleet also included oil and chemical tankers. On the other hand, our fleet of chartered-in vessels are comprised of dry bulk carriers chartered by us from vessel suppliers predominantly under period-based time charters and TCT.

Our controlled vessels can be broadly categorized as vessels which (i) we solely own; (ii) jointly own with our business partners or; (iii) chartered in by us under bareboat charters or under finance lease arrangements. We regard vessels chartered in by us under bareboat charters and those under finance lease arrangements to be part of our controlled vessel fleet as the roles and responsibilities of our Group over such vessels are very similar to that of a shipowner as we effectively assume the role of a shipowner over such vessels. Further, as we are an integrated shipping services company with our own in-house ship management capabilities, we also provide ship management services over our controlled vessels.

Chartered-in vessels can be broadly defined as vessels which have been chartered in by us typically under shorter time or voyage charters to supplement our shipping capacity. We do not bear a shipowner's responsibilities with respect to such chartered-in vessels, and the original shipowners generally remain responsible for such vessels. Further, as such vessels typically already have a ship manager engaged to provide ship management services, we are generally not required to provide ship management services to these chartered-in vessels.

Set out below is a table setting out material differences in our roles and responsibilities over our controlled vessels and chartered-in vessels:

Responsibilities	Controlled vessels	Chartered-in vessels
Commercial operations	We have an unfettered discretion to decide on how to operate our controlled vessels.	For vessels chartered in under period-based time charter and TCT, we have a right to operate the vessels during the relevant charter subject to restrictions under the time charterparty contract. For vessels chartered-in under voyage charter, for a particular voyage we have a right to direct the vessel to embark on that particular voyage.
Ship management	We are responsible for ship management over our controlled vessels. Given our ship management capabilities, we provided in-house ship management services over our controlled vessels.	We are generally not required to provide ship management over chartered-in vessels as the shipowners typically have already appointed a ship manager over such vessels to provide ship management services.

Responsibilities	Controlled vessels	Chartered-in vessels
Repair and maintenance	We are responsible for repair and maintenance over our controlled vessels. For day-to-day repairs, our ship management staff will be responsible for such repairs, whereas for major repairs we may engage a shipyard to undertake such repair works.	We are not responsible for repair and maintenance over chartered-in vessels.
Crew	We are responsible for crewing our controlled vessels. We engaged external crew manning agencies to crew our controlled vessels.	We are not responsible for crewing chartered-in vessels as they typically are already crewed.
Bunker	We are only responsible for bunker fuel if the controlled vessel has been chartered to our customer under voyage charter or COA. We are not responsible for bunker if the controlled vessel has been chartered to our customer under period-based time charter or TCT.	We are only responsible for bunker if we chartered in the vessel under period-based time charter or TCT. We are not responsible for bunker if the vessel was chartered in under voyage charter or COA.
Exposure to liabilities	We bear all risks arising from the operation and management of the vessels. For further details, please refer to the paragraph here "Our shipping services — Charterparty contracts entered into with our customers — Exposure to liabilities" in this section below.	As a charterer, we may be exposed to claims made against us by the shipowners (e.g. damage to the vessel) and we may be exposed to claims made against us by our customers (e.g. damage to customers' cargo). For further details, please refer to the paragraph here "Our shipping services — Charterparty contracts entered into with our customers — Exposure to liabilities" in this section below.

Please see the paragraphs headed "Our fleet of vessels — Controlled vessel fleet — Jointly-owned vessels", "Our fleet of vessels — Controlled vessel fleet — Bareboat charter" and "Our fleet of vessels — Controlled vessel fleet — Finance lease arrangements" in this section below for further details of our jointly-owned vessels, our vessels which are under finance lease arrangements, and vessels chartered by us under bareboat charters, respectively.

Our fleet of vessels during the Track Record Period comprised vessels of various sizes such as capesize, panamax, ultramax, supramax, handymax, and handysize as well as other vessels that do not fall under these sizing conventions. Set out below is a breakdown of the number of vessels of in our controlled fleet of vessels by vessel size as at December 31, 2019, 2020 and 2021 and May 31, 2022:

	As at December 31,			As at May 31,
	2019	2020	2021	2022
Vessel type	**Number of controlled vessels**	**Number of controlled vessels**	**Number of controlled vessels**	**Number of controlled vessels**
Capesize	1	1	2	1
Panamax	1	1	2	2
Ultramax	2	2	2	2
Supramax	4	4	6	5
Handymax	1	1	0	0
Handysize	4	4	6	8
Others(Note)	3	2	4	4
Total	**16**	**15**	**22**	**22**

Note: Others represented handysize tankers which are tankers with weight carrying capacities ranging from approximately 10,000 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.

Our vessel fleet were also operated under a multitude of flag states during the Track Record Period. For the year ended December 31, 2021, approximately 45.5%, 9.1%, 22.7% and 22.7% of our controlled vessels were operated under the flag states of Panama, Marshall Islands, Liberia and Hong Kong, respectively. As at December 31, 2021, approximately 35.9%, 16.6%, 12.1%, and 11.7% of our chartered-in vessel engagements were operated under flag states of Panama, Marshall Islands, Liberia and Hong Kong, respectively, and the remaining 23.8% of our chartered-in vessel engagements were operated under a wide variety of flag states including China, Turkey, Singapore, Malta, Bangladesh, South Korea, the Bahamas, Cyprus, Isle of Man, Barbados, Belize, Palau, Italy, Greece, Philippines, and Vietnam.

The following table sets forth a breakdown of our revenue during the Track Record Period derived from our shipping services business segment by our controlled and chartered-in vessels:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*
							(Unaudited)			
Chartered-in vessels	64,454	59.2	95,351	67.0	257,185	79.4	89,149	82.6	110,241	71.0
Controlled vessels	44,401	40.8	47,028	33.0	66,557	20.6	18,717	17.4	45,113	29.0
Total	108,855	100.0	142,379	100.0	323,742	100.0	107,866	100.0	155,354	100.0

Chartered-in vessel fleet

During the Track Record Period, a significant portion of our vessel fleet was chartered-in vessels which we chartered from vessel suppliers predominantly under time charters, with approximately 96%, 91%, 87% and 89% of our chartered-in vessel engagements being time charters during each period of the Track Record Period, respectively. Under such time charters, our vessel suppliers are responsible for the management of the vessel. The chartered-in vessels we chartered from vessel suppliers during the Track Record Period were typically dry bulk carriers with weight carrying capacity ranging from 10,000 to 200,000 dwt.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we entered into over 60, 160, 200 and 55 chartered-in vessel engagements in aggregate, respectively. The majority of the time charters entered with vessel suppliers in respect of our chartered-in vessels had charter periods of 3 months or less. Given the short duration of the charter periods, we may charter in the same vessel multiple times from our vessel suppliers during a year. The time charters we entered into with vessel suppliers during the Track Record Period are primarily trip-based time charters (TCT) or relatively short period-based time charters. Our Directors believe that the relatively short charter periods in respect of our chartered-in vessels allowed us to retain a greater degree of flexibility compared to longer charter periods as we were able to quickly respond to and mitigate against the volatility of market charter rates in the maritime shipping industry.

Sequence in chartering in vessels and securing business from customers

As market charter rates may fluctuate, depending on our assessment of whether there is likely to be a downward or an upward trend in market charter rates in the near future, we may adjust the sequence of chartering in vessels and securing business from customers. Where market sentiments and market rates are expected to increase in the near future, we generally try to secure vessels and shipping capacity first. Given that we generally charter in vessels under period-based time charter and TCT in respect of our chartered-in vessel fleet engagements, we will try to "lock-in" the charter hire or freight payable by us to vessel suppliers beforehand with reference to the market rates as at the material time and then secure orders from customers with charter demand in the near future or we wait for the market rates to rise and then enter into a charterparty contract with customers so as to capitalize on the rising market rates. On the contrary, where market sentiments and market rates are expected to decrease in the near future, we tend to secure business on a back-to-back basis whereby we will first secure and "lock-in" the agreed charter hire or freight charges payable by our customers to us beforehand with reference to the market rates as at the material time and thereafter source and charter-in suitable vessels from suppliers. Through this approach, we are able to mitigate against sudden declines in market charter rates, thereby ensuring we maintain a certain level of profitability as we are able to have a better grasp of the potential profit margins and take this into account when chartering in vessels by ensuring that the charter rates when chartering in the vessel is lower than the charter rates charged to the customer.

Our Directors believe that through this practice, we are generally able to mitigate against the inherent fluctuations in market charter rates by strategically adopting different sequences in chartering and are able to manage the profitability of our chartered-in vessels. In addition to this strategy in altering the sequencing of chartering, we also manage our risk exposures to the fluctuation in market charter rates by generally chartering in vessels under short time charters such as TCT or shorter period-based time charters. Our Directors believe that the shorter length of these time charters allows for us to be more flexible and is more conducive for us to employ the aforementioned charter sequencing strategy.

Nonetheless, while our risk exposure could be reduced to a certain extent by this strategic adjustment in sequence when chartering in vessels, certain charterparty contracts may potentially be loss-making owing to unforeseen circumstances such as inclement weather which may lengthen the journey taken by a vessel and in turn increase the turnaround time of the vessel. Additionally, we could potentially enter into loss-making transactions if our prediction of future trends in market sentiment and market rates prove to be inaccurate. However, given the shorter period of these time charters (with charter periods predominantly being within three months), our Directors believe that our risk exposures are reduced and losses, if any, will generally be limited to the shorter duration of such time charters. Our Directors believe that through our sequencing strategy, our sizable vessel fleet, well-established relationships and wide access to vast pool of shipping capacity suppliers, brokers and end-customers which facilitate matching or identifying of shipping capacity and shipping demand in a prompt and efficient manner, and the generally shorter charter periods of our chartered-in vessel engagements, we are able to sufficiently mitigate against any material loss-making transactions in respect of our shipping services business segment.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our Group recorded 9, 10, 13 and 11 loss-making transactions with a gross loss of more than USD0.2 million for our shipping services, respectively and the aggregate gross loss for such transactions were approximately USD3.0 million, USD4.0 million, USD7.0 million and USD4.6 million, respectively, representing approximately 2.8%, 2.9%, 2.2% and 3.0% of our total revenue for the shipping services business segment, respectively. Such loss-making transactions were mainly attributable to: (i) the fluctuations in market charter rates such as the sudden sharp rises or declines in market charter rates and as a result of which, the charter hires costs we pay to our suppliers may outweigh the charter hires or freights we receive from our customers; (ii) the declines in market charter rates due to the negative business sentiment caused by the outbreak of COVID-19 pandemic in early 2020 which meant that we may receive less charter hires or freights from our customers; (iii) the higher expenses we may incur for taking over of new vessels including extra bunker consumed, preparation of spare parts and materials and extra wages for onboarding the crew members etc.; and (iv) the unexpected longer navigation time or laytime caused by the inclement weather conditions which meant that we may incur additional costs.

Our Directors are of the view that the above loss-making transactions are acceptable losses that may arise out of our ordinary course of business and that the profitability of our business taken as a whole would not be adversely affected in the long run. For illustration purposes, we have provided information of our loss-making transactions with a loss of more than USD0.2 million for our shipping services during the Track Record Period. This threshold of USD0.2 million accounted negligibly for approximately 0.15%, 0.11% and 0.05% of our revenue for the year ended December 31, 2019, 2020 and 2021, respectively. Notwithstanding the above, our Directors are of the view that there have been no material loss-making transactions during the Track Record Period.

Salient terms of the charter contracts with our vessel suppliers

The salient terms our typical time charterparty contracts entered into with our vessel suppliers which are legally binding, are set out below:

Salient terms	Description
Charter period	• Time charters entered into with our suppliers are predominantly trip-based time charters (TCT) which normally ends within three months. We have also entered into period-based time charters with our suppliers
Charter hire, fees and payment terms	• Charter hire is calculated on a daily basis and is generally prepaid by us to our suppliers.
Condition of the vessel	• The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated. The speed that the vessel is required to travel at and permissible fuel consumption are also expressly stated. • The vessels which we charter in are generally required to be registered with reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo onto and off the vessel.
Our major responsibilities	• We are generally responsible for voyage costs such as bunker fees, port charges and other customary expenses under a time charter.
Our supplier's major responsibilities	• Our suppliers are generally responsible for operation costs such as wages of crew, insurance fees, repair and maintenance fees and all other customary expenses associated with the operations of a vessel.
Termination	• If we fail to make timely payments to our suppliers, they generally have the right to withdraw the vessel from the time charter subject to a grace period of a few business days.

Controlled vessel fleet

In addition to our chartered-in vessels, our vessel fleet is also comprised of controlled vessels which we (i) self-owned; (ii) jointly-owned with our business partners; (iii) chartered from finance leasing companies under finance lease arrangements; and (iv) chartered from vessel suppliers under bareboat charters for relatively long charter periods. We or our business partners are responsible for the day-to-day operations and management of our controlled vessels. See the paragraphs headed "Our fleet of vessels — Controlled vessel fleet — Jointly-owned vessels", "Our fleet of vessels — Controlled vessel fleet — Bareboat charter" and "Our fleet of vessels — Controlled vessel fleet — Finance lease arrangements" in this section below for further details of our jointly-owned vessels, our vessels which are under finance lease arrangements, and vessels chartered by us under bareboat charters, respectively.

As at December 31, 2019, 2020 and 2021 and May 31, 2022, our controlled vessel fleet comprised 16, 15, 22 and 22 vessels, respectively, with an aggregate weight carrying capacity of approximately 0.8 million dwt, 0.8 million dwt, 1.2 million dwt and 1.1 million dwt, respectively, for the corresponding periods.

Movement in number of controlled vessels

We primarily supplemented our controlled vessel fleet through a mix of bareboat charters and acquisitions of new and secondhand vessels since the commencement of our shipping services in 2017. Such purchases were primarily financed by our shareholders' personal funds, our operating cash flows as well as external financing including bank financing and finance lease arrangements. When deciding whether to purchase a vessel we consider, among others, the financing channels available to us, the favorability of the terms of the financing, and the then market rates for vessels of similar type and age as well as our current vessel mix and specifications including the age composition of our fleet and whether our fleet will be compliant with any future environmental regulatory requirements. We generally opted to charter in vessels under bareboat charters to ensure we have adequate shipping capacity as the relevant capital commitments on us are relatively lower than purchasing vessels outright. Our Directors believe our strategy of chartering in a relatively larger proportion of vessels under bareboat charter compared to purchasing vessels have allowed us to scale up quickly so as to ensure we have necessary shipping capacity to undertake our customers' shipping needs. To supplement our controlled vessel fleet, we generally chartered in a larger proportion of bareboat charters to ensure that we do not overexert our capital reserves by purchasing new or secondhand vessels. While we do not have a target proportion of controlled vessels to chartered-in vessels, we generally endeavored to adjust the number of chartered-in vessels to meet the demand of our customers.

We generally ensured that our controlled vessels are utilized to the fullest extent before chartering in additional shipping capacity. Please see "Our fleet of vessels — Controlled vessels — Fleet utilization" in this section for further details as to the utilization rates of our vessel fleet. We generally supplemented our vessel fleet and shipping capacity through chartering in chartered-in vessels taking into account projected market demand for dry bulk shipping services, general market sentiments and expected trends in market charter rates. Notwithstanding this, we may charter in vessels from vessel suppliers before securing business with our customers when we expect market rates to rise in the near future. Through this approach, we are able to "lock-in" the charter hire or freight payable by us to vessel suppliers beforehand with reference to the market rates as at the material time and then secure orders from customers with charter demand in the near future so as to capitalize on the rising market rates. Please refer to the paragraph headed "Our fleet of vessels — Chartered-in vessel fleet — Sequence in chartering in vessels and securing business from customers" in the section for further details on our strategy in altering the sequence when chartering-in vessels.

We generally have adequate shipping capacity to provide shipping services to our customers on a timely basis as we have a sizeable controlled vessel fleet which is further supplemented by our large chartered-in vessel fleet. We had entered into over 60, 160, 200 and 55 chartered-in vessel engagements in aggregate for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Through our longstanding and stable relationships with our suppliers, we generally did not face any material difficulties in securing adequate shipping capacity on a timely basis at reasonable cost during the Track Record Period.

The table below sets forth the movement of the number of our controlled vessels during the Track Record Period:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Five months ended May 31, 2022
Controlled vessels at the beginning of the year/ period	11	16	15	22
Movement during the relevant year/period				
— Additions	9	—	11	2
— Disposals	(1)	—	(4)	(1)
— Non-renewal of bareboat charter	(3)	(1)	—	(1)
Controlled vessels at the end of the year/period	16	15	22	22

The number of controlled vessels decreased from 16 as at December 31, 2019 to 15 as at December 31, 2020 due to the non-renewal of one bareboat charter upon its expiry. The number of controlled vessels increased from 15 as at December 31, 2020 to 22 as at December 31, 2021 which was a net effect of the acquisition of 11 vessels and the disposal of 4 vessels. The number of controlled vessels as at December 31, 2021 and May 31, 2022 remained unchanged at 22 which was a net effect of the acquisition of two vessels, the disposal of one vessel and the non-renewal of one bareboat charter upon its expiry.

According to the F&S Report, the shipping services industry experienced a significant growth since the latter half of 2020 owing to a rapid increase in global shipping costs as a result of insufficient shipping capacity caused by disrupted global supply chains as a result of the COVID-19 pandemic. We made our strategic move to optimize our controlled vessel fleet by chartering in vessels under bareboat charters and acquiring vessels to capitalize on this heightened demand for shipping services, whilst strategically disposing of some of our older vessels. As it took some time to negotiate and finalize the acquisitions and bareboat charter contracts, the number of our controlled vessels gradually increased over the course of 2021.

We have shifted from chartering SKY HEIGHT, our controlled vessels during the Track Record Period, under bareboat charter to time charter since December 31, 2021. As vessels chartered in by us under time charter are not considered as part of our controlled vessel fleet, we no longer regarded SKY HEIGHT as a controlled vessel since December 31, 2021.

Set out below are details of our controlled vessels by vessel type (in order of carrying capacity) as at May 31, 2022.

No.	Name of vessel	Vessel type	Approximate weight carrying capacity *(dwt)*	Ownership status as at May 31, 2022	Age of vessel(1) *(years)*	Remaining useful life of vessel(1) *(years)*
Dry bulk carriers						
1.	SEACON AFRICA	Capesize bulk carrier	206,291	Bareboat charter(2)	15	10
2.	SEACON SHANGHAI	Panamax bulk carrier	82,000	Self-owned (Finance lease arrangement)(3)	2	23
3.	SEACON 9	Panamax bulk carrier	74,844	Jointly-owned (Finance lease arrangement)(3)(4)	9	16
4.	SEACON FUZHOU	Ultramax bulk carrier	63,342	Self-owned (Finance lease arrangement)(3)	3	22
5.	SEACON ATHENS	Ultramax bulk carrier	63,290	Self-owned (Finance lease arrangement)(3)	2	23
6.	JY POWER	Supramax bulk carrier	57,005	Bareboat charter(2)	11	14
7.	JY PROGRESS	Supramax bulk carrier	56,944	Bareboat charter(2)	11	14
8.	SEACON 7	Supramax bulk carrier	56,880	Jointly-owned (Finance lease arrangement)(3)(4)	9	16
9.	SEACON 8	Supramax bulk carrier	57,000	Jointly-owned (Finance lease arrangement)(3)(4)	9	16
10.	SEACON QINGDAO	Supramax bulk carrier	56,450	Bareboat charter(2)	9	16
11.	SEACON MANILA	Handysize bulk carrier	33,412	Bareboat charter(2)	6	19
12.	XINYIHAI 55	Handysize bulk carrier	33,217	Jointly-owned(4)	10	15
13.	SEACON RIZHAO	Handysize bulk carrier	19,800	Self-owned (Finance lease arrangement)(3)	11	14
14.	SEACON OSAKA	Handysize bulk carrier	14,416	Self-owned (Under bank loan)(5)	14	11
15.	SEACON KOBE	Handysize bulk carrier	12,146	Self-owned (Under bank loan)(5)	12	13
16.	SEACON VICTORY	Handysize bulk carrier	12,138	Self-owned (Under bank loan)(5)	11	14
Oil tankers						
17.	GOLDEN DAHLIA	Medium range oil tanker	34,834	Bareboat charter(2)	0	25
18.	GOLDEN DAISY	Medium range oil tanker	34,810	Bareboat charter(2)	0	25
19.	GOLDEN CAMELLIA	Medium range oil tanker	34,783	Bareboat charter(2)	0	25
20.	GOLDEN LAVENDER	Medium range oil tanker	34,827	Bareboat charter(2)	0	25
21.	GOLDEN VIOLET	Handysize oil taker	19,998	Bareboat charter(2)	0	25
Chemical tankers						
22.	YANGTZE JASPER	Handysize molten sulphur tanker	4,710	Self-owned (Finance lease arrangement)(3)	12	13

Notes:

(1) The age of a vessel is calculated by the date of completion of construction up to May 31, 2022. The remaining useful life is calculated by deducting the age of the vessel up to May 31, 2022 from the estimated useful life of a vessel of approximately 25 years.

(2) Each of these vessels were chartered by us under bareboat charters from various vessel suppliers which have ownership of these chartered-in vessels as at May 31, 2022. To the best of our Director's knowledge, these vessel suppliers are Independent Third Parties. See "Our fleet of vessels — Controlled vessel fleet — Bareboat charters" in this section below for further details.

(3) Each of these vessels were under a finance lease arrangement with a finance leasing company and chartered back to us under bareboat charters as at May 31, 2022. To the best of our Director's knowledge, these finance leasing companies are Independent Third Parties. See "Our fleet of vessels — Controlled vessel fleet — Financing arrangements for our controlled vessels — Finance lease arrangements" in this section below for further details.

(4) Each of these vessels were jointly held by us and our business partner as at May 31, 2022. See "Our fleet of vessels — Controlled vessel fleet — Jointly-owned vessels" in this section below for further details.

(5) Each of these vessels were financed by bank loans with the vessels as security as at May 31, 2022. See "Our fleet of vessels — Controlled vessel fleet — Financing arrangements for our controlled vessels — Bank loans".

Fleet utilization

We generally organized our vessels and charter engagements with a view to minimize the time gap between engagements and maximize the utilization rates of our vessels. The following table sets out the breakdown of the utilization rates of our controlled vessels and chartered-in vessels during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2019	**2020**	**2021**	**2022**
	%	*%*	*%*	*%*
Controlled vessels[1]	95.5	94.2	93.3	91.6
Chartered-in vessels[2]	99.0	99.7	99.6	99.1

Notes:

(1) The utilization rates of our controlled vessels are calculated based on the number of days for which such vessels were controlled by us during each year/period deducted by Off-hire Days (as defined below), and then divided by the number of days for which such vessels were controlled by us during each year/period. Off-hire days ("**Off-hire Days**") refer to the period of time during which a vessel has suspended its operations or unable to generate revenue, such as when such vessel is stalled to conduct repair and maintenance, dry-docking, carry out crew changes or idled during the time gap between a completed charter engagement followed by a time charter engagement as we receive no charter hire or freight from our customers during such time gap. The vessels are generally docked at shipyards for repair, maintenance and dry-docking, or parked at anchorage for repair and maintenance conducted at the sea or general idling.

(2) The utilization rates of our chartered-in vessels are calculated based on that (i) the number of days for which the vessels we chartered-in under period-based time charters were chartered-out to our customers deducted by Off-hire Days, and then divided by the number of days for which such vessels were chartered-in from our suppliers; and the assumption that (ii) the vessels we chartered-in under voyage charters or TCT for specific voyages are generally subsequently utilized for the same voyages by our sub-charterer customers and are therefore fully utilized.

Fluctuations in utilization rates

The utilization rates of our controlled vessels decreased from approximately 93.3% for the year ended December 31, 2021 to approximately 91.6% for the five months ended May 31, 2022 primarily because (i) SEACON QINGDAO and SEACON RIZHAO, our dry bulk carriers, were stalled by us for several weeks in early 2022 to conduct inspection, repair and maintenance and they have resumed operation thereafter; and (ii) GOLDEN LAVENDER, an oil tanker which was chartered-in by us under bareboat charter and delivered to us in February 2022, required a longer preparation period before it was ready for operation owing to difficulties in carrying crew shift changes in view of crew and port quarantine measures.

The utilization rates of our controlled vessels decreased from approximately 95.5% for the year ended December 31, 2019 to approximately 94.2% and 93.3% for the years ended December 31, 2020 and 2021, respectively, primarily because YANGTZE JASPER, one of our chemical tankers that transports molten sulphur, was idled for several months in 2020 and 2021 owing to low demand for sulphur resulting from the COVID-19 pandemic at the time coupled with significant crew manning costs owing to difficulties in carrying out crew shift changes due to stringent quarantine regulations imposed by ports during such period. Given the instability of revenue stream for sulphur and the significant crew manning expenses involved, we considered it commercially and financially unfeasible to operate YANGTZE JASPER during such period as the operating costs would outweigh any potential revenue and decided to idle YANGTZE JASPER until demand for sulphur stabilizes and quarantine measures subsides. We resumed operation of YANGTZE JASPER in late 2021 following a gradual loosening of port quarantine measures and an uptick in demand for sulphur.

During the Track Record Period, our controlled vessels were not materially idled save for YANGTZE JASPER.

The utilization rates of our chartered-in vessels remained relatively stable at approximately 99.0%, 99.7%, 99.6% and 99.1% for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Changes in the composition of our controlled vessel fleet as at the Latest Practicable Date

As at the Latest Practicable Date, the ownership status and/or composition of our controlled vessel fleet has changed in the following:

- We and our business partner have sold our jointly-owned dry bulk carrier XINYIHAI 55 through a public auction in April 2022 and was delivered to the purchaser in August 2022.

- We have entered into an agreement in August 2022 for the newbuilding of a new general cargo vessel with a proposed weight carrying capacity of 13,500 dwt estimated to be completed in 2023. We have also entered into an agreement in October 2022 for the newbuilding of a new dry bulk carrier with a proposed weight carrying capacity of 40,000 dwt estimated to be completed in 2024.

- In October 2022, we have exercised the purchase option in respect of one of our controlled vessels GOLDEN CAMELLIA and entered into an agreement on even date to sell GOLDEN CAMELLIA to an Independent Third Party with completion estimated to take place in or around January 2023.

Our vessels under construction

During the Track Record Period, in view of the low vessel newbuilding cost at the relevant time, we engaged two well-established shipyards located in the PRC and Japan to build six new vessels for us. According to Frost & Sullivan, the China Newbuilding Price Index, an indicator of newbuilding cost of vessel, has remained at relatively low levels in 2019 and 2020 but has significantly increased in 2021. When placing an order for the newbuilding of vessels, we consider factors such as price trend for vessel newbuilding, the age of our controlled vessels, future market regulations on emissions, as well as demand for newer vessels with greater functional capabilities. The following table sets out the details of our fleet under construction as at May 31, 2022:

Vessel	**Proposed vessel type**	**Proposed approximate weight carrying capacity** *(dwt)*	**Proposed completion time**
Vessel No. 1	Dry bulk carrier	85,000	2023
Vessel No. 2	Dry bulk carrier	85,000	2023
Vessel No. 3	Dry bulk carrier	85,000	2023
Vessel No. 4	Dry bulk carrier	85,000	2023
Vessel No. 5	Dry bulk carrier	66,200	2023
Vessel No. 6	Dry bulk carrier	82,400	2024

Our six vessels under construction are panamax or ultramax bulk carriers with weight carrying capacities ranging from 66,200 dwt to 85,000 dwt. These vessels have specifications that are more economical and cost-effective than our other panamax and ultramax bulk carriers currently in operation. The purchase of these six vessels are in line with our ongoing strategy to optimize our vessel fleet by gradually phasing out our older controlled vessels and replacing them with newer vessels. Our Directors believe that through such fleet optimization, we are able to improve the competitiveness of our shipping services.

Following the Track Record Period and up to the Latest Practicable Date, we have entered into an agreement in August 2022 for the newbuilding of a new general cargo vessel ("**Vessel No. 7**") with a proposed weight carrying capacity of 13,500 dwt estimated to be completed in 2023. We have also entered into an agreement in October 2022 for the newbuilding of a new dry bulk carrier ("**Vessel No. 8**") with a proposed weight carrying capacity of 40,000 dwt estimated to be completed in 2024.

As at May 31, 2022, we have settled approximately 5% of the total construction cost for each of Vessels No. 1 to No. 4, and approximately 20% of the total construction costs for each of Vessel No. 5 to No. 6. Depending on the actual completion date of our vessels under construction, we intend to deploy a mix of the [REDACTED] from the [REDACTED], our internal resources, bank loans and finance lease arrangements to finance the construction. We have settled approximately 20% of the total construction costs of each of Vessel No. 7 and Vessel No. 8 as at the Latest Practicable Date.

Bareboat charter

A bareboat charter is a charter type whereby the vessel is hired by the charterer without any crew or any other provisions such as insurance and licenses. Under a bareboat charter, a bare vessel is placed at the disposition of the bareboat charterer who effectively obtains full control over the said vessel during the charter period. Under a typical bareboat charter, we as the charterer are responsible for ensuring that the vessel is properly crewed, obtaining all necessary documentation and approvals, and having the vessel arrange for a survey to be conducted surveyed by a classification society. The bareboat vessels are effectively under our control, operation and management, and they form part of our controlled vessel fleet.

The length of these bareboat charters entered into between us and the shipowners are generally long, with the length of such bareboat charters ranging from two to ten years during the Track Record Period.

In respect of our typical bareboat charter contracts (i.e. those not associated with finance lease arrangements), we generally entered into BIMCO standard form contracts with our bareboat charterers. The salient terms of our typical bareboat charter contracts which are legally binding, are set out below:

Salient terms	**Description**
Charter period	• The charter period as specified under the bareboat charter contract generally ranged from two to ten years
Charter payments	• We generally are obliged to pay charter hire on a monthly or quarterly basis during the charter period
Vessel delivery	• The vessel supplier will deliver the vessel to us at a designated port. Before the end of the charter period, we usually are required to notify the vessel supplier and arrange for the vessel to be redelivered back to the vessel supplier at a designated port
Insurance	• We bear all risks arising from the operations management and maintenance of the vessel during the charter period • We are required to keep the vessel properly insured against customary risks such as risks on hull and machinery and war risks
Our major obligations	• We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations. We are also responsible for maintaining the classification status of the vessel during the charter period • We are also responsible for notifying the vessel supplier of any event that may constitute an event of default under the bareboat charter during the charter period such as maritime accidents, ship arrest, and total loss of vessel in addition to satisfying certain financial covenants.
Option to purchase	• Some bareboat contracts may contain an option for us to purchase the vessel by the end of the charter period for a pre-determined price set out in the charter contract
Termination	• The vessel supplier has the option to terminate the bareboat charter upon the occurrence of an event of default which includes our failure to make necessary payments on time, our failure to observe our obligations under the bareboat charter, and a petition being filed for our winding up or dissolution.

Financing arrangements for 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. As at May 31, 2022, three of our controlled vessels were financed by bank loans and eight of our controlled vessels were financed under finance lease arrangements with finance leasing companies. Out of the eight vessels under finance lease arrangements, four of them are jointly-owned between us and our business partner. See "Our fleet of vessels — Jointly-owned vessels" in this section below for further details.

The following table sets forth the financing arrangements of our controlled vessels as at May 31, 2022:

No.	Name of vessel	Type of financing	Borrowings	Final repayment date	Principal amounts paid up to May 31, 2022	Interest paid up to May 31, 2022	Outstanding principal amount as at May 31, 2022
			(USD'000) *(Approximately)*		*(USD'000)* *(Approximately)*	*(USD'000)* *(Approximately)*	*(USD'000)* *(Approximately)*
1.	SEACON VICTORY	Bank loan	2,897	29/1/2026	724.2	58.1	2,172.8
2.	SEACON OSAKA	Bank loan	3,600	27/2/2026	900.0	63.5	2,700.0
3.	SEACON KOBE	Bank loan	2,925	30/4/2026	585.0	43.5	2,340.0
4.	SEACON RIZHAO	Finance lease	5,100	23/6/2026	484.8	178.6	4,615.2
5.	SEACON SHANGHAI	Finance lease	24,500	17/2/2029	625.0	242.0	23,875.0
6.	YANGTZE JASPER	Finance lease	1,562	30/9/2023	781.0	121.6	781.0
7.	SEACON FUZHOU	Finance lease	19,600	7/1/2030	425.0	191.8	19,175.0
8.	SEACON ATHENS	Finance lease	20,825	25/1/2030	663.3	211.1	20,161.7
9.	SEACON 7	Finance lease	12,000	13/9/2026	4,057.5	1,968.7	7,942.5
10.	SEACON 8	Finance lease	12,000	13/9/2026	4,057.5	1,968.7	7,942.5
11.	SEACON 9	Finance lease	12,000	29/10/2026	3,862.5	2,094.6	8,137.5

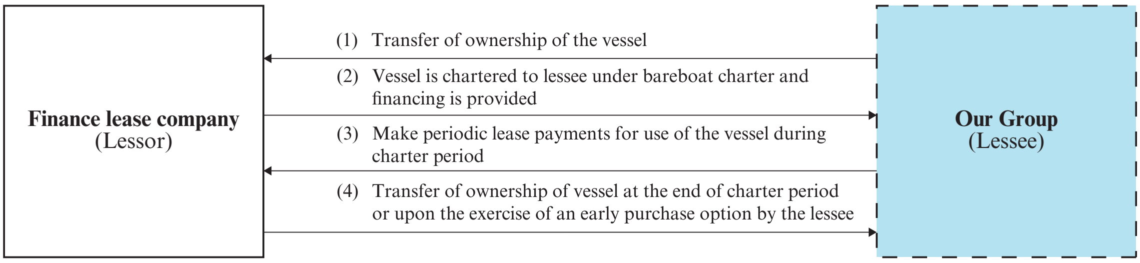
The interest payable on our bank borrowings and our finance lease arrangements are generally calculated with reference to LIBOR plus a margin.

Finance lease arrangements

As at May 31, 2022, eight of our controlled vessels were under finance lease arrangements whereby the titles of such vessels were vested in the finance leasing companies during the term of a finance lease agreement entered into between us and the finance leasing company.

Under a typical finance lease, we generally transfer the ownership rights of the subject vessel to a finance leasing company at a negotiated price. The finance leasing company, as the registered owner of the vessel, then charters the vessel back to us on a bareboat charter basis in return for periodic lease payments including principal amount and interest. Upon our last installment of the lease payments to the finance leasing company, the finance leasing company is generally obliged to transfer the title of the vessel to us. This finance lease arrangement is also known as a "sale and leaseback" as it involves (i) an initial transfer of title of the vessel to the finance leasing company by us through a memorandum of agreement and (ii) the vessel is thereafter leased back to us under bareboat charter. The memorandum of agreement and the bareboat charter together comprise a finance lease arrangement. We generally also have the option under these finance lease arrangements to purchase the vessel prior to end of the finance leases. The finance lease arrangements we entered into during the Track Record Period usually last for three to ten years.

The following diagram illustrates the relationship between the lessor (finance leasing company) and the lessee (our Group) in a typical finance leasing transaction:



Salient terms of our finance lease arrangements

Under a typical finance lease arrangement with finance lease companies, we generally entered into (i) a memorandum of agreement setting out the terms and conditions of the sale and transfer of the ownership of our vessel to the finance lease company and (ii) a bareboat charter on the same date as the memorandum of agreement where the vessel is chartered back to us. The memorandum of agreement and the bareboat charter are legally binding. Salient terms of our finance lease arrangement with finance lease companies generally including the following terms:

Salient terms	**Description**
Vessel sale and transfer	• The memorandum of agreement generally contains details regarding the sale and transfer of the vessel by us to the finance lease company, including purchase price, payment term and vessel delivery arrangements
Charter period	• The charter period as specified under the bareboat charter contract generally ranged from three to ten years
Charter payments	• We generally are obliged to make lease payments on a monthly or quarterly basis during the charter period • The lease payments is generally a pre-determined amount including interest on the outstanding principal amount calculated with reference to LIBOR plus a margin

Salient terms	Description
Vessel delivery and acceptance	• The ownership of the vessel will be transferred to the finance leasing company by us on an "as is" basis under the memorandum of agreement • At the same time, the finance company leases and delivers the vessel back to us under bareboat charter on the same conditions
Insurance	• We bear all risks arising from the operations, management, maintenance of the vessel during the charter period • We are required to keep the vessel properly insured against customary risks such as risks on hull and machinery and war risks
Our major obligations	• We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations • We are also responsible for notifying the finance leasing company of any event that may constitute an event of default under the memorandum of agreement and the bareboat charter during the charter period such as maritime accidents, ship arrest, and total loss of vessel in addition to satisfying certain financial covenants. • We generally are required to provide security by way of corporate guarantees by our other Group companies and/or personal guarantees.
Transfer of vessel ownership upon expiry of charter period	• At the end of the charter period, the finance leasing company is generally obliged to transfer the ownership of the vessel to us subject to settlement of all outstanding payment obligations
Early purchase option	• Prior to the end of the charter period, we have an early purchase option to purchase the vessel from the finance leasing company subject to the payment of the outstanding principal amount under finance lease arrangement and a purchase option fee

Salient terms	Description
Termination	• The finance leasing company has the option to terminate the memorandum of agreement and the bareboat charter upon the occurrence of an event of default which includes our failure to make necessary payments on time, our failure to observe our obligations under the memorandum of agreement and the bareboat charter, and a petition being filed for our winding up or dissolution.

Bank loans

Financing by bank loans is generally the same as finance lease arrangements, except that the ownership of the vessel is retained by us and is mortgaged to the bank as security for the bank loan. See "Financial Information — Indebtedness" in this document for further details as to our bank borrowings during the Track Record Period.

Hedging

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any hedging activities or transactions.

Jointly-owned vessels

As at May 31, 2022, we jointly-owned four vessels with our business partner, Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司) ("**Hongkong Zhoushan Yihai**"), through our respective interests in the holding companies of such vessels. Our Directors consider these jointly-owned vessels as part of our controlled vessels fleet as we have significant shareholding interest in the respective holding companies of these jointly-held vessels and our consensus is generally required for major decisions involving our jointly-owned vessels. Set out below are details of our jointly-owned vessels as at May 31, 2022.

No.	Vessel name	Relevant associate company	Percentage shareholding in the associate company held by our Group	Name of business partner
1.	SEACON 7	Seacon 7	49.5%	Hongkong Zhoushan Yihai
2.	SEACON 8	Seacon 8	49.5%	Hongkong Zhoushan Yihai
3.	SEACON 9	Seacon 9	49.5%	Hongkong Zhoushan Yihai
4.	XINYIHAI 55	Hongkong Xinyihai	35.0%	Hongkong Zhoushan Yihai

Our relationship with Hongkong Zhoushan Yihai

We first became acquainted with the management of Zhejiang Xinyihai Shipping Company Limited* (浙江新一海海運有限公司) ("**Zhejiang Xinyihai**"), the parent company of Hongkong Zhoushan Yihai during a business visit in 2012 and we commenced our business relationship shortly thereafter with Hongkong Zhoushan Yihai by providing ship management services for each of SEACON 6 and SEACON 7 starting from 2012, and SEACON 8 and SEACON 9 starting from 2013. In 2018, owing to our longstanding business relationship with Hongkong Zhoushan Yihai and in view of its reputable state-owned background, we set up Hongkong Xinyihai with Hongkong Zhoushan Yihai in 2018 to hold our jointly-owned vessel XINYIHAI 55, and we subsequently acquired shareholding interests in each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 by acquiring the entire shareholding interest of their holding company, Hongkong Zengzhou in or around June 2021.

As we held 35%, 49.5%, 49.5%, 49.5% and 49.5% in each of Hongkong Xinyihai, Seacon 6, Seacon 7, Seacon 8 and Seacon 9, respectively, we received a share of the profits or losses generated in proportion to our shareholding in such companies during the Track Record Period. The costs involved in the day-to-day operations of these jointly-owned vessels are borne by each of the relevant holding companies. Our Directors believe that entering into such a partnership is beneficial to us given the market position and credibility of Hongkong Zhoushan Yihai as well as the benefits of expanding our controlled fleet.

We and Hongkong Zhoushan Yihai subsequently divested our interests in SEACON 6 to an Independent Third Party in October 2021 through an auction as our Directors believed that the proportional share of the proceeds from the sale of SEACON 6 was favorable in light of market sentiments at that time.

We did not enter in any collaboration agreement, fee arrangements and capital contributions with Hongkong Zhoushan Yihai with respect to our shareholding in our associated companies of Seacon 6, Seacon 7, Seacon 8, Seacon 9 and Hongkong Xinyihai with Hongkong Zhoushan Yihai save for (i) the initial consideration paid by us in the amount of USD2.3 million for the purchase of the shareholding interest in Hongkong Zengzhou Co., Limited, the then holding company of Seacon 6, Seacon 7, Seacon 8 and Seacon 9, (ii) the initial capital contribution in the amount of USD0.5 million when setting up Hongkong Xinyihai with Hongkong Zhoushan Yihai in 2018, and (iii) the following financing arrangements set out below.

- As SEACON 6 was under finance lease arrangement prior to its sale via public auction in October 2021, we contributed a sum of approximately USD2.7 million (being our proportional share of the outstanding amount under the finance lease in accordance with our 49.5% shareholding interest in Seacon 6) for the early termination of the finance lease arrangement. This sum was subsequently repaid back to us from Seacon 6 in November 2021 after the sale of SEACON 6 via public auction.

- Like SEACON 6, as XINYIHAI 55 was under finance lease arrangement prior to its sale via public auction in April 2022, we contributed a sum of approximately USD2.2 million (being our proportional share of the outstanding amount under the finance lease in accordance with our 35% shareholding interest in Hongkong Xinyihai) for the early termination of the finance lease arrangement. Hongkong Xinyihai has fully repaid the USD2.2 million to us in August 2022 with the proceeds from the sale of XINYIHAI 55.

- We provided shareholder's loans totaling approximately USD1.4 million to Hongkong Xinyihai for their working capital purpose in proportion to our 35% shareholding interest in Hongkong Xinyihai. Hongkong Xinyihai has gradually repaid the shareholder's loans on several occasions since 2019, and as at the Latest Practicable Date, the shareholder's loans were fully repaid.

Background of Hongkong Zhoushan Yihai

Hongkong Zhoushan Yihai is a company incorporated in Hong Kong with limited liability on January 4, 2013, which is wholly-owned by Zhejiang Xinyihai, a company incorporated in the PRC with limited liability on April 3, 2015 ultimately owned by Zhoushan Communications Investment Group Co., Ltd.* (舟山交通投資集團有限公司) ("**Zhoushan Communications Investment Group**"). Zhoushan Communications Investment Group is a state-owned enterprise managed by Zhoushan State-owned Assets Supervision and Administration Commission* (舟山市國有資產監督管理委員會). The sole director of Hongkong Zhoushan Yihai is Zhang Hui (張輝), who, to the best knowledge, information and belief of our Directors, is an Independent Third Party.

Zhejiang Xinyihai was established pursuant to the consolidation and reorganization of shipping assets of Zhoushan Communications Investment Group. The predecessors of Zhejiang Xinyihai include Zhejiang Zhoushan Yihai Shipping Co., Ltd.* (浙江舟山一海海運有限公司) which was founded in 1956 and has a long standing history in the shipping industry. Zhejiang Xinyihai is primarily engaged in maritime cargo transportation. Zhejiang Xinyihai directly holds 100%, 50.5%, 50.5%, 50.5%, 50.5%, 65%, 100%, 100%, 100% and 100% shareholding interest in Hongkong Zhoushan Yihai, Seacon 6, Seacon 7, Seacon 8, Seacon 9, Hongkong Xinyihai, Hongkong Xinyihai 65 Co., Limited, Hongkong Xinyihai 66 Co., Limited, Hongkong Xinyihai 67 Co., Limited, and Hongkong Xinyihai 68 Co., Limited, respectively ("**Zhejiang Xin Yi Hai Group**"). The Zhejiang Xin Yi Hai Group is one of our top five customers for the years ended December 31, 2019 and 2020.

Save for the business collaboration with Zhejiang Xin Yi Hai Group set out in the foregoing paragraphs, there was/is no any other past or present relationships (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between us and Hongkong Zhoushan Yihai or our respective associates.

OUR SHIP MANAGEMENT SERVICES

Overview

Our ship management business segment primarily comprises the provision of ship management services where we provided ship management solutions in respect of seafaring vessels. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we derived revenue of approximately USD26.8 million, USD36.6 million, USD49.0 million and USD23.6 million, respectively from our provision of ship management services, representing 19.7%, 20.4%, 13.1% and 13.2% of our total revenue for the corresponding periods.

During the Track Record Period, we provided ship management services mainly to shipowners, ship finance leasing companies and shipbuilders. Our services offerings generally included the daily operations of vessels, technical management, crew management, repair and maintenance, and regulatory management and compliance.

The number of vessels under our management increased during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we managed 94, 133, 203 and 176 vessels, respectively of which 74, 114, 176 and 149 were third-party owned vessels and 20, 19, 27 and 27 were vessels of our Group, associates and/or related parties, including Seacon Shipping Group, Star Wealth and Qingdao Wantong Shipping Company Limited* (青島萬通海運有限公司) ("**Qingdao Wantong**"). See "Relationship with Our Controlling Shareholders — Companies owned by our Controlling Shareholder but not included in our Group" for details of Seacon Shipping Group.

During the Track Record Period, we provided ship management services to Qingdao Wantong. The principal business of Qingdao Wantong is the chartering of two Chinese flag vessels controlled by it for both domestic and foreign trade. To avoid any actual or potential competition between the businesses of Qingdao Wantong and the Group, Shandong Seacon Shipping Group Company Limited* (山東洲際航運集團有限公司) (as transferor), which is the sole shareholder of Qingdao Wantong and a connected person of our Group, has entered into a memorandum of understanding with a PRC-based shipping company (as transferee) (the "**Transferee**") on September 28, 2022 to transfer its entire shareholding interest in Qingdao Wantong to the Transferee. To the best knowledge of our Directors, each of the Transferee and its ultimate beneficial owners is an Independent Third Party. It is expected that the transaction will be completed in or around December 2022, in any event before the [REDACTED]. As Qingdao Wantong will become an Independent Third Party upon completion of the transaction, the provision of ship management services to Qingdao Wantong will not constitute continuing connected transaction upon [REDACTED].

The vessels under our management during the Track Record Period comprised varying types such as dry bulk carriers, oil tankers, chemical tankers, passenger ships, cargo ships, and container ships. Set out below is a breakdown of the number of vessels under our management by major category of vessels during the Track Record Period:

	Year ended December 31,						Five months ended May 31,	
	2019		2020		2021		2022	
	Number of vessels	*%*	*Number of vessels*	*%*	*Number of vessels*	*%*	*Number of vessels*	*%*
Dry bulk carrier	70	74.5	96	72.2	128	63.1	114	64.8
Chemical tanker	5	5.3	11	8.3	10	4.9	11	6.2
Oil tanker	6	6.4	8	6.0	16	7.9	12	6.8
Passenger ship	4	4.3	8	6.0	10	4.9	1	0.6
Cargo ship	—	—	1	0.8	4	2.0	3	1.7
Container ship	—	—	1	0.8	13	6.4	14	8.0
Others *(Note)*	9	9.6	8	6.0	22	10.8	21	11.9
Total	94	100.0	133	100.0	203	100.0	176	100.0

Note: Others comprised a wide range of vessels including tri-use tugboats, multi-purpose vessel and other various types of vessels.

We also have the necessary licenses to manage vessels registered under the flag state of major jurisdictions in the shipping industry. As at the Latest Practicable Date, we are certified to provide ship management services to vessels registered under the flag states of major shipping hubs such as the Marshall Islands, Panama, Liberia, Singapore, Hong Kong and China.

We generally entered into ship management contracts with service periods from one year to three years. Such agreements are usually renewable at the end of each service period. During the Track Record Period, we generally charged our customers management fees on lump-sum basis or management fee basis for our provision of ship management services.

In addition, we occasionally provided vessel delivery ship management services (接送船舶管理服務) where we provide ship management services for the duration of one particular journey. Such services are generally requested for newly-built or newly-purchased vessels that have to be delivered from one location (such as the shipyard where the vessel was being built) to another location designated by our customer.

We also expanded our ship management service offerings and commenced the provision of shipbuilding supervision services in 2019. Our shipbuilding supervision 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. We have also obtained the Equipment Supervision Unit Certificate (設備監理單位證書) with respect to our shipbuilding supervision services from the China Association of Plant Engineering Consultants (中國設備監理協會) and achieved Grade A status since November 2021. As at May 31, 2022, we have been engaged to provide shipbuilding supervision services to over 100 vessels, of which we have completed the supervision of over 25 vessels.

See "Our Ship management services — Salient terms of the ship management contracts with our customers" for further details on our ship management contracts.

Scope of ship management services

During the Track Record Period, we offered a wide range of ship management services to our customers depending on their needs. Our ship management services are primarily comprised of the following:

Regulatory management and compliance — We are responsible for ensuring that the vessel is in compliance with the requirements under relevant maritime regulations and conventions such as the ISM Code, ISPS Code and the MLC Convention. Our responsibilities in this regard generally include devising and implementing relevant safety and security protocols; obtaining, managing and renewing certain certifications and documents as required under the maritime regulations and conventions, providing training to crew members as to safety and security matters, and ensuring that the vessel and its crew are in conformity with the requirements under its flag state.

Maritime and voyage management — We keep track of each voyage undertaken by the vessel at all times such as monitoring meteorological information and whether the vessel is travelling within the intended shipping route and at the required speed. We also consult the customer and the captain of the vessel on the best practices for each voyage as well as the loading and unloading of goods and cargo (if any). We provide the customer and the captain with updates to maritime regulations as well as port state controls, and we assist the customer and captain with maritime disputes to control or mitigate the extent of any potential losses.

Crew management — We will assist our customers in arranging experienced and properly certified crew members to work onboard the vessel upon their request. We also ensure that the crew members working on board each vessel remain certified in accordance with maritime regulations such as the STCW Convention. We are responsible for devising the job responsibilities and coordinating shift arrangements for these crew members. We conduct training and job performance appraisals of such crew members on a periodic basis.

Technical management — Technical management generally encompasses all aspects of the day-to-day operations of a vessel such as repair and maintenance, and procurement of bunker and fuel, marine supplies and freshwater. As to repair and maintenance, we are responsible to devise and coordinate repair and maintenance plans for the vessel, keep track of the necessary deadlines for periodic ship surveys, arrange dry-docking where required, and liaise with ship repair and maintenance service providers. As to fuel, freshwater and marine supplies such as lubricants, paints and spare parts, we are responsible for devising appropriate purchase plans and implementing such plans. Upon customers' request, we will assist our customers to obtain various quotations in respect of marine supplies and aid our customers in controlling their costs. We prepare quarterly technical and financial reports for our customers detailing the utilization and procurement of bunker, lubricants and other supplies.

Insurance — Where requested, we may assist our customers to collate necessary information and documents and liaise with insurance agents, should there be any maritime accidents or a situation where claims can be made under such insurance policies.

Salient terms of the ship management contracts with our customers

The salient terms our typical ship management contracts which are legally binding, are set out below:

Salient terms	Description
Service period	• The service period as specified under the ship management contracts generally ranged from one year to three years.
Services provided	• The scope of services set out in our ship management contracts differed based on our customer's needs. • Our services provided under our ship management contracts generally included the services set out in the paragraph headed "Scope of ship management services" in this section above.

Salient terms	Description
Fees and payment terms	• Management fees are payable by our customers on a monthly, quarterly or annual basis. • Our management fees may be charged on lump-sum basis or management fee basis. *Lump-sum basis* — We charge a fixed and "all-inclusive" fee for our ship management services and we bear all the costs incurred in the provision of our ship management services. Some of our ship management contracts may adopt a partial lump-sum basis where we bear the costs of certain aspects of our ship management services whereas other costs are borne by our customers themselves. *Management fee basis* — We charge a pre-determined fee for our ship management services and any costs incurred in the provision of such services are borne by our customers.
Our major obligations	• We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations such as flag state controls and port state controls.
Our customers' major obligations	• Our customer have to ensure that the vessels are not being used for an unlawful purpose (e.g. trading of arms or drugs, and smuggling). • For overdue ship management fees, customers generally have to pay a penalty equal to a daily-accumulating surcharge at 0.25% of the overdue amount.
Termination	• Our ship management contracts are terminable by us or our customers upon the occurrence of a breach of our respective obligations under the contract.

Ship management services fee

During the Track Record Period, we generally charged our customers ship management fees on a lump sum basis or a management fee basis. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, approximately 85.7%, 87.9%, 87.4% and 81.6% of our revenue derived from our ship management business segment was charged on a lump-sum basis, respectively, while 14.3%, 12.1%, 12.6% and 18.4% was charged on a management fee basis for the corresponding periods, respectively. We generally determined our ship management services on a case-by-case basis based on the needs and intention of our customers.

Lump-sum basis

During the Track Record Period, majority of our ship management fees were charged on a lump-sum basis. We charge pre-determined ship management fees to our customers which represent an all-inclusive fee for certain ship management services provided by us during the contract period of the ship management contracts whereby we bear all the cost incurred in the provision of ship management services, or cost of certain aspects of services as specified in the ship management contracts. We are entitled to retain the full amount of ship management fees received from our customers and bear the costs incurred in providing ship management services. According to F&S, the lump-sum basis is a common method of determining ship management fees in the maritime shipping industry.

As we bear such costs ourselves, our profit margins are affected by our ability to control cost of sales. Even if our cost of sales is higher than anticipated, we may not be able to collect additional amounts from our customers to sustain our profit margins at a desired level. See "Risk Factors — Risks relating to our business — We generated revenue from ship management services on a lump sum basis, and we may be subject to losses if we fail to estimate or control our costs in performing our ship management services." in this document for further discussion. During the Track Record Period and up to the Latest Practicable Date, we did not incur material losses from ship management business that were charged on a lump sum basis.

Management fee basis

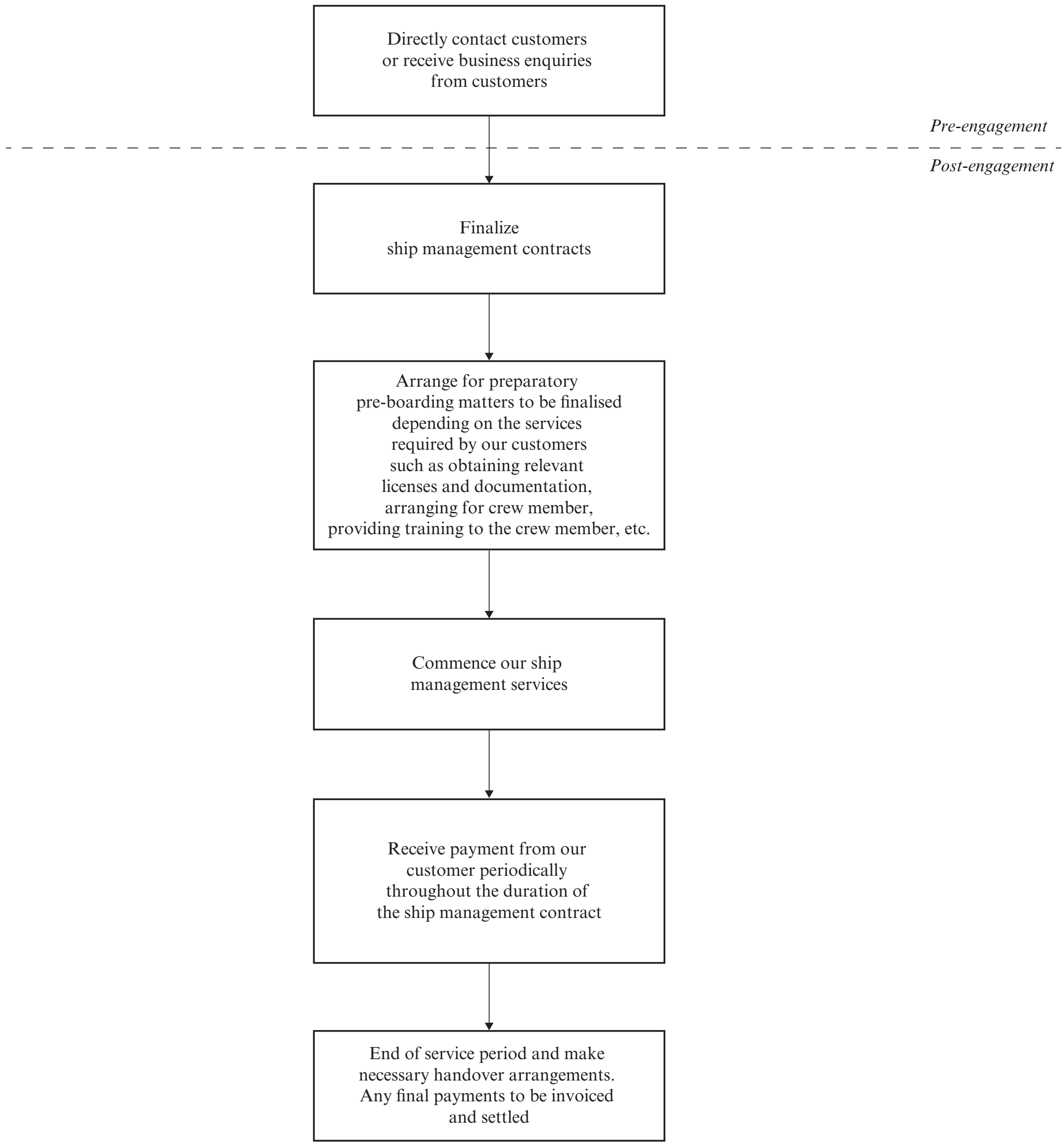
We charge a pre-determined fee for our ship management services and any costs incurred in the provision of such services are borne by our customers.

The following table sets forth a breakdown of our revenue derived from our provision of ship management services by fee model during the Track Record Period.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	(USD'000)	*%*	*(USD'000)*	*%*	*(USD'000)*	*%*	*(USD'000)* (Unaudited)	*%*	*(USD'000)*	*%*
Lump-sum basis	22,932	85.7	32,139	87.9	42,813	87.4	16,441	91.8	19,258	81.6
Management fee basis	3,820	14.3	4,411	12.1	6,183	12.6	1,460	8.2	4,340	18.4
Total	**26,752**	**100**	**36,550**	**100**	**48,996**	**100**	**17,901**	**100**	**23,598**	**100**

Operating procedures for our ship management services

The following diagram illustrates the key operating procedures of our ship management services:



Pre-engagement stage

We generally identified our customers through direct contact by our employees or through business enquiries directly from our customers. Through this identification process, we generally discuss the ship management needs of our customers and allow them to select the scope and types of ship management services that they wish from us.

Post-engagement stage

After reaching a consensus as to the scope of services to be provided by us, the management fees, and the payment arrangements, we generally prepare a formal ship management contract. See "Our ship management services — Salient terms of the ship management contracts with our customers" in this section above for further details of the content of our ship management contracts. Following finalisation of the ship management contract, we will arrange for preparatory work to be completed prior to the intended date of our commencement of ship management services onboard the vessel. Our pre-boarding preparatory work differs based on the type and scope of services to be provided by us.

Our preparatory work prior to commencement of our ship management services generally include the replacement of the vessel's management system documents and manuals with our own management system documents and manuals in accordance with the requirements by each flag state. If the vessel is a newly constructed vessel or a second hand vessel recently purchased by our customer, we may, upon our customer's request, assist them in obtaining relevant certificates and documents as required by each flag state and under all applicable maritime conventions, rules and regulations.

If our customers elect for the vessel to be crewed, our preparatory pre-boarding work may also include staffing the vessel with appropriate number of crew who have the requisite experience for the particular vessel type. Prior to boarding the vessel, we may also conduct training sessions for such crew members to familiarize them with the vessel as well as relevant safety and security protocols. We then commence to provide technical management services in accordance with the ship management contract, and the service fees become payable to us from our customers upon this commencement of technical management services.

During the service period, we may be responsible for assisting our customers in purchasing marine supplies such as lubricants and spare parts, crew manning as well as arranging for repair and maintenance of the vessel from time to time as per ship management contracts. Depending on the payment arrangements under our ship management contracts, our customers may be required to escrow a certain amount of funds for us to use in paying for such costs.

During the service period, we typically issued invoices to the customer on a monthly, quarterly or annual basis and the customer is required to settle the invoices as per the credit period set out in the ship management agreement. For shorter ship management contracts such as vessel delivery ship management contracts, we generally require our customers to pay in advance a portion of the service fee prior to commencement of our services and to settle the remainder of the fee prior to delivery of the vessel to our customer upon reaching the destination port.

In the event that our ship management contracts are not renewed prior to the end of the service period, the vessel suppliers will arrange for the vessels to berth at a designated port and we may assist with any necessary handover procedures in relation to the vessel. We invoice our customers if there are outstanding payments between us and our customers following the end of the service period under our ship management contracts.

OPERATIONAL MANAGEMENT OF VESSELS

Majority of our ship management services such as arrangements for bunker and fueling, administration work, arranging for surveys and class classification to vessels are primarily conducted by our back office staff with the aid of telecommunications and information technology systems and software. Certain of our ship management services including training of crew, inspection and maintenance of vessels are conducted on-site by our technical staff. Our Directors believe that upholding stringent standards to ensure that the vessels operated or managed by us are seaworthy and in compliance with all requisite safety, regulatory and quality standards is imperative to our business operations.

Monitoring of vessels

The ability to monitor and supervise our vessels allows us to effectively manage our business operations. In this regard, we utilized information technology systems and software such as Hifleet to track the locations of our vessel fleet as well as vessels under our management. We also utilized Hifleet to provide real-time meteorological information and forecasts, warnings of piracy activities in nearby areas, and information about various docks and ports, which allows us to plan ahead and mitigate potential risks from local conflicts, pirate attacks, severe weather conditions etc. See "Information Technology" in this section below for further details of the information technology systems and software utilized by us in business operations.

In addition to the use of information technology systems and software, we also monitor our vessel fleet through daily status reports from each vessel and we maintain close communication with each vessel through conventional channels such as by phone and by email. These status reports along with software such as Hifleet allow us to effectively track the location and velocity of which each vessel is travelling at to ensure that the vessel is on schedule under our voyage charters, meeting the minimum required travel speeds under time charters. It also allows us to ensure that our vessels are not operated in any unsafe areas.

Repair and maintenance of vessels

To ensure that our vessels are seaworthy, we have devised extensive guidelines and protocols in regards to repair and maintenance. We have comprehensive repair and maintenance manuals covering every aspect of a vessel. Such manuals dictate the frequency for such repair and maintenance works which may be carried out daily, monthly, quarterly or annually. In addition, we conduct ad hoc maintenance work arising from defects discovered during day-to-day operations of vessels or maritime accidents.

Our crew members are generally responsible for handling any minor repair and maintenance works, but we may arrange for external ship technicians to board the vessel from time to time to conduct repair and maintenance works that require greater technical expertise. We generally arrange for such external technicians to board the vessel when we are berthed at a port for loading and unloading of cargo to minimise disturbance to our business operations.

In addition, we arrange for our vessels to be dry-docked every two to three years for comprehensive checks to every aspect of a vessel with particular attention to the areas of a vessel that are under the water-line such as sea valves, piping, tailshafts and rudder, which is difficult to repair without the vessel being dry-docked.

We maintain extensive inspection and maintenance records. Our crew members are responsible for devising monthly repair and maintenance plans as well as recording and updating such inspection and maintenance records.

Maintenance of classification status of vessels

Every vessel is generally required to be given a class designation by a classification society based on the way it is designed, constructed, tested and operated. Generally, the validity period of a certificate of class is five years. The certificate can be revalidated each year thereafter on the condition that the classification society is satisfied as to the results of an annual survey conducted on the vessel where the electrical plant, safety equipment, and communication equipment onboard the vessel are examined.

To ensure all our vessels maintain their classification status, we are required to conduct routine surveys of our vessels in accordance with the applicable standards required by each classification society. Routine surveys generally include annual surveys, intermediate surveys to be carried out every two to three years, and renewal surveys to be carried out every five years, depending on the specific requirements of each classification society. Ad-hoc surveys may also be conducted following an accident or whenever necessary.

Annual surveys are generally carried out by third party surveyors appointed by the classification society when our vessel is berthed at a port during cargo loading and unloading. Since the outbreak of COVID-19, the annual survey may be conducted through live feed video instead of a physical survey whereby the ship surveyor will direct our crew members in real time to survey all necessary aspects of a vessel. Intermediate surveys and renewal surveys generally required the vessel to be dry-docked. We generally scheduled our routine repair and maintenance dry-docking to be held at the same time as such intermediate surveys and renewal surveys, so as to reduce the total amount of time when a vessel is off-hire.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in renewing and maintaining the classification statuses of our controlled vessels.

Bunker and fueling arrangements

We generally are responsible for bunker costs and refuelling for vessels which we charter out to our customers under voyage charter and COA. Prior to the chartering of our vessels to our customers, we assess whether refuelling is required based on the length of the intended voyage, the bunker capacity of the relevant vessel and the amount of bunker already in the vessel. If refuelling is required, we are responsible for liaising with the captain of each vessel as well as fuel suppliers to make necessary refuelling arrangements from time to time.

To control our costs for bunker, we generally obtained several quotations from various suppliers to obtain the most favourable bunker price. We did not conduct hedging activities or enter into any long-term agreements for the supply of bunker with any of our bunker suppliers during the Track Record Period as we tended to make purchases of bunker on an as-needed basis. We generally finalized our purchase orders electronically, and such purchase orders generally set out the contracting parties, the bunker supplier, the name of the vessel, the amount, type and price of the bunker, the time and location for refuelling, and payment terms. We are generally required to pay within 30 days from the date of delivery of bunker to our vessels.

OUTSOURCING ARRANGEMENTS

Outsourcing of crew members

We are generally responsible for crewing our controlled vessels. As for our ship management services business, we might be responsible for providing crew members to vessels under our management where our customers have requested for crewing services.

During the Track Record Period, we generally outsourced our crew members. To streamline our operations and reduce our administrative burden, we have worked with several crew manning agencies to engage crew members on an as-needed basis. The salient terms of a typical labor supply contract with crew manning agencies, which are legally binding, are set out below:

Salient terms	Description
Duration	• The service period as specified under the crew manning contracts generally ranged from six months to one year.
Services provided by crew manning agency	• The crew manning agency is responsible for providing the requested number of properly certified crew workers at the requested experience levels to us.
Service fees	• The wages of crew members are prescribed in the crew manning contract and the level of wages is differentiated based on the position and experience of the crew member. The level of wages is generally negotiated between us and the crew manning agencies.
	• The crew manning agency charges us based on the number and prescribed wages of crew members required and such fee is generally inclusive of other ancillary expenses such as the crew members' food expenses, travel expenses, pre-commencement body checks, and hotel expenses for quarantine.
	• The crew manning agency deducts a certain amount from the fee we pay to them as their service fees for providing us crew manning services. The crew manning agency is then responsible for making the necessary arrangements to pay the crew members every month from the remaining fees. The crew manning agencies are also generally responsible for paying social insurance and provident funds for the crew members, where applicable.
Payment terms	• We are generally required to pay crew manning fees to crew manning agencies on a monthly basis.

Salient terms	Description
Our major responsibilities	• We are responsible for providing crew members uniforms, gear and safety equipment to allow them to carry out their duties onboard a vessel. • We are responsible for keeping the crew manning agency reasonably informed of the position of the relevant vessel which their crew members are dispatched to. • We are primarily responsible for supervising and managing the workers, as well as providing the requisite training to crew workers to perform their work.
Termination	• The contract may be terminated by us by giving our crew manning agencies prior notice as stipulated under the labor supply contract.

We select crew manning agencies based on a set of selection criteria such as their reputation, size and scale, quality of the crew workers, and fees charged. During the Track Record Period, we have engaged third-party crew manning agencies as well as Qingdao Haizhou Crew Manning Company Limited* (青島海洲星船員服務有限公司) ("**Haizhou Crew Manning (Qingdao)**") and Sinostar Crew Manning Co., Ltd ("**Sinostar Crew Manning**"), our related parties, for our outsourcing of crew members. See the subsection headed "Relationship with Our Controlling Shareholder — Companies owned by our Controlling Shareholder but not included in our Group" for further details. Our Directors confirm that save for Qingdao Haizhou Crew Manning Company Limited* (青島海洲星船員服務有限公司) and Sinostar Crew Manning Co., Ltd, all other crew manning agencies engaged by us for outsourcing of crew members during the Track Record Period are Independent Third Parties.

Our Directors consider that outsourcing crew manning to our related parties Haizhou Crew Manning (Qingdao) and Sinostar Crew Manning during the Track Record Period is in our commercial interests as our related parties are able to provide the necessary crewing services that suit our needs most appropriately at service fees not higher than service fees we pay Independent Third Parties in comparable transactions. Our Directors further consider that the practice of outsourcing crew manning services to be customary in the maritime shipping industry, and our Directors expect alternative sources of supply of crew manning services from other crew manning agencies to be readily available. We have outsourced crewing to over 5, 10, 10 and 15 crew manning agencies during the Track Record Period, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the transaction amounts for the crew manning services procured from Haizhou Crew Manning (Qingdao) were nil, approximately USD16,000, USD1.2 million and

USD0.5 million, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the transaction amounts for the crew manning services procured from Sinostar Crew Manning Co., Ltd were approximately USD11.5 million, USD19.3 million, USD24.6 million and USD8.4 million, respectively. During the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the transaction costs of the crew manning services procured from Independent Third Parties amounted to approximately USD13.6 million, USD14.1 million, USD22.1 million and USD14.0 million, respectively, representing approximately 54.2%, 42.2%, 46.1% and 61.2% of our total crew manning expenses for the corresponding periods.

In September 2022, share transfer agreements have been entered into between (i) Seacon Ships Management Group (as transferor) and a group of companies incorporated and established in Hong Kong and the PRC principally engaged in the provision of crew manning services internationally and in the PRC (the "**Purchaser Group**") to transfer the entire shareholding interest in Sinostar Crew Manning to the Hong Kong incorporated company of the Purchaser Group; and (ii) Shandong Seacon Shipping (as transferor) and the Transferee (as transferee) to transfer the entire shareholding interest in Haizhou Crew Manning (Qingdao) to the PRC established company of the Purchaser Group (collectively referred to as the "**Transactions**"). To the best knowledge of our Directors, the Purchaser Group and its ultimate beneficial owners is an Independent Third Party. Completion of the transfer of shares in Haizhou Crew Manning (Qingdao) took place on October 27, 2022, and the transfer of shares in Sinostar Crew Manning is expected to be completed in or around November 2022. As Haizhou Crew Manning (Qingdao) and Sinostar Crew Manning will become Independent Third Parties upon completion of the Transactions, the procurement of crew manning services from Haizhou Crew Manning (Qingdao) and Sinostar Crew Manning will not constitute continuing connected transactions upon [REDACTED].

We generally require crew members to have obtained the requisite licenses under the appropriate flag state of the vessel in addition to customary licenses and identification documents generally required for crew workers. We have adopted guidelines in ensuring the quality of the outsourced crew members utilized in our business operations. For instance, we generally require prospective crew members to undergo multiple rounds of interviews with our vessel supervisors such as the superintendent and our managers prior to allocating crew members to our controlled vessels or vessels under our management.

CUSTOMERS

Overview

During the Track Record Period, our customers mainly included (i) shipowners, (ii) finance and leasing companies, (iii) shipbuilders, (iv) dry bulk goods traders, and (v) shipping and logistics companies.

The following table sets forth a breakdown of our revenue by major customer type during the Track Record Period:

	Year ended December 31,						Five months ended May 31, 2022	
	2019		2020		2021			
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000*	*%*
Shipping services								
— Commodities owners and traders	23,088	21.2	83,865	58.9	211,822	65.4	86,960	56.0
— Shipping services companies	85,767	78.8	58,514	41.1	111,920	34.6	68,394	44.0
Subtotal:	**108,855**	**100.0**	**142,379**	**100.0**	**323,742**	**100.0**	**155,354**	**100.0**
Ship management services								
— Shipowners	25,053	93.7	35,136	96.1	43,371	88.5	20,195	85.5
— Shipbuilders	—	—	—	—	435	0.9	867	3.7
— Others[(Note)]	1,699	6.3	1,414	3.9	5,190	10.6	2,536	10.8
Subtotal:	**26,752**	**100.0**	**36,550**	**100.0**	**48,996**	**100.0**	**23,598**	**100.0**
Total:	**135,607**		**178,929**		**372,738**		**178,952**	

Note: Others generally include tourism companies, construction companies, marine works companies, etc. who generally own vessels for their business operation.

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. As finance and leasing companies generally do not have the expertise to manage vessels, such companies may procure our ship management services which include daily operations of vessels, commercial and technical management, crew management, repair and maintenance, and regulatory management and compliance. As our ship management services also include the provision of shipbuilding supervision services, we also provided such services to shipbuilders who engaged us to provide supervision services over vessels built by such shipbuilders.

Our major customer groups in respect of our shipping services business segment may generally be categorized into shipping services companies and commodities owners and traders. Shipping services companies may charter in vessels and shipping capacity from us to meet the shipping needs of their respective customers. Commodities owners and commodities traders may procure our shipping services to transport their respective goods.

Major customers

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the revenue attributable to the largest customer amounted to approximately 7.7%, 5.0%, 7.0% and 7.2% of our total revenue, respectively, while the revenue attributable to the five largest customers, in aggregate, amounted to approximately 20.9%, 18.7%, 25.6% and 20.1% of our total revenue, respectively. Set out below are details of our top five customers during the Track Record Period:

For the year ended December 31, 2019

Rank	Name of customer	Background and principal business	Year of commencement of business relationship	Services provided to the customer	Approximate amount of revenue *(USD'000)*	Percentage of total revenue *(%)*	Credit terms	Method of payment
1.	Customer A	A dry bulk trader mainly engaged in the transportation of bauxite.	2019	Shipping services	10,377	7.7	Prepayment	Bank transfer
2.	Customer B	A company principally engaged in the provision of shipping services with a focus on ship management and shipping business.	2018	Ship management services	5,051	3.7	Prepayment	Bank transfer
3.	Zhejiang Xin Yi Hai Group (浙江新一海集團)*(Note)*	Zhejiang Xin Yi Hai Group is primarily engaged in maritime cargo transportation and is ultimately owned by Zhoushan Communications Investment Group Co., Ltd.* (舟山交通投資集團有限公司), which is a PRC state-owned enterprise managed by Zhoushan State-owned Assets Supervision and Administration Commission* (舟山市國有資產監督管理委員會).	2012	Ship management services	4,851	3.6	Prepayment	Bank transfer
4.	Customer D	A company principally engaged in the provision of shipping services and a member of a group which is primarily engaged in black metal and mass metal trading.	2018	Shipping services	4,396	3.2	Prepayment	Bank transfer
5.	Customer E	A company principally engaged in the provision of dry bulk and unitized cargo transportation services, and one of the world's leading dry bulk owners and operators based in Germany.	2017	Shipping services	3,664	2.7	Prepayment	Bank transfer
Total:					**28,339**	**20.9**		

For the year ended December 31, 2020

Rank	Name of customer	Background and principal business	Year of commencement of business relationship	Services provided to the customer	Approximate amount of revenue *(USD'000)*	Percentage of total revenue *(%)*	Credit terms	Method of payment
1.	Customer B	A company principally engaged in the provision of shipping services with a focus on ship management and shipping business.	2018	Ship management services	9,017	5.0	Prepayment	Bank transfer
2.	Customer F	A group of companies that are primarily engaged in industries such as steel, mining, construction and cement.	2020	Shipping services	6,891	3.9	Prepayment	Bank transfer
3.	Customer G	A company principally engaged in the steel industry with its shares listed on the National Stock Exchange of India.	2019	Shipping services	6,301	3.5	Prepayment	Bank transfer
4.	Customer E	A company principally engaged in the provision of dry bulk and unitized cargo transportation services, and one of the world's leading dry bulk owners and operators based in Germany.	2017	Shipping services	5,805	3.2	Prepayment	Bank transfer
5.	Zhejiang Xin Yi Hai Group (浙江新一海集團)*(Note)*	Zhejiang Xin Yi Hai Group is primarily engaged in maritime cargo transportation and is ultimately owned by Zhoushan Communications Investment Group Co., Ltd.* (舟山交通投資集團有限公司), which is a PRC state-owned enterprise managed by Zhoushan State-owned Assets Supervision and Administration Commission* (舟山市國有資產監督管理委員會).	2012	Ship management services	5,480	3.1	Prepayment	Bank transfer
Total:					**33,494**	**18.7**		

For the year ended December 31, 2021

Rank	Name of customer	Background and principal business	Year of commencement of business relationship	Services provided to the customer	Approximate amount of revenue *(USD'000)*	Percentage of total revenue *(%)*	Credit terms	Method of payment
1.	Customer H	A multiple specialties trading company which operates four integrated core businesses of steel, industrial supply and infrastructure, textiles, and foodstuffs which has its shares listed on the Tokyo Stock Exchange.	2019	Shipping services	25,713	7.0	Prepayment	Bank transfer
2.	Customer I	A company engaged in trading of mining products whose ultimate parent company is listed on the New York Stock Exchange, and comprised of more than 20 production enterprises in industries ranging from producing coal, iron ore, steel, rolled products, ferroalloys, heat and electric power.	2019	Shipping services	22,505	6.0	Prepayment	Bank transfer
3.	Customer J	A company primarily engaged in iron ore procurement, sales and transportation.	2021	Shipping services	18,786	5.0	Prepayment	Bank transfer
4.	Customer F	A group of companies that are primarily engaged in industries such as steel, mining, construction and cement.	2020	Shipping services	16,306	4.4	Prepayment	Bank transfer
5.	Customer K	A company primarily engaged in iron ore procurement, sales and transportation and an indirectly wholly-owned subsidiary of a PRC state-owned enterprise.	2020	Shipping services	12,101	3.2	Prepayment	Bank transfer
Total:					**95,411**	**25.6**		

For the five months ended May 31, 2022

Rank	Name of customer	Background and principal business	Year of commencement of business relationship	Services provided to the customer	Approximate amount of revenue *(USD'000)*	Percentage of total revenue *(%)*	Credit terms	Method of payment
1.	Customer H	A multiple specialties trading company which operates four integrated core businesses of steel, industrial supply and infrastructure, textiles, and foodstuffs which has its shares listed on the Tokyo Stock Exchange.	2019	Shipping services	12,955	7.2	Prepayment	Bank transfer
2.	Customer L	A group of companies primarily engaged in the provision of logistics services, including freight solutions for dry-bulk and break-bulk and projects cargo movements.	2019	Shipping services	6,684	3.7	Prepayment	Bank transfer
3.	Customer M	A company primarily engaged in the provision of transportation services which provides rail and marine transportation services worldwide covering chemicals, steels, equipment, heavy products, foods and other daily goods. It also offers home-moving, office and warehouse leasing services. It is a subsidiary of a company which has its shares listed on the Tokyo Stock Exchange.	2020	Shipping services	5,795	3.2	Prepayment	Bank transfer
4.	Customer N	A company primarily engaged in the provision of logistics services, including project forwarding, logistic center, export and import services, integrated transportation, third-party logistics, inland transportation, and stevedoring.	2019	Shipping services	5,664	3.2	Prepayment	Bank transfer
5.	Customer O	A company primarily engaged in the provision of shipping and logistics services, including break bulk liners, trampers and containers, as well as specialized vessels such as tankers and gas carriers, which has its shares listed on the Korea Stock Exchange.	2018	Shipping services	4,913	2.8	One month	Bank transfer
					36,011	20.1		

Note: Zhejiang Xin Yi Hai Group includes Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), Seacon 6, Seacon 7, Seacon 8, Seacon 9, Hongkong Xinyihai, Hongkong Xinyihai 65 Co., Limited and Hongkong Xinyihai 66 Co., Limited.

Relationship with Customer B

During the Track Record Period, we provided ship management services to Customer B who was our second-largest customer and largest customer for the years ended December 31, 2019 and 2020, respectively. During the Track Record Period, we were under financing arrangement with Customer B and an Independent Third Party ("**Individual A**") who to the best knowledge of our Directors is a customer of Customer B (the "**Financing Arrangement**").

To the best of the knowledge of our Directors, before entering into the Financing Arrangement, Customer B and Individual A had reached out to our Group to discuss and explore cooperation opportunities in obtaining financing from Supplier C by way of finance lease arrangements since Supplier C, a renowned state-owned finance lease company, prefers to cooperate with renowned shipowners. As such, Customer B and Individual A approached us with a view to leverage on our reputation and obtain financing from Supplier C through us.

Under this Financing Arrangement, we entered into a tripartite cooperation agreement (the "**Tripartite Cooperation Agreement**") with Customer B and Individual A whereby Customer B transferred to us its legal title over two vessels, namely BAO GRAND and BAO GLORY, and Individual A transferred to us his legal title over the vessel BAO FENG. Such vessels were subsequently transferred to Supplier C, a renowned state-owned finance lease company and one of our top five suppliers during the Track Record Period ("**Supplier C**") to obtain financing by way of sale and leaseback.

The Tripartite Cooperation Agreement includes the following key terms:

- *Allocation of gross proceeds*. All of the gross proceeds from the finance leases for BAO GLORY and BAO GRAND will be allocated to Customer B. The gross proceeds from the finance lease for BAO FENG will be allocated between Individual A and us in an agreed proportion.

- *Repayment obligations*. Customer B will make full repayment to Supplier C directly for the amount due under the finance leases for BAO GLORY and BAO GRAND. In respect of the amount due under the finance lease for BAO FENG, Individual A will first make repayment of his proportional share of the proceeds from the finance lease for BAO FENG to us, and we will then make full repayment to Supplier C.

- *Indemnity*. If any parties failed to make timely repayments which resulted in the termination of the finance leases by Supplier C, the defaulting party shall indemnify the non-defaulting parties from all losses.

- *Guarantee*. Individual A and Customer B shall provide guarantees to us on the same terms as the guarantees provided by us and our shareholders to Supplier C under the finance leases.

- *Term*. Eight years, same as the term of the finance leases.

- *Exclusive rights*. During the term of the Tripartite Cooperation Agreement, BAO GLORY, BAO GRAND and BAO FENG will be managed by us.

The finance leases for BAO GLORY, BAO GRAND and BAO FENG entered into with Supplier C are typical finance lease arrangements similar to those entered into by us with other finance leasing companies and were generally governed by English laws. See the paragraphs headed "Our fleet of vessels — Controlled vessel fleet — Finance lease arrangements — Salient terms of our finance lease arrangements" in this section for the salient terms of our finance lease arrangements.

The gross proceeds from the finance leases was approximately USD27.0 million in aggregate, among which approximately USD18.0 million was transferred to Customer B, approximately USD5.4 million was transferred to Individual A (being approximately USD3.6 million in October 2018 and an additional approximately USD1.8 million in October 2019) and approximately USD5.4 million was initially retained by us as a reserve for potential repayment obligations under the finance leases for BAO GRAND, BAO GLORY and BAO FENG in the event Customer B or Individual A fails to make timely repayments to Supplier C. The term of the finance leases for all three vessels was for a period of eight years and interest payable on these finance lease arrangements was on normal commercial terms. Our Directors, Mr. Guo and Mr. Chen have also provided personal guarantees over the finance leases. During the course of the Financing Arrangement, we provided ship management services to BAO GRAND, BAO GLORY and BAO FENG. Notwithstanding the above, the financing provided (i) by Supplier C to us and (ii) by us to each of Customer B and Individual A were not interrelated as the finance leases did not stipulate or restrict our use of the financing obtained and the financing provided by Supplier C to us was not conditional upon the Financing Arrangement. Also, if Customer B or Individual A failed to discharge its obligations under the Tripartite Cooperation Agreement (such as failure to make timely repayment), Supplier C would have no remedy against Customer B or Individual A and we will remain responsible for making timely repayment to Supplier C under the finance leases.

All amounts under the finance leases for each of BAO GRAND, BAO GLORY and BAO FENG were fully settled as at October 2021, and the legal title of each of BAO GRAND, BAO GLORY and BAO FENG was transferred back to Customer B and Individual A, respectively following the settlement.

Our Directors considered that, even though we have assumed the repayment obligations under the Financing Arrangement without charging any service fee, the Financing Arrangement was in our interests as we were able to reinforce our business relationship with Customer B as well as secure business opportunities for provision of ship management services to each of BAO GRAND, BAO GLORY and BAO FENG as provided for under the Tripartite Cooperation Agreement. Our Directors also considered the Financing Arrangement to be beneficial to our Group and the associated risks such as default by Customer B and Individual A were remote in view of (i) our strong business relationship with Customer B, (ii) the legal titles of the vessels of BAO GRAND, BAO GLORY and BAO FENG were transferred to us for free before we subsequently transferred them to Supplier C, and (iii) the reserve retained by us to settle any repayment obligations if Customer B and Individual A default.

Our Directors confirm that (i) the Financing Arrangement as well as the finance leases entered into with Supplier C were conducted on arm's length negotiations and were on normal commercial terms; (ii) the ship management services we provided to BAO GRAND, BAO GLORY and BAO FENG were conducted on normal commercial terms; and (iii) we did not receive any commission, rebates or service fees from Customer B or Individual A in connection with the Financing Arrangement.

As confirmed with Supplier C, (i) the finance leases for each of BAO GRAND, BAO GLORY and BAO FENG did not stipulate or restrict our use of the financing obtained; (ii) there were no actual or potential disputes in relation to the Financing Arrangement; (iii) the Financing Arrangement did not involve any fraud, bribery or other illegal activities; and (iv) all the finance leases over BAO GRAND, BAO GLORY and BAO FENG were fully settled in October 2021.

As confirmed with our PRC Legal Advisers and our English Legal Advisers, the Financing Arrangement was lawful and fully complied with the applicable rules and regulations in PRC and England and Wales, respectively.

As at the Latest Practicable Date, our Directors were not aware of any other laws and regulations applicable to the Financing Arrangement other than English laws and PRC laws.

All of our top five customers during the Track Record Period are Independent Third Parties. Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), a member of Zhejiang Xin Yi Hai Group (浙江新一海集團), is the business partner holding shares in our associates, Seacon 6, Seacon 7, Seacon 8, Seacon 9, and Hongkong Xinyihai. Please refer to the paragraph headed "Our fleet of vessels — Jointly-owned vessels" in this document for further details. To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any of the Shareholders who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any direct or indirect interest in any of our five largest customers during the Track Record Period.

Payment and credit terms

Our revenue is generally denominated in USD and settled by way of bank transfer.

Payment terms

In respect of our shipping services business segment, for vessels chartered to our customers under period-based time charters, we generally require our customers to make monthly prepayments of charter hire for the following term during the charter period. For shorter time charters (such as TCT or shorter period-based time charters), the period for making such prepayments may be shorter than one month or we may issue a final invoice to our customer at the end of the charter period. For vessels chartered to our customers under voyage charters and COA, we generally require our customers to make payment of substantial or all freight charges a few days after the cargo has been loaded onto the vessel at the originating port.

Our management fees for long-term ship management contracts are payable by our customers on a monthly, quarterly or annual basis. For shorter ship management contracts such as vessel delivery ship management contracts, we generally require our customers to make partial payment of the service fee prior to commencement of our services and settle the remainder of the fee prior to reaching the destination port. Our services fees received from our customers for our provision of shipbuilding supervision services was generally paid in installments upon reaching certain milestone dates or at set time intervals.

Our Directors confirmed that, save for the disputes and legal proceedings as disclosed in the subsection headed "Legal Proceedings" in this section below, there was no material breach of our agreements entered into with our customers during the Track Record Period and up to the Latest Practicable Date.

Credit period

During the Track Record Period, we generally required prepayments, but we typically granted a grace period of up to one month to our customers.

We will continuously review and identify any long outstanding trade receivables. See "Financial Information — Description of selected items of consolidated balance sheets — Trade and other receivables" for further details on our receivable turnover days during the Track Record Period.

Customer feedback and complaints

Our Directors 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 to assess and evaluate which aspects of our service offerings need further improvement. In accordance with our internal policy, our sales team will handle the enquiries and/or complaints received and follow up with the relevant customer in a prompt manner. During the Track Record Period and up to the Latest Practicable Date, save for the disputes and material legal proceedings as disclosed in the subsection headed "Legal Proceedings" in this section below, we did not receive any material complaints from our customers.

SUPPLIERS

Our suppliers mainly include (i) vessel suppliers, (ii) marine goods suppliers such as lubricants and spare parts, (iii) bunker suppliers, (iv) insurance companies, (v) classification societies, and (vi) repair and maintenance service providers.

Major suppliers

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the purchase costs payable to the largest supplier amounted to approximately 5.4%, 6.3%, 2.5% and 4.8% of our total purchase costs, respectively, while the purchase costs attributable to the five largest suppliers, in aggregate, amounted to approximately 13.7%, 15.2%, 9.5% and 18.2% of our total purchase costs, respectively. Set out below are details of our top five suppliers during the Track Record Period:

For the year ended December 31, 2019

Rank	Name of supplier	Background and principal business	Year of commencement of business relationship	Products/services purchased by our Group	Approximate procurement amount *(USD'000)*	Percentage of total purchase costs *(%)*	Credit terms	Method of payment
1.	Supplier A	A company principally engaged in the provision of marine fuel and bunkering services, and a member of a group which is principally engaged in trading marine fuel, bunker and lubricants globally.	2018	Bunker fuel	6,719	5.4	One month	Bank transfer
2.	Shanghai Weilun Shipping Co., Ltd* (上海煒倫航運有限公司)	A company principally engaged in the provision of marine transportation services, and an indirectly-owned subsidiary of Huaibei Mining Industry (Group) Co., Ltd* (淮北礦業(集團)有限責任公司), which is a PRC state-owned enterprise managed by the Anhui State-owned Assets Supervision and Administration Commission* (安徽省人民政府國有資產監督管理委員會).	2016	Vessel chartering	3,200	2.5	Prepayment	Bank transfer
3.	Supplier C	A company principally engaged in the provision of finance leasing services, and an indirectly-owned subsidiary of a company which has its shares listed on the Shanghai Stock Exchange.	2015	Vessel chartering	2,445	2.0	Three months	Bank transfer
4.	Supplier D	A company principally engaged in the provision of finance leasing services, and a wholly-owned subsidiary of a company which has its H shares listed on the Stock Exchange and its A shares listed on the Shanghai Stock Exchange.	2019	Vessel chartering	2,325	1.9	Prepayment	Bank transfer
5.	Supplier E	A private company principally engaged in the provision of marine transportation services.	2019	Vessel chartering	2,318	1.9	Prepayment	Bank transfer
Total:					**17,007**	**13.7**		

For the year ended December 31, 2020

Rank	Name of supplier	Background and principal business	Year of commencement of business relationship	Products/services purchased by our Group	Approximate procurement amount	Percentage of total purchase costs	Credit terms	Method of payment
					(USD'000)	*(%)*		
1.	Supplier F	A company principally engaged in wholesale trading of aviation and marine fuels, diesels and lubricants, and an indirectly-owned subsidiary of a company which has its shares listed on The New York Stock Exchange.	2017	Bunker fuel	10,627	6.3	One month	Bank transfer
2.	Supplier G	A company principally engaged in the provision of capital trust, movable property trust, real estate trust, and other trust-related services, and an indirectly-owned subsidiary a company which has its shares listed on the Shenzhen Stock Exchange.	2019	Vessel chartering	4,026	2.4	Prepayment	Bank transfer
3.	Supplier H	A company principally engaged in bunker trading and the provision of fuel management solutions for the global market.	2017	Bunker fuel	3,949	2.3	One month	Bank transfer
4.	Supplier C	A company principally engaged in the provision of finance leasing services, and an indirectly-owned subsidiary of a company which has its shares listed on the Shanghai Stock Exchange.	2015	Vessel chartering	3,660	2.2	Three months	Bank transfer
5.	Supplier I	A company engaged in the trading and distribution of mineral fuels and lubricants, as well as bunkering services, and a subsidiary of a company which has its shares listed on the Shanghai Stock Exchange.	2020	Bunker fuel	3,315	2.0	One month	Bank transfer
Total:					**25,577**	**15.2**		

For the year ended December 31, 2021

Rank	Name of supplier	Background and principal business	Year of commencement of business relationship	Products/services purchased by our Group	Approximate procurement amount *(USD'000)*	Percentage of total purchase costs *(%)*	Credit terms	Method of payment
1.	Supplier F	A company principally engaged in wholesale trading of aviation and marine fuels, diesels and lubricants, and an indirectly-owned subsidiary of a company which has its shares listed on The New York Stock Exchange.	2017	Bunker fuel	7,859	2.5	One month	Bank transfer
2.	Supplier J	A company principally engaged in the leasing of ships, and a wholly-owned subsidiary of a company, which has its shares listed on the Taiwan Stock Exchange and its global depositary receipts listed on the London Stock Exchange.	2019	Vessel chartering	6,451	2.0	Prepayment	Bank transfer
3.	Supplier K	A company engaged in the transportation of bulk cargo such as agriculture products and coal.	2020	Vessel chartering	5,772	1.8	Prepayment	Bank transfer
4.	Supplier L	Two member companies of a group which is a global merchant and processor of agricultural goods, and principally engaged in the chartering of ships, barges and boats with crew.	2020	Vessel chartering	5,304	1.7	Prepayment	Bank transfer
5.	Supplier M	A company principally engaged in the provision of marine transportation, and a wholly-owned subsidiary of a company which has its shares listed on the Taiwan Stock Exchange.	2021	Vessel chartering	4,742	1.5	Prepayment	Bank transfer
Total:					**30,128**	**9.5**		

For the five months ended May 31, 2022

Rank	Name of supplier	Background and principal business	Year of commencement of business relationship	Products/services purchased by our Group	Approximate procurement amount (USD'000)	Percentage of total purchase costs (%)	Credit terms	Method of payment
1.	Supplier N	A company principally engaged in the sale of fuels, ores, metals and industrial chemicals.	2019	Bunker fuel	7,587	4.8	One month	Bank transfer
2.	Supplier H	A company principally engaged in bunker trading and the provision of fuel management solutions for the global market.	2017	Bunker fuel	7,346	4.7	One month	Bank transfer
3.	Supplier F	A company principally engaged in wholesale trading of aviation and marine fuels, diesels and lubricants, and an indirectly-owned subsidiary of a company which has its shares listed on The New York Stock Exchange.	2017	Bunker fuel	5,299	3.4	One month	Bank transfer
4.	Supplier C	A company principally engaged in the provision of finance leasing services, and an indirectly-owned subsidiary of a company which has its shares listed on the Shanghai Stock Exchange.	2015	Vessel chartering	4,662	3.0	Three months	Bank transfer
5.	Supplier O	A vessel holding company and a wholly-owned subsidiary of a company which has its shares listed on the Nasdaq.	2022	Vessel chartering	3,610	2.3	Prepayment	Bank transfer
					28,504	18.2		

All of our top five suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective close associates or any of the Shareholders who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any direct or indirect interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we did not experience any material difficulty in sourcing materials and vessels nor have we experienced any shortage or delay in the supply of materials and vessels during the same period.

Vessel suppliers

During the Track Record Period, we worked with a large number of vessel suppliers who generally provided us with vessels and shipping capacity and we transacted with over 100 vessel suppliers.

We generally chartered in vessels which predominantly comprised dry bulk carriers from vessel suppliers under time charters. The contractual terms and payment arrangements of such time charters are set out in the paragraph headed "Salient terms of the charter contracts with our customers" in this section above. We also entered into bareboat charters during Track Record Period to expand our fleet of controlled vessels. See "Our fleet of vessels — Controlled vessel fleet — Bareboat charter" in this section above for further details. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recorded charter hire costs of approximately USD53.3 million, USD60.8 million, USD176.7 million and USD70.9 million, respectively.

Bunker fuel suppliers

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recorded bunker charges of approximately USD16.2 million, USD28.7 million, USD36.5 million and USD24.0 million, respectively. We have not entered into framework agreements or long-term agreements with any bunker suppliers as we generally sourced bunker fuel from suppliers on an as-needed basis depending on the specifications of each of vessels and the specifics of the charterparty contracts to which a vessel is under. See "Operational management of vessels — Bunker and fueling arrangements" in this section above for further details.

Shipbrokers

To solicit and secure business opportunities, we approached our existing and potential customers directly or through the use of shipbrokers. We also utilized shipbrokers to help us identify suitable vessels to charter in. According to F&S, ship brokerage services is steeped in history and use of a shipbroker in the maritime shipping industry is a highly traditional practice with such shipbrokers generally being responsible for managing and negotiating shipping matters on behalf of shipowners and merchants as well as handling the formalities of entering and clearing vessels at the customs-house. This intermediary role of shipbrokers in matching up shipowners, shipping companies and end-customers still exists to this day and the use of such shipbrokers in the industry is highly commonplace. A significant portion of all vessel chartering activities in the maritime shipping industry is conducted through shipbrokers according to F&S.

According to F&S, there are many benefits to utilizing a shipbroker in the maritime shipping services industry. For instance, a major advantage is a shipbroker's access to a vast pool of information because shipbrokers typically have wide network of contacts encompassing all kinds of major players in the market. The use of a shipbroker can also help market players in the inherently global maritime shipping industry to overcome linguistic and cultural barriers with their wealth of specific localized market knowledge, thereby providing shipowners and shipping companies with valuable information and access to markets that they otherwise would not have been able to access. Owing to fragmented nature of the maritime shipping industry, the use of shipbrokers can also contribute to market efficiency by providing a centralized wealth of market information, thereby aiding in speeding up the search for and matching of market players to conduct shipping activities. Shipbrokers also, to a certain extent, alleviate counterparty risk between parties to a shipping transaction by lining up quality and creditworthy shipowners, shipping companies and downstream end-customers to each other.

Where utilized, a shipbroker is typically involved in most aspects of the contract negotiating process, including circulation of information and referral of business to potential clients, negotiating the main terms of the fixture or sale, finalizing the details of the contract and following the contract through to its conclusion. Owing to the critical function that a shipbroker serves in the industry, it is expected that shipbrokers will continue to play a critical role in the maritime shipping services industry.

We generally only used ship brokerage services for our shipping services business segment. During the Track Record Period, approximately 52%, 71%, 46% and 72%, respectively of the vessels chartered-in by us from suppliers were conducted through a shipbroker and roughly 47%, 77%, 63% and 95%, respectively of the vessels chartered-out by us to customers during the Track Record Period were conducted through a shipbroker. We did not use shipbrokers for our ship management services business segment as we typically contact customers or receive business enquiries from our customers directly. During the Track Record Period, we worked with various shipbrokers, all of which were Independent Third Parties. We generally selected shipbrokers that are well-established in the industry and have a good reputation amongst our market peers.

During the Track Record Period, we used brokers to help match us with potential customers and with suitable vessels. Where a potential customer or supplier was identified through a shipbroker, such shipbroker generally acts as a middleman and will assist the parties in negotiating the terms of intended charter. If both parties agree to the terms of intended charter, we will enter into charterparty contracts with a customer or vessel supplier or shipowner. We did not enter into any framework agreements or separate contracts with shipbrokers during the Track Record Period. For the charterparty contracts that we enter into with our customers generally have a clause setting out the amount of brokerage payable to the shipbroker. The brokerage payable to shipbrokers was generally around 1.25% of the charter hire or freight payable per customary industry standards. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we paid brokerage fees to shipbrokers of approximately USD1.4 million, USD1.9 million, USD4.2 million and USD1.6 million, respectively.

We are generally only responsible for paying brokerage fees to the shipbrokers when we have used their services to assist us in identifying customers. Brokerage fees are generally only paid at the end of the charter period. If we utilized a shipbroker to help us identify suitable vessels to charter in, we are typically not responsible for paying brokerage as the responsibility for paying brokerage fees to the shipbroker generally falls upon the shipowners and vessel suppliers.

Payment terms

Our Group is subject to different payment terms with different suppliers with some suppliers requiring prepayments and some suppliers granting us payment periods that generally between 30 to 60 days. Generally, the fees and costs payable are generally settled in USD and by way of bank transfer. We usually settle payments with our suppliers within 30 to 60 days. See "Financial Information — Description of selected items of consolidated balance sheets — Trade and other payables" for further details on our payable turnover days.

Our Directors confirmed that, save for the disputes and material legal proceedings as disclosed in the subsection headed "Legal Proceedings" in this section below, there was no material breach of our agreements entered into with our suppliers during the Track Record Period and up to the Latest Practicable Date.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Shanghai Weilun Shipping Co., Ltd* (上海煒倫航運有限公司) ("**Shanghai Weilun**") and Supplier L, our top five suppliers for the year ended December 31, 2019 and the year ended December 31, 2021, respectively, were also our customers during the Track Record Period. Shanghai Weilun and Supplier L were not our top five customers during the Track Record Period. For further details on the background of Shanghai Weilun and Supplier L, please refer to the paragraph headed "Suppliers — Major suppliers" in this section above. During the Track Record Period, Shanghai Weilun and Supplier L were our overlapping customer-suppliers because (i) we chartered a vessel from Shanghai Weilun and provided ship management services to Shanghai Weilun and (ii) we chartered a vessel from Supplier L and provided shipping services to Supplier L.

Likewise, Customer E, our top five customer for the years ended December 31, 2019 and 2020, and Customer N and Customer O, our top five customers for the five months ended May 31, 2022, were also our suppliers during the Track Record Period. Customer E, Customer N and Customer O were not one of our top five suppliers during the Track Record Period. For further details on the background of Customer N and Customer O, please refer to the paragraph headed "Customers — Major customers" in this section above. During the Track Record Period, Customer E, Customer N and Customer O were our overlapping customer-supplier because we had provided shipping services to Customer E, Customer N and Customer O and chartered vessels from Customer E, Customer N and Customer O.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate amount of cost of sales incurred in relation to the sales to Shanghai Weilun, Supplier L, Customer E, Customer N and Customer O amounted to approximately USD5.0 million, USD8.9 million, USD20.2 million and USD13.2 million, respectively, representing approximately 4.1%, 5.4%, 6.4% and 9.0% of our total cost of sales, respectively, while the aggregate amount of revenue attributable from Shanghai Weilun, Supplier L, Customer E, Customer N and Customer O amounted to approximately USD5.7 million, USD8.7 million, USD25.3 million and USD15.6 million, respectively, representing 4.3%, 4.8%, 6.7% and 8.7% of our total revenue, respectively.

The table below sets for the total revenue, the percentage of revenue, the relevant cost of sales and the gross profit margin attributable to overlapping customer-suppliers who were our top five suppliers or top five customers during the Track Record Period:

	Overlapping customer-suppliers	Revenue, cost of sales and gross profit margins attributable to the overlapping transactions	Year ended December 31, 2019	2020	2021	Five months ended May 31, 2022
			(USD'000) (Approximately)	*(USD'000)* (Approximately)	*(USD'000)* (Approximately)	*(USD'000)* (Approximately)
1.	Shanghai Weilun	• Revenue (*and percentage of our Group's total revenue*)	1,323.5 *(1.0%)*	1,380.8 *(0.8%)*	745.3 *(0.2%)*	224.5 *(0.1%)*
		• Cost of sales[(1)]	1,197.4	1,776.5	1,048.4	267.9
		• Gross profit margin[(2)]	9.5%	–28.7%	–40.7%	–19.4%
2.	Supplier L	• Revenue (and percentage of our Group's total revenue)	—	1,135.1 *(0.6%)*	261.0 *(0.1%)*	3,620.6 *(2.0%)*
		• Cost of sales	—	1,057.7	244.9	3,181.3
		• Gross profit margin	—	6.8%	6.2%	12.1%
3.	Customer E	• Revenue (and percentage of our Group's total revenue)	3,664.3 *(2.7%)*	5,805.5 *(3.2%)*	5,730.2 *(1.5%)*	1,219.9 *(0.7%)*
		• Cost of sales	3,069.3	5,496.9	4,988.7	1,138.1
		• Gross profit margin	16.2%	5.3%	12.9%	6.7%
4.	Customer N	• Revenue (and percentage of our Group's total revenue)	484.4 *(0.4%)*	—	6,500.2 *(1.7%)*	5,663.7 *(3.2%)*
		• Cost of sales	423.5	—	4,801.8	4,334.1
		• Gross profit margin	12.6%	—	26.1%	23.5%
5.	Customer O	• Revenue (and percentage of our Group's total revenue)	242.9 *(0.2%)*	337.7 *(0.2%)*	12,061.5 *(3.2%)*	4,913.3 *(2.7%)*
		• Cost of sales	276.3	609.8	9,121.1	4,319.8
		• Gross profit margin[(3)]	–13.8%	–80.6%	24.4%	12.1%

Notes:

1. Cost of sales is calculated as sum of (i) direct costs such as vessel repair and maintenance fee, crew manning fees and purchase of supplies, and (ii) overhead costs in relation to the apportionment of our employee benefit expenses to each of our customers for our ship management services based on the length of service period.

2. We recorded negative gross profit margin from our transactions with Shanghai Weilun for the year ended December 31, 2020 and 2021 and the five months ended May 31, 2022. This was primarily because we had entered into a ship management services contracts with Shanghai Weilun during the Track Record Period where we charged ship management fees on a lump-sum basis. As Shanghai Weilun's vessels under our management required frequent repair and maintenance, during 2020 and 2021 and the five months ended May 31, 2022 the relevant costs outweighed the ship management fees we received from Shanghai Weilun, thus leading to the negative gross profit margins for the relevant periods.

3. We recorded negative gross profit margin from our transactions with Customer O for the years ended December 31, 2019 and 2020. This was because market rates had declined during the respective years primarily due to export controls at the material time the COVID-19 pandemic which meant that we received less charter hire and freight from customers to cover the fixed operating costs of our controlled vessels and/or the charter hire costs of our chartered-in vessels, which led to a negative gross profit margin for the years ended December 31, 2019 and 2020.

According to the F&S Report, it is a common practice in the maritime shipping industry for shipping services companies to charter vessels to and from other shipping services companies so as to manage their shipping capacities. Given that we chartered in a sizeable number of vessels from a broad network of vessel suppliers and provided shipping services to a wide array of customers which included other shipping companies during the Track Record Period, it is in the ordinary course of business for us to charter vessels to and from overlapping customer and suppliers. Additionally, as we are also engaged in the provision of ship management services, it is also in the ordinary course of business for us to provide ship management services to a shipping company and in turn charter in such shipping company's vessels to supplement our shipping capacity.

Our Directors confirm that all of the services to and from our overlapping customers and suppliers during the Track Record Period were conducted on an arm's length basis, on normal commercial terms and in the ordinary course of business, and that none of the transactions between us and our overlapping customers and suppliers were inter-connected or inter-conditional with one another.

SALES AND MARKETING

Marketing activities

During the Track Record Period, we conducted and implemented the following major marketing activities and strategies:

Industry exhibitions, conventions and forums

We actively host and organise industry exhibitions, conventions, forums and large-scale events in the maritime and shipping industries in the PRC. During the Track Record Period, we have hosted and organised several high-profile industry conventions and forums such as the 2019 International Forum on Ship Technology and Safety (2019中國國際船舶技術與安全論壇) in Ningbo, China, the 2019 Forum on Navigation Technology Summit (2019航海技術高峰論壇) in Qingdao, China, the 2020 International Maritime Services Industry Summit and International Petroleum Chemical Shipping Summit* (2020國際海事服務產業峰會暨國際石油化學品航運高峰論壇) in Zhoushan, China, and the 2021 Forum on Development of Marine Economy and Service Industry (2021海洋經濟及服務產業發展高峰論壇) in Ningbo, China. Our Directors believe that participating in these large-scale exhibitions and events could build up our brand image and capture more business opportunities.

Marketing and online promotion

In order to enhance our brand image we have published marketing and publicity materials such as advertisements and articles from time to time on different online platforms, media and industry newsletters. Our Directors believe that these marketing activities are effective ways to help other market players keep track of our recent developments, attract potential customers' attention to our service offerings and reinforce our brand image. In this regard, we have also set up social media accounts such as a WeChat public account and a Douyin account, which allows us to share our latest news and recent events with our customers and the general public.

Pricing policy

The pricing for our services is generally determined and evaluated on a case-by-case basis depending on various factors.

When determining the price of our shipping services, we will take into account various factors, including without limitation, (i) number and type of vessel(s) involved, (ii) duration of the charter period and commencement date; (iii) the availability of our vessels, including both controlled vessels and chartered-in vessels; (iv) prevailing market conditions; (v) market indices such as the Baltic Dry Index; (vi) reputation and credibility of the potential customer; and (vii) our past business relationship with the customer.

For the provision of ship management services under our ship management services business segment, we will determine the price based on various factors, including without limitation, (i) specifications and size of the ships to be managed; (ii) payment fee model, i.e. management fee basis and lump sum basis; (iii) scope of services and expertise required; (iv) costs to be incurred for the management, including both crew members and supporting staff; (v) the service terms and commencement date; and (vi) reputation and credibility of the potential customer.

During the Track Record Period, for our shipping services business, we had offered customary discounts to our customers referred to us by a shipbroker. The discount of 3.75% called an "address commission" (坐地佣金) is usually directly applied net of the charter hire and/or freight payable by our customers. According to F&S, granting such discounts is an industry norm in the maritime shipping industry where a shipbroker has been utilized.

Seasonality

We did not experience material seasonal fluctuations in our revenue during the Track Record Period.

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

The outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response to the COVID-19 pandemic, many governments in the world have imposed a series of measures to contain its spread, including lockdowns, travel bans, quarantine measures, social distancing, and restrictions on business operations and other related restrictions. Such measures has led to temporary closures of factories and other facilities such as port terminals, which has resulted in temporary decline in supply of goods and congestion in warehouses and terminals, creating significant volatility and disruption to global maritime trade. Mandatory quarantine controls on vessels upon arrival at various ports has also prolonged the turnaround of each voyage and shift changes for sailors which in turn has increased operating costs of vessels.

Notwithstanding the above, COVID-19 has also provided shipping companies with new opportunities. The easing of lockdown protocols and the gradual recovery of the global economy since the latter half of 2020 has resulted in a booming demand for bulk carrier transportation. The restocking of products and raw materials with volumes back to the pre-pandemic levels by various industries have further boosted the demand for global shipping, resulting in a surge in the Baltic Dry Index in the first half of 2021. The advent of the COVID-19 pandemic has also propelled the demand for our vessel delivery ship management services, as various shipowners were unable to pick up newly constructed vessels from shipyards owing to lockdowns and quarantine measures. While it is noted that demand for shipping services has increased since the latter half of 2020 primarily as a result of disruption of global supply chain networks due to the COVID-19 pandemic, such an increase in demand may be temporary. The general concerns and uncertainties about the COVID-19 pandemic may negatively affect our business, and we cannot estimate with substantial certainty the ultimate impact and duration of the COVID-19 pandemic, including the extent of any adverse impacts on our business, results of operations and financial condition.

Effects of the COVID-19 outbreak on our business operations

Our operations in the PRC were, to a limited extent, affected by the outbreak of COVID-19 particularly due to the mandatory suspension of business operations in the PRC during the initial outbreak of COVID-19 in early 2020 pursuant to the nationwide lockdown measures imposed by the PRC government. Whilst our offices in the PRC, Singapore and Japan did not suspend business operations during early 2020, certain of our customers and suppliers based in the PRC were subject to mandatory suspension of business operations. As confirmed by our Directors, given the nature of the shipping industry, we were able to continue business with our customers and suppliers despite the suspension of business operations at their offices because we were able to continue our communications and cooperation with our suppliers and customers through electronic means.

Amidst the recent severe outbreak of Omicron variant in the PRC since March 2022, owing to the lockdown and quarantine measures promogulated by certain PRC local governments, our Shanghai office was closed during the period from April 1, 2022 to May 31, 2022, and resumed business on June 1, 2022. Our Directors confirm that (i) our other offices in the PRC were not subject to lockdown quarantine measures and continued business operations as usual, and (ii) our employees based in our Shanghai office were able to continue working from home and communicate and conduct business with our customers and suppliers despite the closure.

As confirmed by our Directors and to the best of their knowledge and information, (i) there was no loss of major customers due to the outbreak of COVID-19 and the recent outbreak of Omicron variant in the PRC, and (ii) there were no penalties imposed on us whether by our customers or suppliers during the said periods of mandatory suspension of our offices in Shanghai.

Effects of the COVID-19 outbreak on the maritime shipping industry

According to the F&S Report, the outbreak of COVID-19 in early 2020 has negatively impacted the global economy and disrupted global supply chains. The implementation of quarantine, lockdown and travel restriction measures by world governments in an effort to contain the COVID-19 pandemic has led to temporary closures of factories and other facilities such as port terminals, which has resulted in temporary decline in supply of goods, congestion in warehouses and terminals and created significant volatility and disruption in global logistics and transportation networks. The prolonged depletion in industrial, manufacturing and export activities has impacted the bulk carriers industry in the following circumstances, among others: (i) as bulk carriers are essentially deployed for the transportation of industrial commodities, such as steel, iron ore, mining construction materials, and wood, sluggish industrial activities has resulted in a dearth of trading of such raw materials, and the trading volume of the bulk carriers industry has tapered off from 5,253.1 million tons to 5,148.1 million tons during 2019 to 2020, representing a year-on-year decline of approximately 2.0%; (ii) limited financing available for vessels owing to economic recession and market turbulence; and (iii) mandatory quarantine controls on vessels upon arrival at various ports slackened the turnaround of each voyage.

However, following the easing of restrictions and lockdown measures in the latter half of 2020, the maritime shipping industry started to improve in the latter half of 2020 with notable improvements in the demand for shipping services during 2021 and the first half year of 2022 largely owing to disruptions in global supply chain networks during the COVID-19 pandemic. The biggest contributor to global supply chain disruptions are infrastructural bottlenecks which have resulted in port congestions and a reduction of the available shipping capacity, resulting in rising uncertainties and delay, surging level of vessel utilizations and heightened levels of freight spot rates.

This decline in 2020 and subsequent improvement in 2021 is reflected in the movements in the BDI during this period. The BDI is a shipping and trade index that measures the average prices paid for the transport of dry bulk materials such as coal and steel. The BDI declined in early 2020 due to lockdowns and restrictions introduced during the COVID-19 pandemic but quickly increased again due to rising demand for industrial commodities as well as the broader economic recovery. The restocking of products and raw materials with volumes above pre-pandemic levels by various industries have further boosted the demand for global shipping, resulting in a surge in the BDI in the first half of 2021. For the years ended December 31, 2019, 2020 and 2021, the BDI fluctuated in a range between 393 points and 5,650 points with a daily average of approximately 1,365 points, 1,068 points and 2,943 points, respectively.

According to the F&S Report, driven by low fleet growth and strong demand for most dry bulk commodities, the short-term outlook for the maritime shipping industry, in particular the dry bulk market, appears to be promising. Under the anticipated normalization of economic activities and as shipping rates are expected to decline to a milder level, the maritime shipping industry is expected to retain a favourable market outlook attributable to (i) the demand for dry bulks being projected to increase at a year-on-year growth of approximately 2% from 2022 to 2023 which is in line with pre-pandemic levels; (ii) international trade of dry bulk is underpinned by large-scale events such as the U.S. Infrastructure Bill where transportation of construction materials (being dry bulks) are propelled; (iii) grain trade is supported by international events such as the rebuilding of the pig herd in China as well as continuous urbanization of developing countries; and (iv) demand for coal and minor bulk metals involved in generating renewable energy is expected to increase as the Russian-Ukraine crisis continues. As such, the global maritime shipping services industry is expected to continue growth in 2022 and reach US$50.2 billion in total revenue in 2026, with a forecasted CAGR of 4.0% from 2022 to 2026.

Effects of the COVID-19 outbreak on our financial performance

Notwithstanding the outbreak of COVID-19, revenue attributable to our shipping services business increased from approximately USD108.9 million in 2019 to approximately USD142.4 million in 2020 by approximately 30.8%, and further increased by approximately 127.3% to approximately USD323.7 million in 2021. In particular, owing to the combined effect of the disruption in global supply chain networks and the gradual recovery of global economies after the initial impact of the COVID-19 pandemic in early 2020, the demand for shipping services has increased dramatically in 2021 in comparison to the growth in 2020.

After the Track Record Period and up to May 31, 2022, our revenue experienced a significant increase compared to the same period in 2021, with an increase of approximately 42.3% from approximately USD125.8 million for the five months ended May 31, 2021 to approximately USD179.0 million for the five months ended May 31, 2022. Such increase was mainly due to an increase in our revenue from our shipping services segment as we started to derive revenue from our four new oil tankers that we chartered in under bareboat charter since late 2021 to early 2022 as well as from the addition of two dry bulk carriers to our vessel fleet around mid-2021. Additionally, the revenue from our ship management services segment also increased for the five months ended May 31, 2022 compared to the same period in 2021, with an increase of approximately 31.8% from approximately USD17.9 million for the five months ended May 31, 2021 to approximately USD23.6 million for the five months ended May 31, 2022. As we had undertaken more shipbuilding supervision projects since late 2021. Our gross profit for the five months ended May 31, 2022 compared to the same period in 2021 also increased by approximately 119.2% primarily due to the aforesaid reasons and a larger growth in revenue when compared to the increase in our costs of sales as the costs of our controlled vessels are relatively fixed.

Our net current liabilities position as at May 31, 2022 decreased significantly as compared to our net current liabilities position as at December 31, 2021 from approximately USD21.3 million to USD3.6 million, largely due to sale of one of our controlled vessels SEACON BRAZIL in April 2022 resulting in a significant increase in our current assets. We also utilized proceeds from the sale of SEACON BRAZIL to repay some of borrowings, which further decreased our current liabilities, thereby contributing to significantly reduced net current liabilities position as at May 31, 2022.

Our Directors are of the view that the increase in revenue from our shipping services business and the degree of such increases during the Track Record Period were largely in line with the movement in the BDI during the same periods. Our Directors are also of the view that although revenue growth in 2021 may be markedly heightened owing to exceptional exogenous circumstances arising from the recovery of the global economy after the initial impact of the COVID-19, the maritime shipping industry is still projected to experience stable and modest growth following 2021, albeit the magnitude of such growth will not be as high as the growth in 2021. This is reflected in the daily average BDI of approximately 2,258 points for the five months ended May 31, 2022. While the daily average BDI for the five months ended May 31, 2022 is lower than the daily average of 2,943 points for the year ended December 31, 2021, it is still markedly higher than the daily average of 1,365 points for the year ended December 31, 2019, demonstrating that the maritime shipping industry following 2021 is still performing better than pre-pandemic levels despite uncertainties over the global economy amid the recent development of the highly transmissible Omicron variant in the PRC.

Precautionary measures in response towards the COVID-19 outbreak

In response to the outbreak of COVID-19, we have adopted a strict disease prevention scheme to reduce the risk of our employees and crew members working onboard our vessels from infection of COVID-19. The measures implemented include, among others, ventilating the workspace, monitoring body temperature twice a day, limited access to certain zones within a vessel to designated personnel on an as-needed basis, requirement to keep a daily log of crew members' activities onboard a vessel, restrictions from leaving the vessel when berthing in the port etc. In respect of our non-crew employees working at our various offices, we have implemented measures such as daily disinfection of office areas, enhanced registration and temperature monitoring of visitors, daily monitoring of employees' temperature and health status, and mandatory home quarantine for employees with symptoms or returning from medium to high risk areas, etc.

Our Directors are of the view that the annual cost of the aforementioned COVID-19 measures was not material during the Track Record Period, and that the cost of such compliance is not expected to be material going forward.

LICENSES, PERMITS AND APPROVALS

The shipping industry is highly regulated and the operation of our vessels is generally subject to various international codes and conventions, regulations imposed by each flag state and port state, as well as the rules and requirements of each classification society.

All vessels regardless of flag state and classification society are subject to the international codes and conventions such as the ISM Code, ISPS Code, MARPOL Convention, MLC, SOLAS Convention, STCW and COLREGS. See "Regulatory Overview — International conventions and codes" in this document for further details.

A vessel may be registered in a country and sailed under the flag of that country (i.e. the flag state) which may be different from the country of the vessels' owners. This business practice is known as flag of convenience. The effect of this is that the vessel will have a nationality, and the vessel will be subject to the law of this flag state even in another state's territorial waters. During the Track Record Period, our controlled vessels and the vessels under our management were principally sailed under the flag states of the PRC, Hong Kong, Singapore, the Marshall Islands and Liberia. Chinese flag vessels require additional licenses compared to flags of convenience of other jurisdictions such as the International Ship Transportation License Record* (《國際船舶運輸許可備案證》), the Certificate for Registration of International Maritime Transport Vessel (《國際海上運輸船舶備案證明書》) or the Waterway Transportation License* (《水路運輸許可證》) issued by the PRC Ministry of Transportation. As to port state controls, there are various aspects including pollution, navigation, ballast as well as berthing and anchoring requirements which are applicable to a vessels when it sails to and from a port.

All seafaring vessels are generally required to be properly classified by a recognised classification society. Every new vessel will be given a class designation by the classification society based on the way it is designed, constructed, tested and operated in accordance with the rule of the classification society. Generally, the validity period of a certificate of class issued by a classification society is five years. Thereafter it can be revalidated each year on condition that the results of an annual survey. See "Operational management of vessels — Maintenance of classification status of vessels" in this section above for further details as to such surveys. Set out below are the details of the validity period of the latest certificate of class issued by the classification society of each of our controlled vessels as at Latest Practicable Date.

No.	Vessel name	Classification society	Date of issuance of latest class certificate	Date of expiration of the latest class certificate
1.	SEACON 7	CCS	30/11/2021	29/11/2026
2.	SEACON 8	CCS	27/1/2022	4/3/2027
3.	SEACON 9	CCS	20/4/2021	22/6/2026
4.	XINYIHAI 55	NK	25/3/2022	23/4/2027
5.	SEACON RIZHAO	BV	11/8/2021	29/7/2025
6.	SEACON VICTORY	KR	20/10/2020	9/1/2026
7.	JY POWER	CCS	24/6/2020	17/8/2025
8.	JY PROGRESS	CCS	24/7/2020	26/8/2025
9.	SEACON QINGDAO	KR	23/12/2020	24/3/2023
10.	SEACON OSAKA	KR	26/10/2021	18/1/2023
11.	SEACON KOBE	KR	15/9/2021	24/10/2022[Note]
12.	SEACON AFRICA	NK	11/7/2021	27/6/2026
13.	SEACON MANILA	NK	23/5/2021	29/3/2026
14.	SEACON SHANGHAI	LR	28/6/2019	27/6/2024
15.	SEACON FUZHOU	LR	23/5/2019	22/5/2024
16.	SEACON ATHENS	LR	29/3/2022	29/7/2024
17.	YANGTZE JASPER	CCS	7/8/2022	20/8/2027
18.	GOLDEN DAHLIA	ABS	20/1/2022	28/11/2026
19.	GOLDEN CAMELLIA	ABS	16/11/2021	17/10/2026
20.	GOLDEN DAISY	ABS	20/1/2022	27/12/2026
21.	GOLDEN LAVENDER	ABS	24/3/2022	20/2/2027
22.	GOLDEN VIOLET	CCS	25/3/2022	24/3/2027

Note: SEACON KOBE is currently under survey and the class certificate of SEACON KOBE is expected to be issued in November 2022.

Our Directors confirm, and our PRC Legal Advisers, Japanese Legal Advisers, Marshall Islands Legal Advisers, Liberian Legal Advisers, and Singaporean Legal Advisers concur, that as at the Latest Practicable Date, we have obtained all requisite licences, permits and approvals that are material to our business operations from the relevant governmental authorities.

Our management regularly reviews our business operations, practices and internal controls to ensure compliance with all licencing requirements and conditions as well as the successful renewal of our licences, permits and approvals. Our Directors confirm that we did not experience any material difficulty in obtaining or renewing our required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date, and we do not expect any material impediment in renewing our material permits and licences as and when they expire in the future.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any incidents of material non-compliance. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

Immaterial non-compliance incidents in Hong Kong

During the Track Record Period and up to the Latest Practicable Date, our Group (in particular, Seacon Ships Management (HK), Golden Bridge, Golden River, Seacon 7 and Seacon Shipping Group (together, the "**Relevant HK Companies**")) had breached the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"), which constituted immaterial non-compliance incidents, as advised by our Hong Kong Legal Counsel.

Cause of the immaterial non-compliance incidents

Our Group is an integrated shipping services provider headquartered in the PRC. Our Group's major operating subsidiary in Hong Kong is Seacon Ships Management (HK), which is principally engaged in the provision of ship management services. Our Group acquired the entire interests in Golden Bridge and Golden River, and acquired a minority stake in Seacon 7 during the Track Record Period, and they each chartered a vessel as of the Latest Practicable Date. As most of management personnel of our Group have been based in the PRC since inception of our Group, and our Group's management, administrative and accounting staff were unfamiliar with the Hong Kong regulatory requirements under the IRO, a company secretarial service provider has been engaged to provide company secretarial services for the Relevant HK Companies (except Seacon 7) and relied on it to provide advice on the relevant Hong Kong regulatory requirements and facilitate compliance with these requirements. In the case of Seacon 7, a company secretarial service provider has been engaged by the majority shareholder of Seacon 7, namely, Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司) ("**Zhoushan Yihai**") to provide advice and facilitate compliance with the Hong Kong regulatory requirements, and Zhoushan Yihai is in charge of handling operations, including tax matters, of Seacon 7. However, due to inadvertent mistakes of the company secretarial service providers engaged and the absence of close communication between the company secretarial service providers and our Group (in the case of Seacon 7, Zhoushan Yihai), the Relevant HK Companies were not notified of, in time or at all, the steps needed to comply with Hong Kong regulatory requirements under the IRO, nor were they notified of, in time or at all, certain correspondence, such as tax returns and compound offer letters, from the Inland Revenue Department (the "**IRD**"). Accordingly, the Relevant Companies failed to take appropriate and timely actions to follow the Hong Kong regulatory requirements.

The following table sets forth: (i) our Group's immaterial non-compliance incidents regarding the IRO during the Track Record Period and up to the Latest Practicable Date; (ii) the legal consequences and financial liabilities (if any) arising therefrom; and (iii) the remedial actions taken/to be taken in respect of such non-compliance incidents and latest status.

Non-compliance incident	**Legal consequences and potential penalty**	**Particular remedial action(s) taken/to be taken and latest status**
1. Failure to file employer's return on time		
Seacon Ships Management (HK) failed to file its 2018/19 employer's return on time. Seacon Ships Management (HK) received a compound offer letter from the IRD requiring Seacon Ships Management (HK) to file the employer's return for the year 2018/19 and pay a fine of HK$2,400 for the failure to file the 2018/19 employer's return on time. Golden Bridge failed to file its 2019/20 and 2020/21 employer's returns on time. Golden River failed to file its 2019/20 and 2020/21 employer's returns on time. A compound offer letter was issued from the IRD to each of Golden Bride and Golden River requiring each of them to file the 2019/20 employer's return and pay a fine of HK$2,400 for the failure to file the 2019/20 employer's return on time.	As advised by our Hong Kong Legal Counsel, the concerned companies run the risk of being prosecuted under section 80(1) of the IRO by reason of their failure to comply with the requirement specified under section 52 of the IRO. If each of the non-compliance incidents was prosecuted, according to Section 80(2)(d) of the IRO, the concerned company may be subject to a fine up to level 3 (i.e. HK$10,000) and a further fine of treble the amount of undercharged tax for each non-compliance incident. Further, the directors and/or officers of the concerned companies may be personally liable for the failure to comply with sections 52 and 80(1) of the IRO, as section 80(4) of the IRO provides that "Any person who aids, abets or incites another person to commit an offence under this section shall be deemed to have committed the same offence and to be liable to the same penalty".	Remediation work has been done by filing of the relevant employer's returns when such non-compliance incident came to the knowledge of our Group. Seacon Ships Management (HK) filed to the IRD a letter on November 10, 2021 explaining the reason for the late filing (being Seacon Ships Management (HK) never received the 2018/19 employer's return), enclosing completed 2018/19 employer's return and seeking for a waiver of the HK$2,400 compound offer. On December 21, 2021, the IRD responded to the abovementioned letter and cancelled the compound offer. Golden Bridge filed to the IRD a letter on November 23, 2021 explaining the reason for the late filing (being Golden Bridge never received the 2019/20 and 2020/21 employer's returns), enclosing completed 2019/20 and 2020/21 employer's returns and seeking for a waiver of the HK$2,400 compound offer. On December 16, 2021, the IRD responded to the abovementioned letter and cancelled the compound offer. Golden River filed to the IRD a letter on November 23, 2021 explaining the reason for the late filing (being Golden River never received the 2019/20 and 2020/21 employer's returns), enclosing completed 2019/20 and 2020/21 employer's returns and seeking for a waiver of the HK$2,400 compound offer. On December 30, 2021, the IRD responded to the abovementioned letter and cancelled the compound offer.

Non-compliance incident	Legal consequences and potential penalty	Particular remedial action(s) taken/to be taken and latest status
2. *Failure to file profits tax return on time*		
Seacon Ships Management (HK) failed to file profits tax returns for the years of assessment 2018/19, 2019/20 and 2020/21. Seacon Ships Management (HK) was involved in a hearing in October 2019 (ESS 4828/2019) for failing to furnish profits tax return for the year of assessment 2016/17 and was fined HK$3,500 upon conviction (the "**Conviction**"). The fine was paid on July 23, 2021. Golden Bridge failed to file profits tax returns for the years of assessment 2019/20 and 2020/21. A compound offer letter dated October 8, 2020 was issued to Golden Bridge from the IRD requiring Golden Bridge to file the 2019/20 profits tax return and imposing a compound offer on Golden Bridge for its failure to file the 2019/20 profits tax return. Golden River failed to file profits tax returns for the years of assessment 2019/20 and 2020/21. A compound offer letter dated October 8, 2020 was issued to Golden River from the IRD requiring Golden River to file the 2019/20 profits tax return and imposing a compound offer on Golden River for its failure to file the 2019/20 profits tax return. Seacon 7 filed its profits tax return for the years of assessment of 2017/18, 2018/19 and 2019/2020 on June 9, 2022, which was after the deadline of May 12, 2022 as provided by the IRD. At the same time, Seacon 7 filed its profits tax return after two or more estimated assessments were issued. Seacon Shipping Group failed to file profits tax return for the years of assessment 2018/19 and 2019/20 and 2020/21. Seacon Shipping Group received a compound offer letter dated December 9, 2021 from the IRD requiring Seacon Shipping Group to file the 2020/21 profits tax return and imposing a compound offer of HK$1,200 on Seacon Shipping Group for the failure to file the 2020/21 profits tax return on time.	*Seacon Ships Management (HK), Golden Bridge, Golden River and Seacon Shipping Group.* As advised by our Hong Kong Legal Counsel, the concerned companies run the risk of being prosecuted under section 80(2) of the IRO by reason of their failure to comply with the requirement specified under section 51(1) of the IRO. If each of the non-compliance incidents was prosecuted, according to section 80(2)(d) of the IRO, the concerned company may be subject to a fine up to level 3 (i.e. HK$10,000) and a further fine of treble the amount of undercharged tax for each non-compliance incident. According to section 82A(1) of the IRO, even if no prosecution under section 80(2) of the IRO has been instituted, the concerned company would still be liable to be assessed under section 82A(1) of the IRO to additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of the failure to comply with Section 51(1) of the IRO. *Seacon 7* As advised by our Hong Kong Legal Counsel, Seacon 7 is potentially liable to prosecution for breach of section 80(2) of the IRO or penalty by way of additional tax under section 80A of the IRO. Pursuant to section 80A of the IRO, Seacon 7 may be liable to a penalty at 20% of the amount of tax undercharged against Seacon 7. Further, the directors and/or officers of the Relevant HK Companies may be personally liable for the failure to comply with sections 51 and 80(2) of the IRO, as section 80(4) of the IRO provides that "Any person who aids, abets or incites another person to commit an offence under this section shall be deemed to have committed the same offence and to be liable to the same penalty.".	Remediation work has been done by filing the relevant financial statements and profits tax computations and/or profits tax return, and paying the relevant fines accordingly. Regarding Seacon Ships Management (HK), a letter to the IRD was sent on 29 November 2021, attaching: i) financial statements and profits tax computations for the year ended December 31, 2018; ii) financial statements and profits tax computations for the year ended December 31, 2019; and iii) financial statements and profits tax computations for the year ended December 31, 2020. The IRD issued a letter dated February 16, 2022 stating that no record of non-compliance was found for the period from December 14, 2012 (being the date of incorporation) to January 31, 2022 other than the record of the Conviction. Seacon Ships Management (HK) has received profits tax assessment for 2019/20 (final), 2020/21 (final) and 2021/22 (provisional) from the IRD. On April 11, 2022, Seacon Ships Management (HK) paid its 2019/20 profits tax in the sum of HK$735,370. The 2020/21 and 2021/22 profits tax amounted to HK$7,570,016 and it was fully settled on May 12, 2022. Regarding Golden Bridge, a letter was sent to the IRD on November 24, 2021, attaching: i) financial statements and profits tax computations from its date of incorporation (October 22, 2018) to the year ended December 31, 2019; and ii) financial statements and profits tax computations for the year ended December 31, 2020. The IRD issued a letter dated February 18, 2022, confirming that no further action was taken upon the receipt of the returns and the request of the waiver of penalty, and stating that other than that, no record of non-compliance was found of Golden Bridge for the period from October 22, 2018 (being the date of incorporation) to January 31, 2022. Golden Bridge had made a loss since its incorporation up to December 31, 2020 (being the date the latest audited accounts are made up to), hence it is expected that it does not have to pay profits tax. Nonetheless, if the IRD determines that Golden Bridge is subject to profits tax, it shall fully settle its profits tax liabilities once the amount is made known. Regarding Golden River, a letter was sent to the IRD on November 24, 2021, attaching i) financial statements and profits tax computations from its date of incorporation (October 22, 2018) to the year ended December 31, 2019; and ii) financial statements and profits tax computations for the year ended December 31, 2020. The IRD issued a letter dated February 18, 2022, confirming that no further action was taken upon the receipt of the returns and the request of the waiver of penalty, and stating that other than that, no record of non-compliance was found of Golden River for the period from October 22, 2018 (being the date of incorporation) to January 31, 2022. Golden River had made a loss since its incorporation up to December 31, 2020 (being the date the latest audited accounts are made up to), hence it is expected that it does not have to pay profits tax. Nonetheless, if the IRD determines that Golden River is subject to profits tax, it shall fully settle its profits tax liabilities once the amount is made known. Regarding Seacon 7, its profits tax return for the years of assessment of 2017/18, 2018/19 and 2019/2020 were sent to the IRD on June 9, 2022. As at the Latest Practicable Date, there had been no follow-up action taken by the IRD nor was any compound offer imposed against Seacon 7. For each of the years of assessment of 2017/18, 2018/19 and 2019/2020, the assessable profit of Seacon 7 was zero, hence it is expected that it does not have to pay profits tax. Nonetheless, if the IRD determines that Seacon 7 is subject to profits tax, it shall fully settle its profits tax liabilities once the amount is made known. Regarding Seacon Shipping Group, a letter dated December 23, 2021 was sent to the IRD enclosing i) its financial statements and profits tax computation for the years ended December 31, 2018; and ii) its financial statements and profits tax computation for the year ended December 31, 2019, and advising the IRD that it has not received the relevant profits tax returns from the IRD. Seacon Shipping Group also filed its 2020/21 profits tax return on December 23, 2021. The IRD issued a letter dated March 2, 2022 stating that no record of non-compliance was found for the period from February 1, 2013 (being the date of incorporation) to January 31, 2022 other than the late filing of the 2020/21 profits tax return which was filed on December 23, 2021. Seacon Shipping Group made a loss in the 2020/21 year of assessment, hence it is expected that it does not have to pay profits tax. Nonetheless, if the IRD determines that Seacon Shipping Group is subject to profits tax, it shall fully settle its profits tax liabilities once the amount is made known.

Precautionary measures to prevent future recurrence of non-compliance incidents

When the non-compliance incidents of the Relevant HK Companies came to the attention of our Directors, our Group engaged professional advisers, including auditors and company secretarial service provider, to advise on rectification measures which our Group carried out upon receiving such advice. The Relevant HK Companies implemented rectification measures, including preparation of the necessary financial statements and tax returns, which involved a substantial amount of work and time spent on information gathering, liaison and cooperation with professional parties, especially under the impact of the COVID-19 pandemic. Therefore, as noted in the table above, the rectification works were subsequently undertaken and completed in 2021 and the first half of 2022. The penalty imposed on the Relevant HK Companies have either been duly paid or waived by the IRD. Further, upon receiving profits tax assessment of Seacon Ships Management (HK), it has settled its profits tax for 2019/20 on April 11, 2022 and it has fully settled its profits tax for 2020/21 and 2021/22 on May 12, 2022.

In order to ensure future compliance, (i) the company secretarial service provider of Seacon Shipping Group was replaced by a sizable international company secretarial service provider in February 2019; and (ii) the company secretarial service provider of Seacon Ships Management (HK), Golden Bridge and Golden River was replaced by the aforesaid sizable international company secretarial service provider in November 2021.

Furthermore, our Group has adopted and implemented internal control policies to prevent future recurrence of non-compliance incidents. In particular, our Group has established internal control policies and regulations in connection with tax management. In particular, our Group has set out stringent procedures in relation to tax calculation for internal record, filing of tax returns and keeping of the relevant tax documents. To specifically avoid future late filing of tax returns, a responsible staff has been assigned to deal with tax filing and keep track of the progress and deadline. Our staff will also maintain close and timely communication with Zhoushan Yihai and the other shareholders of our associated companies to ensure compliance with the Hong Kong regulatory requirements of our associated companies, including Seacon 7.

In addition, we have engaged an independent internal control adviser to perform a follow up review to review the remedial measures taken by our Group to address these non-compliance incidents and the additional measures put in place to prevent recurrence of such non-compliance incidents. The internal control adviser did not have any further recommendations following the follow up review. The internal controls review was conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the internal control adviser. The internal control adviser raised no further recommendations. Our Group will continue to review its internal control systems to ensure compliance with applicable legal and regulatory requirements. Our Group will also provide our Directors, senior management and the relevant staff with training and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time.

Opinion of our Hong Kong Legal Counsel on the non-compliance incidents

Having reviewed the rectification measures and internal control policies of our Group, our Hong Kong Legal Counsel is satisfied that rectification work has already been done and that precautionary measures and steps taken by our Group are sufficient to prevent reoccurrence of the non-compliance incidents. Our Hong Kong Legal Counsel finds that there is no evidence sufficient to indicate that the non-compliance incidents were systemic, but constitute immaterial non-compliance incidents, because they do not relate to the core business of our Group, and the non-compliance incidents are unlikely to have a material financial or operational impact on our Group.

Non-compliance incidents in the PRC

During the Track Record Period and up to the Latest Practicable Date, our PRC subsidiaries established in the PRC had breached certain PRC rules and regulations. Set out below is a table containing a summary of certain incidents of historical non-compliance of our PRC subsidiaries during the Track Record Period.

Non-compliance incident	Legal consequences and potential penalty	Particular remedial action(s) taken/to be taken and latest status
1. During the Track Record Period, Seacon Ships Zhejiang had one employee who had not paid social security and provident fund through us.	Article 86 of the Social Insurance Law of the PRC (社會保險法) stipulates that if the employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order the payment or replenishment by the deadline and impose a late payment fee of five percent per day from the date of non-payment. If the payment is still not made after the deadline, the relevant administrative department shall impose a fine of between one to three times the amount of unpaid contributions. Article 37 of the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) stipulates that if, in violation of the provisions of these Regulations, a unit does not register for housing provident fund contributions or does not go through the procedures of setting up a housing provident fund account for its employees, the Housing Provident Fund Management Center shall order the application within a certain period of time. If the application is not made after the deadline, a fine of not less than RMB10,000 but not more than RMB50,000 shall be imposed.	As at the Latest Practicable Date, Seacon Ships Zhejiang had opened a social security account and a housing fund account for the relevant employee. We will strengthen training of our human resources management, senior management and all employees on the laws and regulations of social security and provident fund to improve the awareness of social security and provident fund payment. Our PRC Legal Advisers are of the view that the risk of Seacon Ships Zhejiang being subject to corresponding administrative penalties is low. Our Directors confirm that as at the Latest Practicable Date, we had not received any notice from the local government authorities regarding any claim for inadequate contribution of our current and former employees.

Non-compliance incident	Legal consequences and potential penalty	Particular remedial action(s) taken/to be taken and latest status
2. Certain properties leased by our Group during the Track Record Period had not been filed with the relevant local housing authorities.	According to Article 14 and Article 23 of the Measures for the Administration of Commodity Housing Lease (Order No. 6 of the Ministry of Housing and Urban-Rural Development)(商品房屋租賃管理辦法(住房和城鄉建設部令第6號)), if a housing lease is not filed, the local housing authorities of the municipality, city or county shall order rectification within a certain period of time. The relevant authorities may impose a fine from RMB1,000 to RMB10,000 on each party for each unregistered lease. As at the Latest Practicable Date, six of the lease agreements for our leased properties located in the PRC had not been filed with the relevant local housing authorities.	Our PRC Legal Advisers are of the view that the potential fines for failure to file the relevant leases are minor and the validity of the lease agreements and our use of such properties will not be affected by such non-filing. To prevent further reoccurrences of this non-compliance, before leasing any properties in the future, we will verify the ownership of the leased property in advance and confirm that the lessor obtains the ownership certificate of the leased property before leasing and apply for the relevant lease filing records on a timely basis. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any notice from the relevant regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements.

Our Directors are of the view the above non-compliances of our PRC subsidiaries are immaterial as the potential fines (if any) for our failure to make contributions to social insurance and housing provident funds for one employee and failure to file lease agreements are small and the legal consequences are relatively minor, and such non-compliances will not have a material adverse impact on our business operations and financial condition.

Non-compliance incidents in Singapore

During the Track Record Period and up to the Latest Practicable Date, our subsidiaries incorporated in Singapore had breached the certain Singaporean rules and regulations. Set out below is a table containing a summary of certain incidents of historical non-compliance of our Singapore subsidiaries during the Track Record Period.

Non-compliance incident	Legal consequences and potential penalty	Particular remedial action(s) taken/to be taken and latest status
1. The employment contracts entered into by Seacon Ships Management and Seacon Enterprise did not contain the accurate sick leave entitlements in accordance with requirements of the Employment Act of Singapore ("**EA**") and failure to provide key employment terms to the directors of Seacon Enterprise.	Pursuant to section 90 of the EA, any employer who employs any person as an employee contrary to the provisions of Part 10 the EA (including section 89 of the EA in respect of the entitlement to sick leave) or fails to pay any salary in accordance with the provisions of Part 10 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $5,000, and for a second or subsequent offence to a fine not exceeding $10,000 or to imprisonment for a term not exceeding 12 months or to both. Section 95A(2) of the EA provides that an employer must give each employee of the employer a written record of the key employment terms of the employee not later than 14 days after the day the employee starts employment with the employer, or within such other period as may be prescribed in substitution. Pursuant to section 95A(5) of the EA, an employer is taken to have failed to comply with section 95A(2) if the written record given is incomplete or inaccurate, whether or not the employer knew that the record is incomplete or inaccurate. Section 126A of the EA provides that a failure by an employer to comply with Section 95A(2) of the EA is declared to be a civil contravention for the purpose of the EA. Section 126B(1)(a) of the EA states that an authorised officer may issue a contravention notice to an employer requiring the employer to pay an administrative penalty of the prescribed amount for each occasion of an alleged failure by the employer to comply with Section 95A(2) of the EA with respect to any one employee or former employee. Section 126B(3) of the EA further states that different amounts of administrative penalty may be prescribed for different civil contraventions. In accordance with Regulation 2 and the Schedule of the Employment (Administrative Penalties) Regulations 2016, the administrative penalties for failure to comply with Section 95A(2) of the EA are: (i) S$200 for the first occasion with respect to any one employee or former employee; and (ii) S$400 for each subsequent occasion of failure, whether or not with respect to the same employee or former employee.	Our Singapore Legal Advisers are of the view that the risk of Seacon Ships Management, Seacon Enterprise or any of its officers being sanctioned under Section 126B of the EA is remote, and the failure to provide key employment terms and the inaccurate key employment terms, which have now been rectified, is an immaterial non-compliance as it does not have a material, financial or operational impact on Seacon Ships Management and Seacon Enterprise and is not a continuous breach which reflects negatively on Seacon Ships Management's and Seacon Enterprise's ability or tendency to operate in a compliant manner. Each of Seacon Ships Management and Seacon Enterprise subsequently entered into supplemental letter dated February 24, 2022 with their employees respectively to rectify the inaccurate sick leave entitlement. Seacon Enterprise also entered into the letters of appointment dated February 24, 2022 with its directors which provide for key employment terms. As at the Latest Practicable Date, Seacon Ships Management and Seacon Enterprise have adopted revised employment contracts which are in full compliance with the regulations under the EA.

Our Directors are of the view the above non-compliance of our Singapore subsidiaries are immaterial as the potential fines (if any) for such non-compliance is small and the legal consequences are relatively minor, and such non-compliances will not have a material adverse impact on our business operations and financial condition.

BUSINESS ACTIVITIES WITH COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, the United Nation, and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place.

During the Track Record Period, we entered into certain transactions with customers and suppliers involving the Relevant Regions. We were engaged in the provision of shipping services and ship management services to customers in Hong Kong. We also procured supplies and materials from suppliers in the Relevant Regions. Save for revenue generated from transactions with entities incorporated in Hong Kong, we did not generate any revenue from transactions related to any Relevant Regions during the Track Record Period. The Relevant Regions were subject to various sanctions during the Track Record Period, but none of them was subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction (i.e., none of them was a Comprehensively Sanctioned Country). As advised by our International Sanctions Legal Advisers after performing the procedures they consider necessary, our transactions with customers and suppliers involving the Relevant Regions during the Track Record Period were not sanctionable activities under Guidance Letter HKEX-GL101-19 given that (i) none of our customers/suppliers located in to the Relevant Regions were identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or the relevant restricted parties lists maintained by the European Union, Australia and the United Nations; and (ii) the services provided to the customers did not have a nexus to the United States or the EU and do not constitute Primary or Secondary Sanctionable Activities. As such, receiving payments denominated in U.S. dollars for such provision of services did not constitute a violation of the applicable International Sanctions. Further, given the scope of the [REDACTED] and the expected [REDACTED] as set out in this document, our International Sanctions Legal Advisers are of the view that the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and its [REDACTED] and group companies, and accordingly the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], [REDACTED] and clearing of our Shares (including the Stock Exchange, its [REDACTED] and related group companies) is very low.

Our International Sanctions Legal Advisers have not identified apparent violations of the International Sanctions by us after evaluating the sanctions risks of our historical business activities relating to the Relevant Regions during the Track Record Period. Therefore, our International Sanctions Legal Advisers have not recommended reporting of our historical business activities relating to the Relevant Regions during the Track Record Period, including voluntary self-disclosure to OFAC, and such reporting is not necessary as of the date of this document.

Our Directors confirm that we do not have present intention to undertake any business involving directly or indirectly the Comprehensively Sanctioned Countries. We will not knowingly or intentionally conduct any business with persons, entities or organizations listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia (the "**Sanctioned Persons**"), or any business in any Comprehensively Sanctioned Countries that will cause us to violate International Sanctions, and we will not use the [REDACTED] from the [REDACTED] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. Our Directors will continuously monitor the [REDACTED] from the [REDACTED], as well as any other funds [REDACTED] through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Comprehensively Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions.

INSURANCE

During the Track Record Period, we maintained hull and machinery insurance and war risk insurance for our fleet of controlled vessels which covers physical damage to a vessel's hull and machinery, maritime perils and war-related risks. We have also maintained protection and indemnity insurance which covers a shipowner's legal and statutory liabilities for third party liabilities in connection with a vessel's shipping operations. The third party liabilities covered generally include expenses resulting from the injury or death of passengers, crew and other third parties, cargo loss or damage, claims arising from vessel collisions, damage to other third party property, pollution resulting from oil or other substances clean-up of such pollution, towing and other related costs, including wreck removal. We have also maintained third-party liability insurance in relation to the use of our motor vehicles.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we incurred insurance expenses of approximately USD1.6 million, USD2.3 million, USD2.6 million and USD1.3 million, respectively. Our Directors consider that the existing insurance coverage is adequate for businesses of our size and nature and is consistent with prevailing norms and practices in the industry. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

During the Track Record Period, one of our then controlled vessels GOLDEN TULIP were subject to a claim involving damage to the goods transported aboard the vessel in the amount of approximately USD0.5 million. Save for this particular claim, we have not made, nor been the subject of, any material insurance claims of USD0.2 million or above during the Track Record Period.

For details of risks relating to the sufficiency of our insurance coverage, see "Risk Factors — Risks relating to our business — Our insurance coverage may not be sufficient to cover the risks related to our business operations".

EMPLOYEES

As at the Latest Practicable Date, we had 192 full-time employees. The following table shows a breakdown of our employees by division or function as at the Latest Practicable Date:

Function	Number of employees
Directors and senior management	11
Marketing and vessel chartering	19
Crew management and ship operations	33
Administrative, human resources and legal	9
Marine operations and technical support	80
Procurement	24
Accounting and finance	16
Total	192

The following table shows a breakdown of our employees by geographical location as at the Latest Practicable Date:

Location	Number of employees
The PRC	172
Singapore	13
Japan	4
Hong Kong	3
Total	192

Recruitment and remuneration

We offer attractive remuneration packages to our employees, which include basic salary and bonuses. We generally recruit our employees from the open market and at college campuses, and we determine the salary of our employees mainly based on their qualifications, relevant work experience, position and seniority.

During the Track Record Period, our sales staff received discretionary mid-year and end-of-year bonus based on their duties and responsibilities, their work performance and by reference to our performance. Our staff's performance will be reviewed periodically and the results of which are used as a reference to determine any salary adjustments and promotions. Our employees are also entitled to a number of subsidies and benefits, including but not limited to, paid annual leave, paid birthday leave, transportation allowance, phone allowance, lunch allowance, childbirth allowance etc. Our Directors believe that these staff benefits are in line with the industry level.

We participated in and contributed to statutory social welfare and mandatory contribution schemes in accordance with applicable laws of Singapore and Japan during the Track Record Period. As advised by our Singapore Legal Advisers and our Japan Legal Advisers, we did not have any material non-compliances with respect to the relevant laws and regulations in the Singapore and Japan, respectively, relating to the contributions to statutory social welfare and mandatory contribution schemes during the Track Record Period.

Social insurance and housing provident funds

We have also made contributions to the social welfare (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds for our employees in the PRC during the Track Record Period. During the Track Record Period, we had not made contribution for one of our employees who wished for his social welfare contributions to be paid to a city where we have no presence and had made contributions to the social welfare in personal capacity. As advised by our PRC Legal Advisers, an employer should pay the amount required to contribute for each of our employees directly to the relevant local authorities under relevant PRC laws and regulations. As at the Latest Practicable Date, we have already completed the opening of the social welfare account and housing provident funds account for such employee and begun to make social insurance and housing provident fund contributions subsequent to the opening of the social welfare account for such employee and we have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements. Please refer to the subsection "Legal Compliance" in this section above for further details as to our non-compliance with respect to payment of social insurance and housing provident funds.

Save as disclosed herein, our PRC Legal Advisers confirm that we were not subject to administrative penalties for violating or failing to pay social security insurance and housing provident funds during the Track Record Period.

Training

Our employees received training depending on their department and the scope of works. New employees will receive training in relation to their job duties. Our employees are generally required to attend in-house trainings and external seminars from time to time relating to our quality, operation, internal control, environmental, and health and safety policies.

Relationship with employees

As at the Latest Practicable Date, certain of our employees belonged to a labor 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)".

Our Directors consider that our relationship with our employees has generally been amicable and is expected to remain so in the future. Our Directors confirm that we have not experienced significant problems with our employees or material disruption to our operations due to industrial actions or labor disputes. Further, our employees did not experience any material accidents nor have we experienced any difficulties in recruitment or retention of experienced staff or skilled personnel during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to comply with environmental, social and governance ("**ESG**") reporting requirements upon [REDACTED]. In this regard, and with a view to ensure the continued sustainable development of our business operations, we have devised and adopted an ESG policy covering aspects such as (i) corporate governance matters including our mission statement, our commitment to ESG matters, organization structure, and organizational matters within our Group with respect to ESG matters; (ii) environmental matters including environmental protection and waste management measures, key performance indicators and statistics, and environmental protection initiatives and target goals; and (iii) social responsibilities matters such as our human resource policy, occupational health and safety measures, key performance indicators and statistics, and supplier ESG management.

Our Board [has established] an ESG Committee that comprises of Mr. Guo, Mr. Zhao Yong and Mr. Zhuang Wei, with Mr. Guo serving as the chairperson. The ESG Committee serves a supportive role to our Board in implementing ESG policies, targets and strategies, conducting materiality assessments of environmental-related, climate-related and social-related risks, assessing how our Group adapts its business in light of climate change after collecting and analyzing ESG data, and continuous monitoring implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Committee is also responsible for the investigation of deviation (if any) from targets and liaising with the functional department to take prompt rectification actions. The ESG Committee is expected to report to our Board on a half-year basis at Board meetings on the ESG performance of our Group, the effectiveness of ESG systems and any applicable recommendations.

To monitor matters relating to our ESG commitments, the formulation of related policies as well as the assessment of climate-related risks and opportunities, our management has formulated and established various functional departments and groups set out below to handle specific ESG matters:

- *ESG Governance Group:* Composed of our ESG Committee and managers from our Operations Management Center, Finance Department, Strategic Development Department, Shipping Group and Ship Management Group. The ESG Governance Group implements ESG controls and policies in accordance with the requirements of the ESG Committee; oversees and checks the operational control of key ESG issues; identifies and manages climate change risks and opportunities, and reviews the progress of implementing sustainable development goals.

- *Operations Management Center:* The Operations Management Center is responsible for labour practices, human resource management, legal matters, and development of community engagement activities as well as ESG publicity and related ESG information disclosure work.

- *Finance Department:* The Finance Department is responsible for ESG-related financial decisions and operational management, analyzing and determining the financial impact of ESG risks and opportunities, and promoting and implementing financial decisions in ESG operational control measures.

- *Strategy Development Department*: The Strategy Development Department is responsible for formulating a ESG development plan and implementation plan according to the ESG target set by the ESG Committee.

- *Shipping Group and Ship Management Group:* The Shipping Group and Ship Management Group helps to implement ESG-related policies, identify, evaluate and manage ESG risks and opportunities within their respective business scopes, operate and control ESG risks, and report ESG operation information to the ESG Governance Group in a timely manner.

Due to the importance of environmental sustainability and the significance of social and economic responsibilities to us, we have adopted the following policies to provide for guidelines in relation to environmental, social and governance aspects of our business operations:

Environmental protection

Climate change is a major issue for the sustainable development of the maritime shipping industry, and green and low-carbon initiatives underpin the future development of the maritime shipping industry. Under the backdrop of the initial strategy on the reduction of greenhouse gas ("**GHG**") emissions from ships introduced by the IMO in 2018 with a goal to (i) cut annual greenhouse gas emissions from international shipping by at least half by 2050, compared with their level in 2008, and (ii) a reduction in carbon intensity of international shipping (as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008), we actively responded to such requirements introduced by the IMO by adopting management practices to control and reduce the emission of greenhouse gases, waste water and solid water during the operation of vessels. Through such practices which include energy reduction technology and management innovation, the use of more environmentally-friendly fuels and other means to improve energy efficiency management, and the promotion of the green shipping initiatives, we are firmly committed to reducing energy consumption and greenhouse gas emissions, and striving towards creating an environmentally friendly shipping enterprise.

We are required to comply with various international rules and conventions such as the ISM Code and MARPOL relating to the prevention of air pollution, oil pollution and other kinds of marine pollution. Our operations are also subject to certain environmental related laws and regulations in the jurisdictions where we operate our business. See "Regulatory Overview" for further details.

Our Directors are of the view that the adherence to relevant environmental protection laws and regulations is important to the long-term development and success of our Group. In addition to irreversible damage inflicted on the environment, any non-compliances with the relevant environmental protection laws and regulations may also subject us to complaints and/or penalties. Any such complaints and/or penalties imposed by the relevant authorities may have an adverse impact on our financial position and reputation in the shipping industry, which may in turn affect our business outlook and implementation of our future plans.

We have adopted a stringent environmental management system to ensure that our business operations are in compliance with the relevant environmental protection laws and regulations. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we have not recorded any material non-compliance with the applicable environmental laws and regulations that resulted in prosecution or penalty against our Group.

Air pollution and greenhouse gas emissions

We are subject to regulations formulated by the IMO to limit greenhouse gas emissions such as sulfur dioxide and carbon dioxide. We have monitored these greenhouse gas emissions in respect of our controlled vessels. The responsibility of monitoring greenhouse gases emitted by our chartered-in vessels and the vessels under our management rests with the shipowners and vessel suppliers. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, by our calculations, our controlled vessels emitted approximately 2,741 tons, 639 tons, 767 tons and 361 tons of sulfur dioxide and approximately 137,465 tons, 210,489 tons, 261,646 tons and 125,079 tons of carbon dioxide, respectively. The sulfur dioxide emissions of our controlled vessels have decreased significantly since 2020 as we switched to using low-sulfur content bunker fuels in response to the introduction of a global cap on the sulfur content in marine fuels by the IMO which took effect on 1 January 2020. We have put in place regular monitoring mechanisms with our operations to ensure that our emissions are controlled and maintained at an acceptable level. We have been issued with the International Air Pollution Prevention Certificate stating that our vessels have been surveyed, and have complied with the requirements, under the International Convention for the Prevention of Pollution from Ships.

Sewage, oil pollution and oil consumption

We are also subject to regulations formulated by The International Maritime Organization to prevent pollution arising from sewage and oil pollution as well as mandating recordkeeping over bunker fuel consumption of vessels. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, by our calculations, our controlled vessels consumed approximately 43,992 tons, 67,279 tons, 83,575 tons and 39,016 tons of bunker fuel. We have put in place the necessary monitoring mechanisms to keep track of the bunker consumption of our vessels and have devised mechanisms and operational policies to minimize the risk of any sewage and oil contamination. We have also established a sound environmental management system and formulated contingency plans for oil pollution and ballast water management that are compliant with international, national and local regulatory requirements. The domestic sewage on board is collected uniformly and discharged after treatment under international standards through sewage treatment devices, oily sewage is discharged after treatment through oil-water separators, and ballast water is discharged after treatment through ballast water treatment devices. For the year ended December 31, 2021, we discharged approximately 1,858 tons of wastewater. We have been issued with the International Oil Pollution Prevention Certificate, and the International Sewage Pollution Prevention Certificate which state that our vessels have been surveyed, and have complied with the requirements, under the International Convention for the Prevention of Pollution from Ships.

Solid waste discharge

We have developed a solid waste management plan in accordance with the requirements of the IMO's Marine Environment Protection Committee (MEPC) set out in its 70th session adopted in 2016 regarding the management of hazardous substances and solid waste. The solid waste generated during our shipping operations generally includes land-based office waste, marine domestic waste and food waste. We collect marine domestic garbage and food waste separately and deliver them to the port reception facilities for treatment according to the laws and regulations of the receiving countries upon arrival at the port. For the year ended December 31, 2021, the total amount of solid waste discharged by us is approximately 203.8 tons, which is collected and disposed of by us in strict accordance with our waste management plan.

Set out below are several key performance indicators with regard to our environmental protection measures in accordance with the requirements under HKEX Guidance Letter HKEx-GL86–18 issued by the Stock Exchange and Appendix 27 of the Listing Rules.

Aspects	Key performance indicators[1]	Year ended December 31, 2019	2020	2021	Five months ended May 31, 2022
Comprehensive	Expenditures for environmental compliance *(USD'000)*	40	95	1,300	743.7
	Fines and administrative penalties for environmental violations	0	0	0	0
Emissions	Wastewater emissions *(tons)*	1,616	1,534	1,858	770
	Sulfur dioxide emissions *(tons)*	2,741	639	767	361
	Solid waste emissions (including office waste, marine domestic waste and marine food waste) *(tons)*	177.4	168.7	203.8	82.7
	Hazardous waste emissions (waste batteries, waste toner cartridges, etc.) *(tons)*	0.055	0.051	0.050	0.020
	Total packaging waste emissions *(tons)*	0	0	0	0
Resource and energy consumption	Water consumption *(tons)*	7,639	8,159	9,868	4,144
	Consumption of purchased electricity *(kilowatt-hour)*	40,776	84,348	109,461	74,611
	Consumption of diesel fuel *(tons)*	4,970.20	4,182.37	8,614.20	3,591
	Consumption of gasoline *(kilograms)*	400	380	460	220
	Consumption of high-sulfur fuel (HFSO) *(tons)*	38,532.788	46,970.750	58,765.566	35,535
	Consumption of low sulfur fuel oil (LSFO) *(tons)*	488.460	16,126.000	16,195.700	90
Greenhouse gas ("**GHG**") emissions	GHG Scope 1 emissions *(tCO_2e)*[2][3]	140,583.27	215,002.88	267,080.83	125,078.79
	GHG Scope 2 emissions *(tCO_2e)*[2][3]	34.59	71.55	92.86	63.29
	GHG emission intensity (by revenue) *(tCO_2e/USD'000)*[2]	1.037	1.202	0.717	0.699

Notes:

(1) For the purposes of calculating the key performance indicators, the calorific value of diesel, low-sulfur fuel and high-sulfur fuel is set at 42,700 kilojoules/kilogram, the calorific value of gasoline is 43,124 kilojoules/kilogram, and the calculation for consumption of electricity is calculated using the figures from the North China Power Grid (華北電網).

(2) "tCO_2e" means one ton of carbon dioxide equivalent, and is a metric measure that is used to compare emissions from various greenhouse gases on the basis of their global warming potential (GWP) by converting amounts of other gases to the equivalent amount of carbon dioxide.

(3) Scope 1 emissions are direct emissions from company-owned and controlled resources. Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. These definitions are set out under the GHG Protocol which establishes comprehensive global standardized frameworks to measure and manage greenhouse gas emissions from private and public sector operations, value chains and mitigation actions.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our expenditures for environmental compliance were over USD40,000, USD95,000, USD1.3 million and USD0.7 million, respectively. Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was immaterial during the Track Record Period and we do not expect that our annual costs of compliance with applicable environmental matters to increase materially in the near future, subject to any future changes in applicable environmental laws and regulations which may arise.

Social responsibility

The wellbeing of our employees is essential to our business operations and we emphasise on the ethical treatment of our employees, through providing them with an environment to develop their careers and dedicate themselves to the development of our Group. We are committed to providing a safe and healthy working environment and have established guidelines and manuals relating to operational safety and handling of workplace accidents in order to promote occupational health and work safety. We also hold seminars occasionally for our employees, in order for them to catch up with market trend in terms of professional knowledge and skills, management capabilities and other relevant areas. We offer competitive remuneration packages to our employees, which includes a number of subsidies and is subject to adjustments based on appraisal results of individual employees in order to incentivise our employees in choosing to develop a career with us. Please see "Occupational health and work safety" in this section below for further details of our occupational health and work safety policy.

During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any major accidents or fatalities in the course of our business operations. Set out below are key performance indicators with regard to our social responsibility-related management for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022.

Aspect	Key performance indicator			
	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Incidences of child labour and forced labour	N/A	N/A	N/A	N/A
Number of work-related deaths	0	0	0	0
Incidences of occupational diseases	0	0	0	0
Incidences of work-related injuries	0	0	0	0
Number of staff who attended trainings	525	613	682	408
Expenditures for trainings *(RMB'000)*	6	8	10	6
Number of training sessions provided to staff	170	210	255	143
Average hours trained per staff member *(hours)*	123.73	148.22	186.94	102.56
Complaints received over our products and services	0	0	0	0

Governance

We strive to build long-term and stable relationships with our business partners in order to achieve positive growth in our business operations and future development. We consider our suppliers to be an integral part of the business operations of our Group and expect our suppliers to uphold the environmental, social and governance principles that we have adopted into the management of our business operations including the promotion of cooperation and commitment to environmental protection, personal safety and property safety; strengthening risk prevention as well as anti-corruption and anti-bribery measures; international sanctions risk management; know-your-client procedures and independence investigation; verification whether transactions would constitute connected transactions; and financial risk assessment and prevention. In order to ensure that the services, goods and items sourced from and/or provided by our suppliers meet the requisite quality standards, we adopt stringent criteria in supplier selection and we maintain a list of qualified suppliers which we update from time to time.

We also emphasise on business integrity as key to our long-term development in order to establish long-term and stable relationships with our customers, our suppliers, our employees and other participants in the maritime shipping industry value chain. We endeavour to uphold the business integrity of our Group by maintaining a risk management and internal control system. Our risk management and internal control system and procedures are designed to meet our specific business needs and to alleviate the risks arising from our daily operations. See "Risk management and internal control" in this section below for further details.

Our ESG Committee is responsible for identifying and evaluating climate-related risks and opportunities including transitional risks and physical risks. Our ESG Committee is also responsible for identifying climate-related risks and opportunities that may occur in the short, medium and long term future operations and evaluating the corresponding financial impact on our Group by using a risk matrix (likelihood and impact level) to classify the risks and opportunities. We will utilize this risk matrix to assess our vulnerability to and expected onset of such risks so as to evaluate and prioritize our risk and opportunity response strategies.

Set out below is an analysis of key climate-related risks and opportunities using the risk matrix and our respective control and mitigating strategies to address such risks and opportunities.

No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/ long-term	Our response strategy and mitigating measures
1	Transition	Increased costs due to adoption of low sulfur fuel for vessels	Level 1	*High* — Since the IMO has implemented the sulfur restrictions in bunker fuel since 1 January 2020, the price of low-sulfur and high-sulfur fuels have fluctuated between 30 to 400 USD/ ton which invariably brings a certain degree of fluctuation on our operating costs. While the entire international maritime shipping industry has already adopted low-sulfur fuels since the implementation of the new restrictions, it is expected that the adoption of energy saving and emission reduction measures, the technical transformation of old vessels to adopt new technology, and the replacement of existing vessels with new energy vessels will invariably increase our financial costs from different aspects.	9	Mid/Long	• Renovate or replace ships with new technology or energy saving specifications • Optimize routes, stowage and regional management of ships • Promote energy conservation and emission reduction measures
2	Transition	Increased costs and decreased shipping efficiency and utilisation rate due to the transition to using low emission technologies	Level 1	*High* — The cost of technical renovation over our vessels will vary depending on the condition of the vessels. It is estimated that the average cost of technical renovation for a vessel to adopt low emission technologies may range from approximately USD100,000 to approximately USD200,000. Given the number of our vessels that may be subject to such technical renovation in the short to medium term is seven, it is projected that our costs for technical renovation will be approximately USD700,000 to approximately USD1,400,000.	6	Mid/Long	• Renovate old ships to save energy or adopt new technologies to reduce energy usage and meet emission requirements • Adopt more efficient energy efficiency improvement technologies

No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/ long-term	Our response strategy and mitigating measures
3	Physical	Unusual climate leading to typhoons, cold waves, gales, and unusual appearance of ice areas, resulting in write-off of vessels	Level 2	*Medium* — When unforeseen circumstances such as unusual climate events arise, this may cause damage to vessels and result in the write-off of such vessel. It is roughly estimated that the asset value of our vessels range from USD1.8 million to USD23.0 million. As such, if such unforeseen risks occurs, it may result in a loss of between USD1.8 million to USD23.0 million.	6	Mid/Long	• Strengthen ship operation safety management; formulate emergency plans, weather navigation, and strengthen ship-to-shore communications • Increase the maintenance of ships, phase out old ships, and have sufficient emergency marine supplies • Improve the technical abilities of onshore and offshore employees and their ability to deal with risks
4	Physical	Epidemics and pandemics brought about by climate changes, creating human resources shortages and operational difficulties	Level 2	*Medium* — Epidemics and pandemics such as the COVID-19 outbreak has significantly impacted the mobility of crew workers, with crews unable to change shifts or to travel to the vessels to work. This has resulted in staff shortages and increases in crew wages. To prevent the spread of the COVID-19 pandemic, many countries and regions have adopted quarantine measures, in some cases for prolonged periods of time. These quarantine measures have led to an increase in voyage costs incurred by shipping companies. Additionally, owing to the COVID-19 pandemic, training and renewal of certifications for crew workers have been delayed, resulting in a shortage of qualified crew members, thereby exacerbating the existing impact brought by crew changes. The foregoing factors inevitably causes an increase in crew costs, leading to an increase in our operating costs.	9	Short	• Sign a long-term cooperation agreement with a fixed number of crew manning agencies • Increase global presence to take on talented employees from multiple countries • Improve the operational capability of the human resources team to respond to the needs of any emergency shortages

No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/ long-term	Our response strategy and mitigating measures
5	Transition	Enhanced emissions reporting obligations	Level 2	*Medium* — There is a strong correlation and direct impact between a company's financial performance and investment performance with its ESG performance. Companies with strong ESG performance often show better operational performance in the long term and good ESG performance may bring the company a good reputation, better brand image and better profitability. Companies with poor ESG performance often have poor operational stability and poor financial performance which in turn affects a company's profitability.	9	Short	• Implement international and national ESG reporting requirements, regularly publish ESG reports, and adopt information systems to improve the efficiency of information disclosure on ESG-related matters
6	Transition	Greenhouse gas emissions carbon pricing is too high	Level 2	*Medium* — The carbon trading price*(Note)* in the PRC as at the end of 2021 is approximately RMB60 per tCO_2e. For the year ended December 31, 2021, we emitted approximately 267,174 tCO_2e of greenhouse gases. While shipping companies are currently not subject to carbon pricing requirements in the PRC, there is no assurance that the shipping industry will not be subject to such requirements in the near future. Also, the carbon price in the carbon trading market is subject to changes at any time. Hypothetically, if a change of around 20% occurs in the carbon trading price in the PRC, it is expected to bring us a loss or profit of approximately RMB3.2 million in 2021.	6	Mid/Long	• Keeping up with changes in shipping market policies to promote carbon emission reduction • Renovate or replace ships with new technology or energy saving specifications • Gradually replacing and adopting low-emission fuel sources
7	Physical	Increase in insurance costs owing to and geopolitical disputes	Level 2	*Medium* — Current war zone premiums are typically in the range of six thousandths of a percent of the hull insurance premium, and such premiums are higher if the war zones are larger. Any prolonged geopolitical disputes may push up our insurance expenses.	12	Short	• Keep abreast of international developments and adjust shipping routes • Maintain close communication with vessels

No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/ long-term	Our response strategy and mitigating measures
8	Transition	Use of new energy vessels	Level 1	*High* — New energy vessels (e.g. low-carbon fuels, hydrogen fuels, ammonia fuels etc.) have low carbon emission intensity and are expected to be the mainstream of future market demand. It is expected that new energy vessels will be preferred by more and more customers and have better industry competitiveness. We will give priority to chartering new energy ships because of such burgeoning potential market demand in the future. If new energy vessels are adopted by us which can reduce our carbon emissions, we may also be able to earn higher profits by selling our unused carbon balance through carbon trading*(Note)* if shipping companies are subject to such carbon pricing requirements in the near future.	9	Mid/Long	• Purchase vessels that use new energy types when placing orders for new vessels • Arrange for the gradual replacement and adoption of low-emission energy sources for ships in operation
9	Transition	Adoption of new vessel technologies	Level 1	*High* — The adoption of new vessel technologies (e.g. propeller optimization technology, engine efficiency improvement technology, carbon capture technology, ship drag reduction technology etc.) will reduce the energy consumption of the ship as well as reduce carbon emissions. If vessels with new technologies are used which can reduce our carbon emissions, we may also be able to earn higher profits by selling our unused carbon balance through carbon trading*(Note)* if shipping companies are subject to such carbon pricing requirements in the near future.	9	Mid/Long	• Renovation of old vessels to reduce power operation and meet emission requirements. • Adopting more efficient energy efficiency improvement technologies

Note: Carbon trading for carbon dioxide and other greenhouse gases is a form of carbon pricing. It is an approach to limit climate change by creating a market with limited allowances for emissions. The Chinese national carbon trading scheme introduced in 2021 involves the issuance of carbon quotas to enterprises. If the enterprises' carbon emissions are higher than the allocated carbon quotas, they will have to buy the carbon balances of other enterprises through carbon trading to achieve compliance. If the enterprises' carbon emissions are lower than the allocated carbon quotas, their carbon balances can be sold through the carbon trading market to make profits. While shipping companies are currently not subject to carbon pricing requirements in the PRC, there is no assurance that the shipping industry will not be subject to such requirements in the near future.

According to the results of our analysis above, the adoption of low-sulfur fuel, low-carbon fuels and low-carbon technology for our vessels will bring about a financial impact to our Group in the medium and long term, which will lead to the increase of our total operating costs. However, it is also a development opportunity for successful transformation in the future. We plan to adopt vessels that are more energy efficient, and gradually replace and adopt low emission fuels for operating vessels, greatly reducing our total greenhouse gas emissions and carbon emission intensity per unit of output (revenue), which in turn will allow us to meet our customer' carbon emission reduction requirements as well as the requirements of domestic and international regulations.

We aim to meet the short term, medium term and long term targets required by the International Maritime Organization. In the short term, we endeavor 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, we target to achieve a 10% reduction in our carbon dioxide emission intensity compared to 2021 by 2030. In the long term, we target to achieve a 30% reduction in our carbon dioxide emission intensity compared to 2021 by 2040, with an ultimate goal of carbon neutrality. We will strive to 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. Set out below are greenhouse gas emission reduction targets.

	2021	**2030 Target**	**2040 Target**	**2050 Target**
Total Scope 1 and 2 GHG Emissions (*tCO_2-e/year*)	267,173.69	20% (relative to 2019 levels)	40% (relative to 2019 levels)	Achieving carbon neutrality
Fuel consumption per unit of output (revenue) (*tons of fuel/USD'000*)	0.224	10% reduction from 2021	30% reduction from 2021	Achieving 90% fuel substitution
GHG Emission Intensity (*tCO_2-e/USD'000*)	0.717	10% reduction from 2021	30% reduction from 2021	Achieving carbon neutrality
Carbon Intensity Index (*CO_2/Capacity x Distance Travelled*)	According to IMO's new requirements on Carbon Intensity Index ("**CII**"), the CII for each vessel (relative to 2019) shall be reduced by 5% in 2023; and from 2023 until 2026, CII shall be reduced by 2% per year. Each vessel will be subject to a CII rating (i.e. A, B, C, D or E) starting from 2024. For vessels that has E rating in any year or D ratings for 3 consecutive years, it is required to develop a corrective action plan or the vessel should be replaced.			

Upon [REDACTED], our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our business operations are subject to various laws and regulations relating to occupational health and work safety. See "Regulatory Overview" for further details.

We are committed to providing a safe and healthy working environment for our employees. In order to minimise the risk of accidents and enhance our employees' awareness of health and safety issues, we have established policies and guidelines to ensure and promote workplace safety. In particular, we have devised and implemented extensive safety manuals and recommended work practices which we required our crew members to abide by. An overview of the key aspects of our occupational health and safety policy is set out below.

- *Full participation:* Management should implement and approve the occupational health and safety policy; staff at all levels shall participate in the management and improve adherence to the guidelines set out under the occupational health and safety policy.

- *Prevention-oriented:* Conduct hazard identification and evaluation before committing to work so as to prevent risks and enable us to take appropriate preventative measures; implement safety hazard inspections during business operations to analyze if there are any potential hazards so as to enable us to take corrective and preventative measures to eliminate accidents before they happen; undergo verification of the effectiveness of the preventative and corrective measures implemented by us in addressing potential hazards.

- *Safety and health:* Prioritize our employees' safety, health, working conditions, safety education and training; regular improvement of our employees' working conditions to create a comfortable, healthy and safe working environment.

- *Compliance with laws and regulations:* Keep a proper record of all applicable laws, regulations and standards related to occupational health and safety, and to regularly review and update our records where necessary.

- *Continuous improvement:* We are committed to continuously evaluate and improve our occupational health and safety management measures to meet the requirements of prevailing regulations and systems as our Group continues to develop and evolve; conduct regular internal and external audits of our occupational health and safety management performance.

We have complied with international treaties and conventions that govern transportation safety and safe management systems. The ISM Code, provides an international standard for the safe management and operation of vessels and for pollution prevention. The ISM Code requires international ship management companies to be granted a document of compliance. It also requires every vessel engaged in international trade to be issued with a Safety Management Certificate, verifying that the shipping company and its shipboard safety management operate in accordance with the approved safety management system. We ensure that such safety manuals and work practices are in accordance with all applicable rules and regulations pertaining to the development, implementation and maintenance of a safety management system as required under the ISM Code. To ensure our crew members are familiar with the requirements under our safety manuals and policies, we require such crew members to undergo training prior to working onboard a vessel as well as periodic training sessions as to safety matters while they are working onboards seafaring vessel.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any major accident or fatality in the course of our business operations.

PROPERTIES

Owned property

During the Track Record Period and up to the Latest Practicable Date, we owned two properties in the PRC, details of which are set out below:

No.	Location	Gross floor area *(Square meters)*	Registered owner
1.	Unit 2301, Block B, Building 3, No. 20, Zhuzhou Road, Laoshan District, Qingdao (青島市嶗山區株洲路20號3號樓B座2301戶)	286.61	Seacon Qingdao
2.	Unit 2304, Block B, Building 3, No. 20, Zhuzhou Road, Laoshan District, Qingdao (青島市嶗山區株洲路20號3號樓B座2304戶)	292.78	Seacon Qingdao

During the Track Record Period, we had leased out our two owned properties to Qingdao Wantong Shipping Company Limited* (青島萬通海運有限公司) for general office use. The two leases have been terminated as at the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we have obtained the Real Estate Property Certificates for the properties that we own.

Leased properties

During the Track Record Period and up to the Latest Practicable Date, we leased 16 properties in the PRC, Japan, Hong Kong and Singapore, details of which are set out below:

No.	Location	Term	Lessor	Gross floor area *(Square meters)*	Use of the property
The PRC					
1.	Room 301, Block C, Hisense • Chuangzhi Valley, No. 20 Zhuzhou Road, Laoshan District, Qingdao* (青島市嶗山區株洲路20號海信 • 創智谷C座301室)	April 6, 2019 to April 5, 2024	An Independent Third Party	1,784.95	General office use
2.	Unit 1–901, Hisense • Chuangzhi Valley Expert Apartment, No.20 Zhuzhou Road, Laoshan District, Qingdao* (青島市嶗山區株洲路20號海信 • 創智谷專家公寓1–901)	February 28, 2022 to May 14, 2023	An Independent Third Party	105.64	Staff dormitory
3.	Unit 1–1201, Hisense • Chuangzhi Valley Expert Apartment, No.20 Zhuzhou Road, Laoshan District, Qingdao* (青島市嶗山區株洲路20號海信 • 創智谷專家公寓1–1201)	October 15, 2021 to December 24, 2022	An Independent Third Party	105.64	Staff dormitory
4.	Unit 1–505, Hisense • Chuangzhi Valley Expert Apartment, No.20 Zhuzhou Road, Laoshan District, Qingdao* (青島市嶗山區株洲路20號海信 • 創智谷專家公寓1–505)	December 30, 2021 to March 29, 2023	An Independent Third Party	105.64	Staff dormitory
5.	Room 504, Building 4, Ruixin Home, No. 681, Donggang Nantuo Road, Putuo District, Zhoushan* (舟山市普陀區東港南舵路681號瑞欣家園4幢504室)	December 1, 2021 to November 30, 2022	An Independent Third Party	73.92	Staff dormitory

No.	Location	Term	Lessor	Gross floor area *(Square meters)*	Use of the property
6.	Room 1101, Building 4, Ruixin Home, No. 681, Donggang Nantuo Road, Putuo District, Zhoushan* (舟山市普陀區東港南舵路681號瑞欣家園4幢1101室)	December 1, 2021 to November 30, 2022	An Independent Third Party	73.92	Staff dormitory
7.	Room 3703, Building A, Zhoushan Ganghang International Building, No. 619 Dingshen Road, Lincheng New District, Zhoushan* (舟山市臨城新區定沈路619號舟山港航國際大廈A幢3703室)	October 8, 2022 to October 7, 2025	An Independent Third Party	535.16	General office use
8.	17–3 Zijinghui, 426 Ningdong Road, 371 Haiyan North Road, Ningbo Yinzhou District, Ningbo* (寧波市鄞州區寧東路426號、海晏北路371號甬商紫荊匯17–3)	June 1, 2021 to May 31, 2024	An Independent Third Party	455.41	General office use
9.	17–2 Zijinghui, 426 Ningdong Road, 371 Haiyan North Road, Ningbo Yinzhou District, Ningbo* (寧波市鄞州區寧東路426號、海晏北路371號甬商紫荊匯17–2)	January 1, 2022 to May 31, 2024	An Independent Third Party	424.68	Staff dormitory
10.	Unit 01B, 49/F, Sinar Mas Plaza, 501 Dongdaming Road, Hongkou District, Shanghai* (上海虹口區東大名路501號上海白玉蘭廣場49樓01B單元)	July 16, 2021 to July 15, 2024	An Independent Third Party	113.5	General office use

No.	Location	Term	Lessor	Gross floor area *(Square meters)*	Use of the property
11.	Office unit 07, Floor 34, Shenglong Global Building, 23 Changting Street, Ninghua Street, Taijiang District, Fuzhou* (福州市台江區寧化街道長汀街23號升龍環球大廈34層07辦公單元)	November 1, 2021 to October 31, 2024	An Independent Third Party	459.11	General office use
12.	Unit 706, Building 5#, Ganjing Residence, No. 9 Changtingli, Ninghua Street, Taijiang District, Fuzhou* (福州市台江區寧化街道長汀里9號幹警住宅5#樓706單元)	December 13, 2021 to June 12, 2023	An Independent Third Party	80.56	Staff dormitory
Japan					
13.	12–12, Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan (日本東京市中央區東日本橋三丁目12番12號)	August 1, 2019 to July 31, 2023*(Note)*	An Independent Third Party	84.03	General office use
14.	7–2, Nishi Shimbashi 1-chome, Minato-ku, Tokyo, Japan (日本東京市港區西新橋一丁目7番2號)	September 1, 2022 to August 31, 2025	An Independent Third Party	172.03	General office use
Hong Kong					
15.	Unit No. 2010, 20/F, West Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong (香港干諾道中168–200號信德中心西座20樓2010室)	June 15, 2022 to June 14, 2025	An Independent Third Party	106.84	General office use
Singapore					
16.	78 Shenton Way, #29–03, Singapore 079120	May 1, 2022 to April 30, 2025	An Independent Third Party	212.0	General office use

Note: Seacon Shipping Japan has elected to terminate the lease before its expiration and served a termination notice on the lessor on May 18, 2022 in accordance with the lease agreement. The lease will be terminated on November 18, 2022. Our Directors confirm that there is no disagreement or dispute with the lessor in relation to the early termination of the lease.

As at the Latest Practicable Date, six of the lease agreements for our leased properties located in the PRC had not been filed with the relevant local housing authorities due to the difficulty of procuring the relevant landlords' cooperation to file such leases, which was beyond our control. As advised by our PRC Legal Advisers, the relevant governmental authorities may require us to complete the filing within a specified timeframe and if we fail to do so, the relevant authorities may impose a fine from RMB1,000 to RMB10,000 on each party for each unregistered lease, but the validity of the lease agreements and our use of such properties will not be affected by such non-filing. Our Directors are of the view that these unfiled lease agreements would not have a material operational or financial impact on us. Please also see "Legal compliance" in this section above for further details as to our non-compliance with respect to filing of our property leases.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in renewing the leases for our leased properties.

Our Directors confirmed that none of the properties stated above are individually material to our Group in terms of rental expenses.

The above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Pursuant to Rule 5.01A of the Listing Rules, this document is exempt from the requirement to include valuation on property interests of non-property activities if the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance. As at the Latest Practicable Date, we had no single property interest of non-property activities with a carrying amount of 15% or more of our total assets, and on such basis, we are not required to include in this document any property valuation report.

QUALITY CONTROL

We have adopted stringent quality control system across our various service offerings to maintain the effectiveness of our business operation and the quality of services provided. Our quality control system has complied with the standard of GB/T 19001–2016/ISO 9001:2015 Quality Management Systems Requirements and has been awarded a certificate for our ship management services on May 31, 2017 which was renewed on May 28, 2020 and remains valid until May 30, 2023.

We have adopted quality control policies and measures across all our functional departments to ensure that the quality of our services meets our standards and our customers' requirements. We generally communicate with our suppliers regarding production and delivery schedules in order to ensure that the products supplied to us can be delivered or produced in accordance with our requirements.

To enhance our control over the quality of the goods and items used in our business operations, we have purchased a certain amount of marine supplies through Sunny Marine Service Company Limited* (青島泛陽海事服務有限公司) and Seacon Marine Service Limited, our related parties. See "Connected Transactions — Non-exempt continuing connected transactions" in this document for further details.

INTELLECTUAL PROPERTIES

Trademarks

As at the Latest Practicable Date, we had registered three trademarks in the PRC and one trademark in Japan. See "Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group — (a) Trademarks registered by our Group" in Appendix IV for further details as to our trademarks.

By a trademarks licence deed dated March 21, 2022 entered into between Seacon Shipping Group as licensor and our Company as licensee, Seacon Shipping Group granted a license to our Company (for itself and on behalf of its subsidiaries, associates and branches) to use certain trademarks owned by Seacon Shipping Group. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — 1. IP Licensing Deed" for further details as to the trademarks licence deed and the licensed trademarks.

Domain name

As at the Latest Practicable Date, we had registered four domain names in the PRC. See "Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group — (c) Domain names" in Appendix IV for further details as to our domain names.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we (i) did not experience any infringement to our intellectual property rights, (ii) have not been involved in any dispute or litigation in relation to the infringement of our intellectual property rights, nor are our Directors aware of any such claim either pending or threatened, and (iii) are not aware of any material infringement of our intellectual property rights or any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

INFORMATION TECHNOLOGY

We recognise the importance of effective and efficient management across our business operations. Our key information technology systems which we use in our business operations are as follows:

- **Hifleet Ship Position and Meteorological Charting System* (Hifleet船位及氣象海圖系統):** Hifleet is an IT system that provides big data services such as ship positioning, historical voyages taken by vessels, meteorological information, weather forecasting, port information updates and tracking of cargoes transported by vessels. We utilised this IT system on a daily basis to monitor our fleet of vessels and vessels under our management. As Hifleet provides us with alerts and information as to adverse weather conditions and port closures in real time, we also utilised Hifleet to formulate safe and efficient voyage plans for our vessels and to make contingency plans if adverse situations arise during a particular voyage.

- **PMS Ship Management System* (PMS船舶管理系統):** The PMS system is a comprehensive vessel management software which is utilised by us in our provision of ship management services. The PMS system allows us to keep track of and monitor various management aspects of a vessel such as repair and maintenance of our vessels, procurement of spare parts and materials, certificate management, system management and crew management. For instance, we utilised such software to keep track of the repair and maintenance schedule and progress of our vessels, the next scheduled time for ship survey by classification societies, the procurement of materials, inventory management etc. The PMS software is installed on a vessel and on our local network onshore which allows us to access such information and manage the vessel remotely.

- **Haiweitong Video Monitoring System* (海衛通視頻監控):** Haiweitong is a remote video surveillance and communication software which allows us to monitor the operations of our vessels and the operational risks involving our crew onboard the vessel through mobile devices at any time. We utilised this software in addition to the Hifleet system to monitor and communicate more effectively with our crew members.

- **LMS Online Crew Training System* (LMS綫上員工培訓系統):** As safety training is imperative to our ongoing compliance with the relevant international maritime rules and regulations as well as normal operations of our vessels, we have utilised the LMS system, a mobile learning platform which provides periodic online and offline training programmes on matters such as maritime laws and regulations, safety, and environmental protection to our crew members prior to boarding a vessel and our staff onshore.

We do not have any proprietary interest over the aforesaid IT systems. All of the software and IT systems used in our business operations are purchased by us from our IT suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in our information technology systems which caused material disruptions to our business operations.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities, nor did we incur any research and development expenses.

COMPETITION

According to the F&S Report, the maritime shipping market in the PRC is a highly competitive market that is both capital intensive and highly fragmented with more than 20,000 market participants globally in 2021 having shipped goods to and from the PRC via international shipping routes. The competition in the market is based primarily on supply and demand and we compete for vessels and charter contracts on the basis of price, vessel location, size, age, the condition of the vessel and our market reputation. In the highly fragmented markets in which we operate, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and they may be able to offer lower charter rates and higher quality vessels than we are able to offer.

The ship management market in the PRC has been characterized by strong competition. The direct and indirect costs of compliance requirements of operating a vessel are generally increasing, and shipowners need the support of a ship management service provider with sufficient resources to meet such requirements for risk management, safety and quality, contingencies and day-to-day needs. Ship management service providers thus have to improve the quality and broaden their service offerings to compete for business from customers.

If we are unable to successfully compete with other shipping companies and ship management service providers, our competitors may be able to offer better prices than us or a wider breadth of ship management services to customers, which could result in us achieving lower revenues, and our business, financial condition and results of operations could be materially and adversely affected. Despite the competition in the intense competition in the maritime shipping industry, our Directors believe that we are able to maintain our competitive strengths over our competitors as set out in "Our competitive strengths" in this section above. See "Industry Overview" for further details regarding these markets and competitive landscape of the maritime shipping industry.

AWARDS, RECOGNITIONS AND MEMBERSHIPS

Awards and recognitions

The table below sets forth some of our major awards and recognitions at the Latest Practicable Date, which were awarded to us in recognition of our business development and our provision of quality services:

Date of award	Award/recognition	Issuing authority
July 2018	Most Popular Ship Management Company (最受歡迎的船舶管理公司)	China Zhenghe Sailing Awards Organizing Committee* (中國鄭和航海風雲榜組委會)
August 2020	2019 National Marine Transport System Safety Excellence Ship (XINYIHAI 55) 2019年度全國水運系統安全優秀船舶（新一海55）	National Committee of China Seamen's Construction Union* and Office of the Safety Committee of the Ministry of Transport* 中國海員建設工會全國委員會及交通運輸部安全委員辦公室
April 2021	National Workers' Pioneer (Seacon Victory) 全國工人先鋒號（洲際勝利）	All-China Federation of Trade Unions (中華全國總工會)
November 2021	2021 Ship Management and Crew Service Excellence Award* 2021船舶管理和船員服務卓越獎	2021 International Ship Management (Shanghai) Summit Organizing Committee* 2021國際船舶管理（上海）高峰論壇組委會

Memberships

Our Directors believe that it is important to participate as members in nautical associations, classification societies and reputable marine shipping networks by the industry where we believe serves as an endorsement by a third-party of the professionalism and capability of our management team. As at the Latest Practicable Date, we maintained valid memberships in the major local and worldwide nautical associations and marine shipping networks as set forth below:

Organisation/network	Membership status
China Shipowners' Association (中國船東協會)	Member
The Baltic and International Maritime Council (BIMCO)	Member
Qingdao Shipowners' Association* (青島船東協會)	Vice President
Shandong Nautical Society* (山東航海學會)	Vice President
Far East Dry Bulk Index Committee* (遠東幹散貨指數委員會)	Member
Qingdao City Federation of Industry and Commerce* (青島市工商業聯合會)	Member

RISK MANAGEMENT AND INTERNAL CONTROLS

We have various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. Our Directors and senior management are responsible for formulating our internal control measures and overseeing the implementation of such measures and the effectiveness of our risk management system. We have engaged an independent internal control adviser to perform a review over selected areas of our internal controls with respect to our financial reporting (the "**Internal Control Review**"). The internal control adviser performed the initial Internal Control Review in January 2022. The selected areas of our internal controls that were reviewed by the internal control adviser include but not limited to entity level controls and business process level controls, including our revenue and receivables, purchases and payables, contract management, inventory management, supply chain/logistics management, cost management, human resources and payroll, fixed assets management, treasury management, insurance management, financial reporting, tax management and general controls of information technology. The aforementioned scope of the Internal Control Review performed by our internal control adviser was discussed and agreed among us, the Sole Sponsor and the internal control adviser.

We have adopted a set of procedures and measures based on the suggestions of our internal control adviser to further improve the effectiveness of our internal controls and corporate governance practice. The internal control adviser performed a follow up review to review the status of the management actions taken by our Group in March 2022 to address the findings of the Internal Control Review (the "**Follow up Review**"). The internal control adviser did not have any further recommendations in the Follow up Review. The Internal

Controls Review and the Follow up Review were conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the internal control adviser.

We [have] established the Risk Management Committee which consists of Mr. Guo, Mr. He Gang, Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei, with Mr. Guo serving as the chairperson. To proactively monitor the risks we are faced with and ensure our risk management policies are effectively implemented, the Risk Management Committee is required to attend regular meetings on a quarterly basis and arrange ad-hoc meetings whenever necessary. The Risk Management Committee is responsible for designing and implementing policies and procedures relating to risk management and internal control that we consider are appropriate for our business operations. We are dedicated to continually improving these policies and procedures. We have adopted, or expect to adopt upon the [REDACTED], a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, compliance with financial reporting requirements and applicable laws and regulations. The following sets out the key measures adopted by our Group under our risk management and internal control systems.

Financial reporting

We have in place various accounting policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Operational risk management

Operational risk arises mainly from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. See "Risk Factors" for further details. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate operational policies and procedures.

Our Directors and our senior management oversee our overall controls. Our Directors are responsible for managing and controlling operational risks, and are also responsible for performing periodic investigations into the quality and effectiveness of our internal control systems and procedures and our overall operational risk management. With the view to preventing losses from operational errors and maintaining our reputation, we have adopted the following measures to identify, assess, monitor, control and mitigate operational risks, and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of our Board, senior management, operation management committee as well as the various departments;

- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- maintaining and continuously improving our operational procedures and internal control system, and utilising our IT system to monitor and control the performance of each procedure;
- providing training to our employees in order to enhance their awareness against non-compliance;
- reviewing, assessing and adjusting our internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as regulatory requirements;
- adopting a code of conduct with consistent disciplinary measures for employee misconduct; and
- providing a reporting channel for violations and abnormal conduct or incidents.

International sanctions

Given the nature of the shipping business, we often enter into business relationships with entities from all around the globe, thereby increasing the risks of conducting business with persons and entities that are sanctioned by the United States, the United Nations, the European Union, the United Kingdom, and Australia. We have in place protocols to ensure we do not enter into contractual relations with any such sanctioned persons or entities.

Before entering into a contract with any potential suppliers and customers, we conduct background searches to check whether the potential supplier or customer is a sanctioned entity listed on the registers maintained by Office of Foreign Assets Control, the United Nations and other official websites. We also regularly track whether there are any updates to such lists of sanctioned entities and/or new sanctions and policies issued by such regulatory authorities from time to time, and cross-check such updates with our own database of customers and suppliers. In addition, we have generally included sanctions-related clauses in each of our contracts entered into with our suppliers and customers stipulating that all losses arising out of their involvement in sanctioned activities shall be borne by such supplier and customer. Please refer to the section headed "Business activities with countries subject to international sanctions" in this section above for further details.

As we intend to continue to conduct business with customers and suppliers in countries/regions subject to International Sanctions except for the Comprehensively Sanctioned Countries if and when suitable business opportunity arises, subject to our strict adherence to our internal control and risk management measures. In order to better identify and monitor our exposure to risks associated with sanctions laws relating to these sales and purchases, we intend to implement the following measures on or before the [REDACTED], including:

- engaging external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers;
- maintaining a control list of countries/regions subject to International Sanctions and persons and entities designated pursuant to the sanctions imposed by the United States, the European Union, Australia or the United Nations which is provided and updated by the external legal advisers or by our own legal staff from time to time;
- for new customers and suppliers from countries subject to sanctions imposed by the United States, the European Union, Australia or the United Nations, our senior management team must review and approve these potential customers and suppliers before we enter into any agreement or embark on any business opportunities with these potential customers and suppliers; and
- compliance and training programme for sanctions issues will be provided to our Directors, senior management members and other relevant personnel to ensure that they keep abreast of the material developments in the sanctions related issues.

Going forward, we will disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions we entered into in and/or in connection with countries subject to International Sanctions or with Sanctioned Persons (if any) would put us or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in and/or in connection with countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to countries subject to International Sanctions and with Sanctioned Persons.

Regulatory risk management

Upon [REDACTED], we may be exposed to the risks of non-compliance with the Listing Rules. We have engaged Zhongtai International Capital Limited as our compliance adviser as required under the Listing Rules. We will also seek legal advice from time to time as our management considers appropriate. Our Directors and employees are required to acknowledge their understanding of staff handbook and internal control manual and compliance manual at least annually. We will also retain a Hong Kong legal advisor to advise us on compliance matters in relation to applicable Hong Kong laws and regulations.

LEGAL PROCEEDINGS

We may be involved in legal proceedings arising in the ordinary course of business of a commercial nature such as chartering in vessels from time to time. Details of our material proceedings during the Track Record Period and up to the Latest Practicable Date are set out below:

- On November 18, 2021, Sky Height Maritime Ltd. ("**Claimant A**"), the shipowner of SKY HEIGHT which chartered SKY HEIGHT to Seacon Shipping Group under a bareboat charter arrangement during the Track Record Period, filed a lawsuit with Ningbo Maritime Court of the PRC (the "**Court**") against Seacon Ships Qingdao, our wholly-owned subsidiary in the PRC, and Seacon Shipping Group (together the "**Defendants**") concerning, among other things, disputes over the rental expenses and the improper installation of certain devices on SKY HEIGHT. Claimant A alleged that the Defendants had breached the bareboat charter contract by failing to pay adequate rental expenses in line with prevailing market rates during 2021, and that the Defendants had installed devices onto SKY HEIGHT whose specifications were not commensurate with those required under the bareboat charter contract. In this regard, Claimant A claimed against the Defendants, among other things, compensation totalling approximately RMB15.9 million and legal costs of approximately RMB0.1 million. The case was filed on January 6, 2022 and a jurisdictional objection was raised by us before the commencement of court hearing. Based on our local legal counsel's advice, we have made a provision for legal proceedings of approximately USD803,000 (equivalent to RMB5.0 million) as at December 31, 2021 which our Directors considered to be adequate for the pending legal proceedings. On March 31, 2022, Claimant A applied to the Court to withdraw the lawsuit and the Court allowed the withdrawal application on the same day. On June 7, 2022, Claimant A filed another lawsuit with the Court against the Defendants on the same set of facts and claims as the previous lawsuit. The case was filed on July 4, 2022 and a jurisdictional objection was again raised by us before the commencement of court hearing. Our Directors consider the provision made as at December 31, 2021 remains adequate and appropriate given the new lawsuit is on the same set of facts and claims as the previous lawsuit. Save as disclosed, we do not expect the aforementioned legal proceedings to have a material adverse effect on our business, financial condition and results of operations.

- We were involved in an ongoing arbitration proceeding in the United Kingdom in accordance with the London Maritime Arbitrators Association ("**LMAA**") terms which arose out of a time charterparty contract involving our controlled vessel JY PROGRESS. Under the charterparty contract, we, as the vessel owner of JY PROGRESS, chartered JY PROGRESS to Customer O, one of our top five customers for the five months ended May 31, 2022 under time charter setting out the latest redelivery date on or before which JY PROGRESS must be redelivered to us. Customer O subsequently further chartered JY PROGRESS to a charterer who gave an order for the delivery of cargo (the "**Voyage**"). Customer O estimated that the duration for the Voyage would allow JY PROGRESS to be redelivered to us on or before the latest redelivery date. However, the master of JY PROGRESS's estimation of the time needed for the Voyage was different from Customer O's estimation. Based on the master of JY PROGRESS's estimation, the time needed for the completion of the Voyage would go beyond the latest redelivery date. In deferring to the master's estimation over Customer O's estimation, we exercised our contractual right to refuse Customer O's instructions for the Voyage. As a result of the foregoing, Customer O initiated the current arbitration proceeding against us for breach of contract and claimed for various damages in February 2022 in the amount of approximately USD1.0 million, including, among other things the loss of profit suffered by Customer O as a result of our failure to perform the Voyage as well as interest and legal costs. Based on the advice of our English Legal Advisers, given our good chance of success in defending the proceedings and the maximum risk exposure of USD0.4 million, we have made a provision of USD0.4 million in 2022 upon receiving the claim. Our Directors consider the provision made to be adequate and that the arbitration proceedings will not have a material and adverse effect on our business, financial conditions or results of operation.

- We were also involved in two ongoing back-to-back arbitration proceedings in the United Kingdom in accordance with LMAA terms which arose out of a dispute involving the condition of one of our chartered-in vessels (the "**Relevant Vessel**"). We chartered the Relevant Vessel from Supplier K, one of our top five suppliers for the year ended December 31, 2021, which was subsequently sub-chartered to our customer. The sub-charterer customer alleged that the condition of the holds of the Relevant Vessel was not satisfactory upon its delivery and placed the vessel off-hire and such off-hire was deducted by us from the charter hire payable to Supplier K. Owing to this off hire, Supplier K initiated an arbitration proceeding against us and claimed against us for, including, among other things, the deduction for the off-hire and the associated bunker costs in amount of approximately USD0.3 million in February 2022. We thereafter initiated an arbitration proceeding against the sub-charter customer on the same grounds in the amount of approximately USD0.4 million in March 2022. Based on the advice of our English Legal Advisers, given the back-to-back nature of the proceedings and the maximum risk exposure of USD0.3 million, we have made a provision of USD0.3 million in 2022 upon receiving the claim. Our Directors consider the provision made to be adequate and that the arbitration proceedings will not have a material and adverse effect on our business, financial conditions or results of operation, as the claim sought by us against the sub-charterer customer is higher than the claim sought by Supplier K against us meaning that we will not suffer any financial losses should Supplier K succeed in their claim against us. However, the potential reimbursements claimed against the sub-charterer customer were not recognised as our contingent assets.

Save as disclosed hereinabove, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not involved in any other litigation or arbitration proceedings or administrative proceedings pending against us which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation.