SUMMARY

This summary aims at giving you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

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.

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 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. We provide our customers with first-rate and comprehensive ship management services. Our services offerings generally included the daily operations of vessels, technical management, crew management, repair and maintenance, and regulatory management and compliance, and we managed a wide variety of vessel types such as dry bulk carriers, oil tankers, chemical tankers, passenger ships, cargo ships, and container ships during the Track Record Period. According to the F&S Report, we accounted for approximately 1.3% of the total market share of all ship management services providers globally in terms of the number of third-party owned vessels under management in 2021.

Leveraging 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 during the Track Record Period which primarily comprised dry bulk carriers. Through 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. According to the F&S Report, 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. As at September 30, 2022, the aggregate weight carrying capacity of our controlled vessel fleet and our controlled fleet of dry bulk carriers were approximately 1.0 million dwt and 0.9 million dwt, respectively.

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 during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our total revenue was approximately USD135.6 million, USD178.9 million, USD372.7 million, USD264.7 million and USD285.3 million, respectively, representing an increase of approximately 32.0% from 2019 to 2020, a further increase of approximately 108.3% from 2020 to 2021, and an increase of approximately 7.8% from the nine months ended September 30, 2021 to the nine months ended September 30, 2022.

OUR BUSINESS

As an integrated shipping services provider, we primarily provided shipping services and ship management services to customers. With our service offerings, we are mainly positioned in the upstream and the midstream of the value chain of the maritime shipping industry.

During the Track Record Period, 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. 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).

As at December 31, 2019, 2020 and 2021 and September 30, 2022, our vessel fleet comprised 16, 15, 22 and 21 controlled vessels, respectively, and we entered into over 60, 160, 200 and 90 chartered-in vessel engagements in aggregate for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. 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,						**Nine months ended September 30,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	USD'000	*%*	*USD'000*	*%*	*USD'000*	*%*	*USD'000* (Unaudited)	*%*	*USD'000*	*%*
Chartered-in vessels	64,454	59.2	95,351	67.0	257,185	79.4	188,591	81.6	162,223	66.5
Controlled vessels	44,401	40.8	47,028	33.0	66,557	20.6	42,603	18.4	81,574	33.5
Total:	108,855	100.0	142,379	100.0	323,742	100.0	231,194	100.0	243,797	100.0

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

	Year ended December 31,						Nine months ended September 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(USD'000)	*%*	*(USD'000)*	*%*	*(USD'000)*	*%*	*(USD'000)*	*%*	*(USD'000)*	*%*
							(Unaudited)			
Chartered-in vessels	4,116	6.4	4,179	4.4	31,582	12.3	23,952	12.7	20,138	12.4
Controlled vessels	7,185	16.2	3,478	7.4	20,577	30.9	13,587	31.9	25,328	31.0
Total:	**11,301**	**10.4**	**7,657**	**5.4**	**52,159**	**16.1**	**37,539**	**16.2**	**45,466**	**18.6**

For each of the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the aggregate weight carrying capacity of our chartered-in vessel engagements during each year was approximately 3.7 million dwt, 10.6 million dwt, 14.6 million dwt and 6.9 million dwt, respectively. As at December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, aggregate weight carrying capacity of our controlled vessel fleet was approximately 0.8 million dwt, 0.8 million dwt, 1.2 million dwt and 1.0 million dwt, respectively.

For further details as to the utilization rates of our vessel fleet, please refer to "Business — Our fleet of vessels — Controlled vessels — Fleet utilization" in this document.

During the Track Record Period, we also provided ship management services to customers. Our ship management business services 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 nine months ended September 30, 2022, we managed 94, 133, 203 and 206 vessels, respectively of which 74, 114, 176 and 179 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.

Our customers during the Track Record Period primarily included (i) shipowners, (ii) finance and leasing companies, (iii) shipbuilders, (iv) dry bulk goods traders, and (v) shipping and logistics companies. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, revenue derived from the provision of services to our five largest customers represented approximately 20.9%, 18.7%, 25.6% and 19.7% of our total revenue for each year/period of the Track Record Period, respectively, and revenue derived from our largest customer represented approximately 7.7%, 5.0%, 7.0% and 5.8% of our total revenue for each year/period of the Track Record Period, respectively. Please see the section headed "Business — Customers" in this document for further details.

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

	Year ended December 31,						Nine months ended	
	2019		2020		2021		September 30, 2022	
	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	120,717	49.5
— Shipping services companies	85,767	78.8	58,514	41.1	111,920	34.6	123,080	50.5
Subtotal:	**108,855**	**100.0**	**142,379**	**100.0**	**323,742**	**100.0**	**243,797**	**100.0**
Ship management services								
— Shipowners	25,053	93.7	35,136	96.1	43,371	88.5	34,002	81.9
— Shipbuilders	—	—	—	—	435	0.9	1,392	3.4
— Others *(Note)*	1,699	6.3	1,414	3.9	5,190	10.6	6,120	14.7
Subtotal:	**26,752**	**100.0**	**36,550**	**100.0**	**48,996**	**100.0**	**41,514**	**100.0**
Total:	**135,607**		**178,929**		**372,738**		**285,311**	

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

Our suppliers during the Track Record Period primarily included (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. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, procurement made to our five largest suppliers represented approximately 13.7%, 15.2%, 9.5% and 16.0% of our total procurement costs for each year/period of the Track Record Period, respectively, and procurement made to our largest supplier represented approximately 5.4%, 6.3%, 2.5% and 3.8% of our total procurement costs for each year/period of the Track Record Period, respectively. Please see the section headed "Business — Suppliers" in this document for further information.

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, Shanghai Weilun Shipping Co., Ltd* (上海煒倫航運有限公司), Supplier L and Supplier H, being our top five suppliers during the Track Record Period were also our customers during the Track Record Period. Likewise, Customer E, Customer L and Customer O, being our top five customers during the Track Record Period were also our suppliers during the Track Record Period. Please see the section headed "Business — Overlapping of customers and suppliers" in this document.

Our exposure to liabilities arising from claims during our operations may differ depending on, among other factors, (i) the type of charter we entered into with our customers; and (ii) whether a chartered-in or controlled vessel is involved. In light of our exposure to liabilities, during the Track Record Period, we have maintained various types of insurance which covers, among other things, physical damage to a vessel and shipowner's legal and statutory liabilities for third party liabilities in connection with shipping operations. For further details, please refer to the sections headed "Business — Our Shipping Services — Exposure to liabilities" and "Business — Insurance" in this document.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths have contributed to our success and will continue to be the key drivers of our growth. For further details, please refer to the paragraph headed "Business — Our competitive strengths" in this document.

- As a leading third-party ship management services provider in the PRC offering comprehensive ship management solutions, we are well-positioned to benefit from solid industry growth.
- 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 developed a high quality and diversified customer base.
- We are able to achieve customer satisfaction and sustainable development through our quality and reliable service offerings.
- We have a highly qualified and dedicated management team with extensive industry insight and experience.

COMPETITIVE LANDSCAPE OF OUR GROUP

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. According to the F&S Report, 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.

OUR BUSINESS STRATEGIES

With the aim of further developing our business and continuing our growth, we will implement the following business strategies: (i) continue to scale up and diversify our vessel fleet with a strategic focus on maintaining an appropriate balance of chartered-in and controlled vessels; (ii) expand our ship management capabilities by reinforcing our existing market share and establishing a presence in global markets; and (iii) adopt digital technologies and implement advanced information technology systems in our business operations. For further details, please refer to the paragraph headed "Business — Our business strategies and future plans" in this document.

SUMMARY OF FINANCIAL INFORMATION AND OPERATIONAL DATA

The following tables set out selected financial information from our consolidated financial information for the years/periods indicated. For further details, please refer to the section headed "Financial Information" in this document.

Selected items of consolidated statements of comprehensive income

The table below sets forth a summary of our consolidated statements of comprehensive income for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Revenue	135,607	178,929	372,738	264,728	285,311
Cost of sales	(119,553)	(166,202)	(315,088)	(223,605)	(231,191)
Gross profit	16,054	12,727	57,650	41,123	54,120
Selling, general and administrative expenses	(4,484)	(5,708)	(17,215)	(6,217)	(8,457)
Operating profit	11,445	5,546	40,322	35,355	51,893
Profit before income tax	8,923	1,394	41,186	35,570	57,268
Income tax expenses	(489)	(670)	(1,181)	(1,072)	(1,834)
Profit for the year/period	8,434	724	40,005	34,498	55,434
Profit attributable to:					
— Shareholders of the Company	7,747	451	33,617	28,513	53,999
— Non-controlling interests	687	273	6,388	5,985	1,435
	8,434	724	40,005	34,498	55,434

Non-HKFRS measure

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

	Year ended December 31,			Nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Profit for the year/period	8,434	724	40,005	34,498	55,434
Add: [REDACTED] expenses[1]	—	—	*1,377*	*531*	*1,319*
Add: Share based compensation[2]	—	—	*5,635*	—	—
Non-HKFRS measure: Adjusted net profit for the year/period	**8,434**	**724**	**47,017**	**35,029**	**56,753**

Notes:

(1) [REDACTED] expenses relate to the [REDACTED] of our Company.

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

Our net profit decreased from approximately USD8.4 million for the year ended December 31, 2019 to approximately USD0.7 million for the year ended December 31, 2020, representing a decrease of approximately 91.4%. This was mainly due to our decreased profitability during 2020 primarily owing to the combined effect of (i) an increase in our charter hire costs, crew manning expenses, bunker costs and port charges owing to an expansion in our vessel fleet and chartered-in vessel engagements and (ii) a decrease in the daily average BDI during 2020 amidst a slowdown in the global economy, particularly, a reduced demand for dry bulk goods during the early stages of the global COVID-19 pandemic.

Our net profit increased from approximately USD0.7 million for the year ended December 31, 2020 to approximately USD40.0 million for the year ended December 31, 2021, representing an increase of approximately 5,425.6%. This was mainly due to our increased profitability during 2021 primarily owing to the combined effect of (i) high demand for shipping services and decreased supply of available shipping capacity in the market following the initial outbreak of COVID-19 pandemic in 2020 which propelled market charter rates to multi-year peaks during 2021 that allowed shipping companies such as our Group to capitalize and reap higher profit, and (ii) a moderate increase in our costs of sales owing to the expansion of our vessel fleet and chartered-in vessel engagements which was outpaced by a significant increase in our revenue for the year ended December 31, 2021 owing to the aforesaid heightened demand for shipping services and decreased supply of shipping capacity.

Our net profit increased from approximately USD34.5 million for the nine months ended September 30, 2021 to approximately USD55.4 million for the nine months ended September 30, 2022, representing an increase of approximately 60.7%. This was mainly due to our increased profitability during the nine months ended September 30, 2022 primarily owing to the combined effect of (i) recognition of net gains on disposal of property, plant and equipment of approximately USD5.4 million for the nine months ended September 30, 2022 arising from the disposal of one of our controlled vessels SEACON BRAZIL, and (ii) an increase in our share of net profit of associates and joint ventures for the nine months ended September 30, 2022 owing to the acquisition of associates in the second half of 2021 and the sale of XINYIHAI 55 in August 2022.

For discussion in detail on the underlying causes for the fluctuation in our net profit during the Track Record Period, see "Financial Information — Comparison of our results of operations".

Selected items of consolidated balance sheets

The following table sets forth certain items from our consolidated balance sheets as at the dates indicated

	As at December 31,			As at September 30,
	2019	**2020**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Non-current assets	127,346	101,110	165,773	234,124
Current assets	28,935	51,330	64,673	63,414
Total assets	156,281	152,440	230,446	297,538
Non-controlling interests	492	911	4,087	4,227
Total equity/net assets	3,759	5,292	51,407	105,487
Non-current liabilities	80,422	60,840	93,062	134,425
Current liabilities	72,100	86,308	85,977	57,626
Total liabilities	152,522	147,148	179,039	192,051
Net current assets/(liabilities)	(43,165)	(34,978)	(21,304)	5,788

Our net current liabilities decreased from USD43.2 million as at December 31, 2019 to USD35.0 million as at December 31, 2020. Our net current liabilities further decreased to USD21.3 million as at December 31, 2021. Our net current liabilities turned to a net current assets position of approximately USD5.8 million as at September 30, 2022. For further details, please refer to the section headed "Financial Information — Liquidity and capital resources — Current assets and current liabilities" in this document.

We recorded net current liabilities during the Track Record Period primarily due to (i) the relatively high current portion of lease liabilities and bank borrowings resulting from the leasing arrangements or financing of our controlled vessels for further expansion of the vessel fleet, and (ii) trade and other payables primarily attributable to amounts due to related parties primarily owing to certain companies which Mr. Guo had interests in that did not form part of our Group (the "**Guo's Controlled Companies**") in the amount of approximately USD34.8 million, USD33.9 million and USD26.8 million as at December 31, 2019, 2020 and 2021, respectively, which are non-trade in nature and was generally comprised of (i) the purchase price for some of our controlled vessels that Guo's Controlled

Companies had settled on our behalf and (ii) current account balances with Guo's Controlled Companies. Such amounts due to related parties have been fully settled as at the Latest Practicable Date.

As a result of the cash inflow from our operation riding on our improving profitability and the gradual settlement of the amounts due to related parties, we turned from a net current liabilities position of approximately USD21.3 million as at December 31, 2021 to a net current assets position of approximately USD5.8 million as at September 30, 2022 primarily due to greater operating cash inflows arising from our improved profitability and our continued efforts made in repaying our trade and other payables in particular, payments made in relation to the settlement of amounts due to related parties amounted to approximately USD25.2 million.

We recorded net assets of approximately USD3.8 million as at December 31, 2019, USD5.3 million as at December 31, 2020, USD51.4 million as at December 31, 2021 and USD105.5 million as at September 30, 2022. Our increase in net assets from approximately USD3.8 million as at December 31, 2019 to approximately USD5.3 million as at December 31, 2020 was primarily due to (i) the recognition of deemed contribution to shareholders of approximately USD0.9 million resulted from the disposal of investment in Qingdao Haizhou Crew Manning Company Limited* (青島海洲星船員服務有限公司) previously held by Seacon Ships Qingdao as part of the Reorganization; and (ii) the recognition of approximately USD0.7 million net profit for the year ended 31 December 2020 which was partially offset by dividends of approximately USD0.1 million declared to non-controlling interests in Seacon Enterprise during the corresponding period. Our net assets further increased to approximately USD51.4 million as at December 31, 2021 primarily due to (i) our improved profitability during 2021 with us having recorded USD40.0 million in net profit for the year ended December 31, 2021; (ii) the recognition of fair value of the share-based compensation amounted to approximately USD5.6 million pursuant to the transfer of 2% and 1% shareholding of the company from Mr. Guo to Mr. Zhao Yong and Mr. He Gang respectively in November 2021 and (iii) deemed contribution to shareholders of approximately USD3.7 million. Such increase was partially offset by dividends of approximately USD3.2 million declared to non-controlling interests in Seacon Enterprise during the corresponding period. Our net assets further increased to approximately USD105.5 million as at September 30, 2022 primarily due to (i) our improved profitability during 2022 with us having recorded USD55.4 million in net profit for the year ended December 31, 2021; and (ii) debt of Star Wealth Ltd of approximately USD0.9 million waived by the shareholders of our Company. Such increase was partially offset by (i) dividends of approximately USD1.3 million declared to non-controlling interests in Seacon Enterprise during the corresponding period; and (ii) merger reserves of approximately USD0.8 million arising from the Reorganization.

Selected items of consolidated statements of cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Net cash from operating activities	9,559	24,473	88,147	49,604	57,164
Net cash from/(used for) investing activities	500	2,027	(6,004)	(6,012)	(6,087)
Net cash used for financing activities	(9,849)	(24,015)	(61,515)	(33,850)	(49,472)
Effects of exchange rate changes on cash and cash equivalents	(8)	(8)	(18)	(31)	(74)
Net increase in cash and cash equivalents	210	2,485	20,628	9,742	1,605
Cash and cash equivalents at the beginning of the year/period	1,741	1,943	4,420	4,420	25,030
Cash and cash equivalents at the end of the year/period	**1,943**	**4,420**	**25,030**	**14,131**	**26,561**

Summary of key financial ratios

The following table set forth our key financial ratios as at the date or for the periods indicated. Please refer to the section headed "Financial Information — Key financial ratios" for further information on the basis of calculation for our financial ratios.

	As at December 31/ Year ended December 31,			As at September 30/ Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
Return on equity	206.1%	8.5%	65.4%	51.2%
Return on total assets	5.0%	0.3%	14.6%	18.1%
Current ratio	0.4	0.6	0.8	1.1
Quick ratio	0.3	0.5	0.7	0.9
Net debt to equity ratio	2,638.7%	1,475.7%	183.8%	131.2%

Our return on equity decreased from approximately 206.1% for the year ended December 31, 2019 to approximately 8.5% for the year ended December 31, 2020, which was mainly due to the decrease in our net profit as a result of the slowdown in the global economy, particularly, a reduced demand for dry bulk goods during the early stages of the global COVID-19 pandemic in early 2020 and the decrease in average daily BDI from 1,365 points in 2019 to 1,068 points in 2020 combined with an increase in the operating costs for our vessels such as port charges owing to the COVID-19 quarantine measures and the growth in the business operation of our shipping services. Our return on equity increased from approximately 8.5% for the year ended December 31, 2020 to approximately 65.4% for the year ended December 31, 2021, which was mainly due to the significant increase in our net profit resulting from our improved financial condition in 2021 and sharp increase in demand for shipping services amidst a broader economic recovery and improved market sentiments coupled with the multi-year peak of market charter rate and freight rates in 2021. Our return on equity decreased from approximately 65.4% for the year ended December 31, 2021 to approximately 51.2% for the nine months ended September 30, 2022, which was mainly due to the significant increase in the retained earnings.

Our net debt to equity ratio decreased from approximately 2,638.7% as at December 31, 2019 to approximately 1,475.7% as at December 31, 2020, which was mainly due to the combined effect of the decrease in our borrowings and leased liabilities and the increase in cash and cash equivalents and our retained earning. Our net debt to equity ratio further decreased to approximately 183.8% as at December 31, 2021, which was mainly due to the decrease in our borrowings and an increase in our total equity resulting from a significant improvement of our profitability in 2021. Our net debt to equity ratio further decreased to approximately 131.2% as at September 30, 2022, which was mainly due to a significant increase in our total equity resulting from an improvement of our profitability during the nine months ended September 30, 2022.

Operational data and matrixes

The following table sets forth a breakdown of our gross profit by vessel size during the Track Record Period.

	Year ended December 31, 2019	2020	2021	Nine months ended September 30, 2022
	(USD'000)	*(USD'000)*	*(USD'000)*	*(USD'000)*
Dry bulk carriers				
— Capesize	1,595	3,297	9,115	1,703
— Panamax	2,839	2,217	6,814	11,008
— Ultramax	1,011	1,370	6,832	7,419
— Supramax	1,410	(1,973)	6,092	4,896
— Handymax	1,232	521	428	(663)
— Handysize	1,504	1,036	24,468	18,520
Oil and chemical tankers	1,710	1,189	(1,590)	2,583
Total:	11,301	7,657	52,159	45,466

We recorded a gross loss of approximately USD2.0 million for the year ended December 31, 2020 with respect to our supramax vessels primarily due to loss-making transactions recorded by our supramax controlled vessels due to, among other things, poor market sentiments during early 2020 as a result of the outbreak of the COVID-19 pandemic. We also recorded a gross loss of approximately USD1.6 million for the year ended December 31, 2021 with respect to our oil and chemical tankers primarily due to (i) higher expenses for taking over of new oil tankers during 2021 including extra bunker consumed, preparation of spare parts and materials and extra wages for onboarding the crew members and (ii) low market sentiments for oil products during 2021 which was reflected in the Baltic Clean Tanker Index. Gross profits for our handysize vessels increased significantly from approximately USD1.0 million for the year ended December 31, 2020 to approximately USD24.5 million for the year ended December 31, 2021. This was because our chartered-in vessels as well as controlled vessels were predominantly comprised of handysize vessels during the year ended December 31, 2021, which meant that gross profits derived from our handysize vessels increased significantly on the back of the exceptional market conditions during 2021 characterized by high demand for shipping services and multiple peaks in the BDI. We recorded a gross loss of approximately USD0.7 million for the nine months ended September 30, 2022 with respect to our handymax vessels owing to the fact that we recorded a loss-making transaction with respect to one of our chartered-in vessels as a result of a sudden market downturn after chartering the relevant vessel.

The following table sets forth a breakdown of our cargo volume by major product types transported by our vessels under TCT, voyage charters and COA during the Track Record Period. Cargo volume for period-based time charters cannot be collated owing to the nature of a period-based time charter as the charterer customer is able to transport cargo at their discretion during the charter period.

	Year ended December 31,			**Nine months ended September 30,**
	2019	**2020**	**2021**	**2022**
	(tons'000)	*(tons'000)*	*(tons'000)*	*(tons'000)*
Coal	2,494	3,345	4,225	3,059
Petroleum products	88	212	80	236
Minerals	2,225	8,085	7,281	4,856
Grains	987	404	446	185
Industrial materials*(Note)*	467	342	317	397
Cement products	615	458	861	285
Steel products	351	427	242	153
General cargo	203	64	22	143
Fertilizer products	133	22	91	225
Logs	—	—	20	10
Total:	7,563	13,359	13,585	9,549

Note: Industrial materials included a variety of oil products and chemical compounds such as sulphur, palm oil, salt, urea, glycol etc.

The following table sets forth a breakdown of time charter equivalent of our controlled vessels by vessel size during the Track Record Period. Time charter equivalent represented the aggregate of time charter earnings of our controlled vessels and voyage charter earnings of our controlled vessels net of relevant costs including bunker charges, demurrage, port charges etc. divided by the total operating days of such vessels.

	Year ended December 31,			Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
	(USD/day)	*(USD/day)*	*(USD/day)*	*(USD/day)*
Dry bulk carriers				
— Capesize	11,899	12,071	19,050	23,674
— Panamax	11,990	12,100	18,102	31,322
— Ultramax	10,504	10,283	13,985	19,005
— Supramax	9,395	6,925	12,737	20,817
— Handysize	5,680	4,403	8,194	7,134
Oil and chemical tankers	7,164	5,984	9,848	13,846

The following table sets forth a breakdown of gross profit per day and our daily vessel costs during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
	(USD/day)	*(USD/day)*	*(USD/day)*	*(USD/day)*
Gross profit per day				
— Chartered-in vessels	716	579	3,385	2,661
— Controlled vessels	2,774	782	5,278	6,484
Daily vessel costs *(Note)*				
— Chartered-in vessels	10,503	12,639	24,178	18,775
— Controlled vessels	14,370	9,788	11,795	14,400

Note: Daily vessel costs represents the costs of sales which are directly attributable to a particular vessel divided by the number of applicable days which we controlled or chartered in the vessel during any given year/period.

The following table sets forth a breakdown of our long-term chartered vessel costs and vessel days during the Track Record Period.

	Year ended December 31,			Nine months ended September 30,
	2019	2020	2021	2022
Long-term chartered vessels costs[(Note 1)] *(USD'000)*	—	—	2,961	4,417
Vessel days[(Note 2)]	—	—	186	273

Notes:

1. Long-term chartered vessels represented chartered-in vessels which we have chartered from suppliers under a charterparty contract for a period of one year or above during the year/period.

2. Vessel days represented the aggregate number of days under the charterparty contracts which our long-term chartered vessels are chartered in by us during the year/period.

SUMMARY OF MATERIAL RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include (i) charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in the BDI which is a main benchmark indicator of the market charter rates, (ii) we face risks associated with obtaining suitable shipping capacity such as chartered-in vessels and purchasing vessels, (iii) an increase in bunker fuel prices may reduce our profitability and adversely affect our business operations, (iv) we require a substantial amount of working capital and financial resources to sustain our business operations and our expansion plans, and (v) we may be unable to retain existing customers or attract new customers. For further details, please refer to the section headed "Risk Factors" in this document.

[REDACTED]

	Based on [REDACTED] of HK$[REDACTED] per [REDACTED], after a [REDACTED] of 10%	Based on [REDACTED] of HK$[REDACTED] per [REDACTED] (low-end)	Based on [REDACTED] of HK$[REDACTED] per [REDACTED] (high-end)
Market capitalization[(1)]	HK$[REDACTED]	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company per Share[(2)(3)]	HK$[REDACTED]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued pursuant to the exercise of the [REDACTED], any Shares issued upon the exercise of options granted under the Share Option Scheme or any Shares issued or repurchased pursuant to the general mandates granted to our Directors as referred to in the paragraphs headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this document).

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to the section "Unaudited Pro Forma Financial Information" in Appendix IIA to this document and on the basis of [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued pursuant to the exercise of the [REDACTED], any Shares issued upon the exercise of options granted under the Share Option Scheme or any Shares issued or repurchased pursuant to the general mandates granted to our Directors as referred to in the paragraphs headed "Share Capital — General Mandate to Issue Shares" and "Share Capital — General Mandate to Repurchase Shares" in this document).

(3) Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix IIA to this document for details.

DIVIDENDS

During the Track Record Period, our Company did not declare any dividends. As at the Latest Practicable Date, we did not have any dividend policy. Please refer to the paragraph headed "Financial information — Dividend policy" in this document for further details.

[REDACTED]

The [REDACTED] from the issue of the [REDACTED] under the [REDACTED] based on the [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range, are estimated to be approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), after deducting the estimated [REDACTED] commission, fees and estimated expenses payable by our Company from the gross [REDACTED] of the [REDACTED] and assuming the [REDACTED] is not exercised. We intend to apply the [REDACTED] of the issue of the [REDACTED] under the [REDACTED] in the following manner:

- approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to expand and optimize our vessel fleet, among which:
  - o approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to expand and optimize our controlled vessel fleet; and
  - o approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to increase the scale of our chartered-in vessel fleet;

- approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to (i) reinforce our ship management capabilities by setting up new offices in strategic locations such as Shanghai, Greece, Philippines and Japan by renting office premises, and (ii) expand our current ship management operations in Qingdao, Ningbo and Fuzhou;

- approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to adopt digital technologies and implement advanced information technology in our business operations; and

- approximately HK$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used for our general working capital.

Please refer to the section headed "Future Plans and [REDACTED]" in this document for further details.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately USD[REDACTED] (HK$[REDACTED]), representing approximately [REDACTED]% of the gross [REDACTED] of the [REDACTED] (at the [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range) and assuming the [REDACTED] is not exercised) among which (i) [REDACTED]-related expenses, including [REDACTED] commission and other expenses are approximately USD[REDACTED] (HK$[REDACTED]) and (ii) non-[REDACTED]-related expenses are approximately USD[REDACTED] (HK$[REDACTED]), comprising (a) fees and expenses of legal advisors and Reporting Accountant of approximately USD[REDACTED] (HK$[REDACTED]) and (b) other fees and expenses of approximately USD[REDACTED] (HK$[REDACTED]).

We incurred approximately USD3.4 million (HK$26.7 million) of [REDACTED] expenses during the Track Record Period, among which approximately USD2.7 million (HK$21.2 million) was recorded as expenses and approximately USD0.7 million (HK$5.5 million) will be recognized as a deduction in equity directly upon the [REDACTED].

We estimate that additional [REDACTED] expenses of approximately USD[REDACTED] (HK$[REDACTED]) (including [REDACTED] commissions of approximately USD[REDACTED] (HK$[REDACTED]) will be incurred by our Company, approximately USD[REDACTED] (HK$[REDACTED]) of which is expected to be charged to profit or loss, and approximately USD[REDACTED] (HK$[REDACTED]) of which is expected to be recognized as a deduction in equity directly upon the [REDACTED].

The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2022.

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the [REDACTED] and the [REDACTED], Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun, together exercised control of 77% of the issued share capital of our Company. Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon exercise of the [REDACTED] or options which may be granted under the Share Option Scheme), the percentage of issued share capital controlled by Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun will be diluted to [REDACTED]%, and they will together be entitled to directly or indirectly exercise or control the exercise of 30% or more of the voting rights at the general meeting of our Company immediately upon completion of the [REDACTED]. Accordingly, Mr. Guo, Jin Qiu, Shining Friends, Jovial Alliance and Jin Chun are considered our group of Controlling Shareholders immediately following the [REDACTED]. See "Relationship with our Controlling Shareholders" for details.

We have entered into certain continuing connected transactions with the associates of one of our Controlling Shareholders. For details, see "Waivers from Strict Compliance with the Listing Rules" and "Connected Transactions".

[REDACTED] INVESTMENT

In December 2021, Mr. Shi Yi acquired 3% equity interest in Seacon Ships Qingdao. See "History, Reorganization and Corporate Structure — The [REDACTED] Investment" for details.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, see "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were involved in ongoing litigation and arbitration proceedings in relation to certain of our controlled vessels and chartered-in vessels. Please see "Business — Legal proceedings" for further details.

Save as disclosed in the section headed "Business — Legal proceedings" in this document, our Directors confirm that we had no litigation or arbitration proceedings or administrative proceedings pending against us or any of our Directors, that had or would reasonably be expected to have material financial or operational impact on our business during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we have complied, in all material respects, with all relevant laws and regulations in the jurisdictions which we operated in during the Track Record Period and up to the Latest Practicable Date.

IMPACT OF THE COVID-19 PANDEMIC

Our Directors confirm that despite the disruptions caused to the global supply chain, the COVID-19 pandemic had led to increasing market opportunities for us. According to the F&S Report, the easing of lockdown protocols and the gradual recovery of the economy following the initial impact of COVID-19 pandemic during 2020 has driven a booming demand for bulk carrier transportation, resulting in a surge in the BDI in 2021.

In the first quarter of 2022, there were resurgences of COVID-19 outbreak, including the highly transmissible Omicron variant in various provinces across the PRC, and the local governments have imposed various restrictions on business and social activities. Save for minor delays in payments made to us from certain customers owing to their suspension of business operations due to the recent lock-down in Shanghai during early 2022, our Directors are of the view that the resurgence does not have a material or sustained adverse impact on our business or the market conditions. Our Directors expect market conditions for integrated shipping companies and operation of our Group the Covid-19 pandemic will not have material adverse impact on the in the near future.

For further details as to the impact of the COVID-19 pandemic on our business, please see the section headed "Business — Impact of the COVID-19 outbreak on our business".

RECENT DEVELOPMENTS

Changes in our vessel fleet composition

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

- we have 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.

- GOLDEN CAMELLIA was chartered in by us under bareboat charter (which includes an early purchase option) from a finance lease company in October 2021. We have notified the shipowner of our intention to exercise the purchase option in October 2022 and entered into an agreement on even date to sell GOLDEN CAMELLIA to an Independent Third Party. Upon completion which took place in January 2023, the legal title of GOLDEN CAMELLIA was transferred from the shipowner to us and then from us to the Independent Third Party concurrently.

- the construction of SEACON NOLA, a new dry bulk carrier with a weight carrying capacity of approximately 85,000 dwt, was completed and the vessel was delivered to us in January 2023.

Our business and results of operations after the Track Record Period

For the year ended December 31, 2022, the average utilization rate of our controlled vessels was approximately 91.4% and the average utilization rate of our chartered-in vessels during this period was approximately 99.4%. Please refer to the paragraph headed "Business — Our fleet of vessels — Controlled vessels — Fleet utilization" for further details on the calculation basis of our vessel utilization rates.

Unaudited preliminary financial information of our Group as of and for the year ended December 31, 2022

Based on our unaudited preliminary financial information for the year ended December 31, 2022, our revenue in 2022 decreased by approximately 3.7% as compared to 2021 which was primarily due to (i) a decrease in revenue from our shipping services derived from our chartered-in vessels as we entered into less chartered-in vessel engagements in 2022 compared to 2021, and (ii) a decrease in the average daily BDI which meant that the charter hire we were able to receive from our customers reduced. Based on our unaudited preliminary financial information for the year ended December 31, 2022, our gross profit in 2022 increased by 8.3% as compared to 2021 which was primarily due to (i) an increase in our revenue from our ship management services contributed by vessels charged under a management fee basis, and (ii) an increase in our revenue contributed by our shipbuilding supervision projects as a large portion of our shipbuilding supervision projects commenced during the latter half of 2021. For further details, please refer to the section headed "Unaudited Preliminary Financial Information for the year ended December 31, 2022" in Appendix IIB to this document. The unaudited financial information in respect of our consolidated balance sheet as at December 31, 2022, consolidated statement of comprehensive income for the year ended December 31, 2022 and the related notes thereto as set out in "Appendix IIB — Unaudited Preliminary Financial Information for the year ended December 31, 2022" has been agreed by the Reporting Accountant to the amounts set out in the Group's unaudited consolidated financial statements for the year ended December 31, 2022 in accordance with Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the HKICPA. The work performed by the Reporting Accountant in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountant on the unaudited preliminary financial information.

Going forward, our Directors expect our business contributed by our controlled vessels will continue to grow primarily due to the introduction of four new oil tankers namely, GOLDEN CAMELLIA, GOLDEN DAHLIA, GOLDEN DAISY and GOLDEN LAVENDER, to our controlled vessel fleet which we expect are able to capitalize on the heightened demand and prices for oil products amidst the Russia-Ukraine conflict. Like the BDI, we make reference to the Baltic Clean Tanker Index (the "**BCTI**"), a composite of average charter rates from key routes travelled by clean tankers that transport petroleum and oil products, when assessing whether charter rates for our oil tankers are in line with prevailing market conditions. According to the F&S Report, international oil price has surged as significant numbers of traders refused to purchase oil originated from Russia, resulting in a shortage of supply around the globe. Following the Russian-Ukraine conflict since February 2022, the BCTI has increased from approximately 731 points as at February 28, 2022 and peaked at 2,143 points as at December 22, 2022. As at the Latest Practicable Date, the BCTI was 847 points. Despite the BCTI having peaked in December 2022, the BCTI has still remained at relatively higher levels compared to before the Russian-Ukraine conflict commenced, which our Directors believe will provide considerable impetus to the heightened levels of our revenue to be derived from our oil tankers in near future.

Impact of the BDI on our financial performance

The maritime shipping industry is highly cyclical which is characterized by a high degree of volatility in market charter and freight rates. Such cyclicality is influenced by changes in the supply of and demand for vessel capacity and changes in the supply of and demand for commodities which is often underpinned by a broad range of macroeconomic factors. When there is low demand for shipping services, shipbuilding slows and the number of vessels idled or marked for scrap rises. When demand for shipping services increases owing to changes in market economy, and if supply is unable to quickly match such an increase in demand, charter rates and freight rates go up and shipbuilding resumes, eventually causing an increase in supply which eventually pushes market charter rates back down. Fluctuations in the maritime shipping industry are also closely linked to fluctuations in the business cycle where decreases in demand for commodities will mean lower demand for transportation services which may force shipping companies to build fewer ships and scrap some that are not in use. Likewise, the dry bulk shipping industry also faces a high degree of cyclicality and such cyclicality is reflected in the BDI which exhibited considerable volatility during the Track Record Period and thereafter. Please refer to the paragraph headed "Charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in the BDI which is the main benchmark indicator of the market charter rates" in the section headed "Risk Factors" for further details.

The inherently cyclical nature of the maritime shipping industry provides opportunities and poses risks to its market players. Examples of market opportunities associated with the cyclical nature of the maritime shipping industry include the heightened charter rates that shipping companies are able to capture by charging its customers when such charter rates peak. However, in the same vein, heightened charter rates may pose a risk for shipping companies who mostly charter in their shipping capacity as the charter rates charged by vessel suppliers will also be at heightened levels which may cut into a shipping company's potential profits. Another market opportunity is that market players may capitalize on the cyclicality of maritime shipping industry by purchasing assets at a cheaper price or chartering in shipping capacity at relatively low market charter rates and then charter out such vessels at higher rates when market sentiments improve. Conversely, a major associated risk is that the maritime shipping industry is inherently volatile and unpredictable, and as such, the ability to capitalize on any potential increases in market newbuilding rates and/or charter rates requires market players to have an astute understanding of the maritime shipping industry in order to quickly respond to such volatility and to gauge whether market sentiments will in fact increase. Shipping companies and market players without proper market acumen and experience may not be able to shrewdly assess the pulse of the market to grasp any potential market opportunities during times of improvement or mitigate against potential market declines. Additionally, there is no guarantee there will be an adequate demand for shipping services upon the completion of construction of newly built vessels which may pose a significant risk to market players. Please refer to the paragraph headed "Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of our newbuilding contracts, and there is no guarantee there will be adequate demand for shipping services upon completion of the shipbuilding projects" in the section headed "Risk Factors" for further details.

The BDI is a shipping and trade index issued daily by The Baltic Exchange Limited based in London. The BDI index measures the cost of transporting dry bulk goods like coal and steel around the world, or more specifically, the demand for shipping capacity against the supply of dry bulk carriers. Shipping companies and other market players in the maritime shipping industry often refer to the BDI when gauging whether charter rates offered are in line with the prevailing market conditions. Set out below is a graph setting out the historical fluctuations of each of the BDI during the Track Record Period and up to January 31, 2023.

Historical Movement in BDI during the Track Record Period and up to January 31, 2023

During the Track Record Period, charter rates typically fluctuated in line with the movements in the BDI which generally affected our financial performance. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the BDI has fluctuated in a range between 393 points and 5,650 points with a daily average of approximately 1,365 points, 1,068 points, 2,943 points and 2,070 points, respectively, and our net profit was approximately USD8.4 million, USD0.7 million, USD40.0 million and USD55.4 million for the corresponding periods. Given that charter rates typically fluctuated in line with the BDI which often forms the primary basis for the fees we are charged by our suppliers and charge to our customers, we were able to capitalize on the increasing trend exhibited by the BDI during late 2020 and throughout 2021 which remained at relatively high levels during the first half of 2022 and thus recorded an exceptionally strong financial performance during the Track Record Period, in particular for the year ended December 31, 2021 and the nine months ended September 30, 2022. There is no assurance that our financial performance going forward will exhibit growth at the same levels as 2021. Please refer to the paragraph headed "Our historical growth rate, revenue and profit margin, in particular, our revenue generated from shipping services due to surge in demand as a result of COVID-19 outbreak, may not be indicative of future growth rate, revenue, and profit margin" in the section headed "Risk Factors" for further details.

Following December 31, 2021 and up to October 31, 2022, the BDI had plummeted to a low of 965 points as at August 31, 2022 and then rebounded to 1,463 points as at October 31, 2022. According to the F&S Report, this decrease was largely due to negative market sentiments arising from (i) the diminished demand for steel, a major dry bulk, in the PRC owing to the weak performance of the real estate and manufacturing industries during the second and third quarters of 2022, having recorded significant declines compared to the corresponding period in 2021; (ii) a decrease in exports and overall freight rates for grains and agricultural products owing to altered agricultural trade policies and export patterns resulting from extreme weather conditions, geopolitical disputes and epidemics; and (iii) market uncertainty arising from the recent string of interest rate hikes by the U.S. Federal Reserve in 2022. The BDI subsequently increased to 1,463 points as at October 31, 2022 and further increased to 1,515 points as at December 23, 2022 (being the latest available day of the year for BDI data for the year ended December 31, 2022), demonstrating a moderate recovery from the low during August 31, 2022. However, the BDI has since declined to 681 points at at January 31, 2023. According to the F&S Report, the BDI exhibits a certain degree of seasonality as the BDI tends to typically be lower during the first quarter primarily due to lower demand for shipping services during Chinese New Year. As at the Latest Practicable Date, the BDI has rebounded to approximately 990 points.

Notwithstanding the recent decline in the BDI following the December 31, 2021, our Directors are of the view that such a decline did not have a material impact on our overall business operations or our financial performance as our revenue and gross profit for the nine months ended September 30, 2022 was higher than the corresponding period in 2021 and such decline was only temporary as the BDI has already quickly reached 1,463 points as at October 31, 2022 and further increased to 1,515 points as at December 23, 2022 which exemplifies the cyclical nature of the BDI that is characterized by multiple periodic peaks and troughs throughout any given year. This is further evidenced by the considerable deviation between the peak and trough of the BDI during the year ended December 31, 2022, with the BDI peaking at 3,369 points as at May 23, 2022 and reaching a low of 965 as at August 31, 2022, with a daily average of approximately 1,937 points during the year. Although the daily average for the year ended December 31, 2022 was not as high as the daily average of 2,943 points for the year ended December 31, 2021, the daily average for the year ended December 31, 2022 is still markedly higher than the daily averages of 1,365 points and 1,068 points for the years ended December 31, 2019 and 2020, respectively, which our Directors believe will continue to provide considerable foundation for a stable financial performance going forward, albeit not at the same rate or magnitude as our exceptional results of operations during 2021.

To mitigate against the cyclicality in the maritime shipping industry and potential market downturns, we have deployed various mitigating measures such as generally chartering in vessels under short period-based time charters and TCT as the short duration of such charters allows us to retain a higher degree of flexibility and respond to any sudden downturns in a timely manner. In addition, we endeavour to charter out our controlled vessels under longer period-based time charters during periods of high market charter rates so as to ensure we receive a stable and prolonged revenue at relatively higher levels amidst any potential market downturns. We have also utilized a sequencing strategy where we will secure business on a back-to-back basis by first securing and "locking-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 when we expect market sentiments and market rates to decrease in the near future, thereby mitigating against sudden declines in market charter rates 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. For further details as to our sequencing strategy, please refer to the paragraph headed "Business — Our fleet of vessels — Chartered-in vessel fleet — Sequence in chartering in vessels and securing business from customers".

Impact of key events in the maritime shipping industry

The Russia-Ukraine war

The prolonged Russia-Ukraine conflict since February 2022 is expected to continue to create uncertainty in the maritime shipping industry for the remainder of 2022, though the overall impact on the overall dry bulk industry had been relatively muted in comparison to the oil tanker industry following the commencement of the conflict in February 2022 up to the Latest Practicable Date. Given the fact that Russia and Ukraine are major exporters of dry bulk commodities, with Russia mainly exporting coal, grain, steel products and fertilisers, while Ukraine exports grain, iron ore and steel products, the ongoing tension between the two countries has hampered the exports of these commodities and increased the shipping costs globally. While we have been able to capitalize on the increased market charter rates in light of decreased shipping capacity and longer travelling times following the commencement of the conflict in February 2022 up to the Latest Practicable Date owing to disturbances in trade patterns around the Black Sea, the protracted conflict between Russia and Ukraine will continue to create uncertainty in the maritime shipping industry going forward.

An expanded ban on Russian fuel has also pushed up the cost and availability of bunker fuel and pushed shipowners to use alternative fuels. Additionally, the uncertainty in relation to the conflict between Ukraine and Russia, and the sanctions imposed as a consequence, may lead to be further increases in global fuel prices. Whilst our fleet of oil tankers are positioned to benefit from the increase in oil prices, we may concurrently face an increased burden on our bunker costs. Our Directors expect our revenues derived from our oil tankers to increase in near future as a result of the heightened oil prices amidst the protracted Russia-Ukraine conflict.

Impact of bunker fuel expenses on our financial performance

Our bunker expenses accounted for approximately USD16.2 million, USD28.7 million, USD36.5 million, USD27.3 million and USD31.0 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively, representing approximately 13.5%, 17.3%, 11.6%, 12.2% and 13.4% of our cost of sales for the corresponding periods, respectively. Please refer to the paragraph headed "Financial Information — Key factors affecting our results of operations — Bunker fuel expenses" for a hypothetical sensitivity analysis of the fluctuations in our bunker fuel expenses on our net profit before tax during the Track Record Period.

Our bunker fuel expenses may also vary drastically based on the type of charter method. Where we charter out a vessel to customers under time charters (i.e. period based time charters and TCT), we are not responsible for bunker fuel whereas if we charter out a vessel to customers under voyage charters and COA, we are responsible for bunker fuel. Depending on the inclination of our customers for any particular charter method, our bunker fuel expenses may fluctuate considerably during any given year.

Rising tensions across the Taiwan Strait

In August 2022, there have been heightened tensions in cross-strait relations as a result of the visit by Nancy Pelosi, the speaker of the United States House of Representatives, to Taiwan. In response to the visit, from August 4, 2022 to August 10, 2022, the PRC government conducted a series of military exercises around the ocean surrounding Taiwan including the Taiwan Strait which is a major gateway for vessels to pass between Southeast and Northeast Asia. Our Directors believe that the cross-strait tensions during August 2022 did not have any material impact on our business operations and financial condition following the Track Record Period up to the Latest Practicable Date as our vessels typically avoided traveling through any areas involved in military exercises.

Interest rate hikes by the U.S. Federal Reserve

In a bid to temper runaway inflation, the U.S. Federal Reserve increased its target federal funds rate to 3.00%–3.25% in September 2022 which marked the fourth interest rate increase this year, and a three-quarter percent jump from the last interest rate hike in July 2022. Subsequent to the Track Record Period and up to the Latest Practicable Date, the U.S. Federal Reserve further increased its federal funds rate to 3.75%–4.00% in November 2022, 4.25%–4.50% in December 2022 and 4.50%–4.75% in February 2023. Our Directors expect that the recent string of interest rate hikes by the U.S. Federal Reserve will have a considerable impact on our indebtedness going forward as our finance lease arrangements and bank loans generally bore interest at floating rates based on LIBOR which may fluctuate to such increases in the interest rates by the U.S. Federal Reserve.

The U.S. Ocean Shipping Reform Act

In June 2022, the new Ocean Shipping Reform Act was signed into law in the United States. The legislation was introduced with the intention of cracking down on international ocean shipping costs and ease supply chain backlogs that are raising prices for consumers and making it harder for U.S. farmers and exporters to transport their goods to the global market and expresses the objectives of promoting the growth of exports from the U.S. through a competitive ocean transportation system and avoiding excessive detention and demurrage charges to shippers by ocean carriers. In particular, the legal reform introduces the ban on the carriers' unfair and/or unreasonable practices, refusal in transportation service or any other unfair or discriminatory methods against U.S. shippers, and unfair or discriminatory practices, especially in relation to any commodity group or type of shipment, or in relation to tariffs or charges. For example, the legislation requires the United States Federal Maritime Commission to (i) investigate complaints about detention and demurrage charges charged by common ocean carriers, (ii) determine whether those charges are reasonable, and (iii) order refunds for unreasonable charges. According to the F&S Report, and our Directors concur that, this legal reform will have very little impact on the market as it will not cause significant meaningful structural changes to the maritime shipping industry but rather a reform of recommended practices in the industry. In light of the aforementioned and given that (i) the Ocean Shipping Reform Act only affects shipping routes involving the U.S., and (ii) our demurrage charges in relation to shipping routes to or from the U.S. during the Track Record Period is negligible, our Directors believe that the Ocean Shipping Reform Act has not had a material impact on our business operations or financial condition following the Track Record Period and up to the Latest Practicable Date.

No material adverse change

Our Directors confirm that, since September 30, 2022 and up to the date of this document, save as disclosed in the section headed "Business — Legal proceedings" in this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there had been no material adverse change in the financial or trading positions or prospect of our Group, and (iii) there had been no event which would materially affect the information shown in the Accountant's Report in Appendix I to this document.