*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountant's Report. Our consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors which we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. Factors that could cause or contribute to such differences include those discussed in the sections headed "Forward-looking Statements", "Risk Factors" and "Business" in this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are an integrated shipping services provider headquartered in the PRC. We have been successful in the provision of shipping services and ship management services. According to the F&S Report, we accounted for approximately 1.3% 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 (i) approximately 1.26 million dwt for our entire controlled vessel fleet and (ii) approximately 1.15 million dwt for our controlled dry bulk carriers 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.

During the Track Record Period, we primarily provided shipping services and ship management services to customers. With respect to our shipping services business, 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 through bareboat charters or under finance lease arrangements. On the other hand, our chartered-in vessels are comprised of dry bulk carriers chartered from vessel suppliers predominantly under time charters (period-based time charter and TCT).

We also provided ship management services to customers during the Track Record Period. Our ship management services business 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.

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, and our net profit was approximately USD8.4 million, USD0.7 million, USD40.0 million, USD34.5 million and USD55.4 million for the corresponding periods, respectively. Excluding the non-recurring [REDACTED] expenses of approximately USD1.4 million, USD0.5 million and USD1.3 million for the year ended December 31, 2021 and the nine months ended September 30, 2021 and 2022, respectively, and the share based compensation amounted to approximately USD5.6 million for the year ended December 31, 2021, our adjusted net profit (non-HKFRS measure) for the period amounted to approximately USD47.0 million, USD35.0 million and USD56.8 million, respectively. Please refer to "Non-HKFRS Measure" in this section for further details.

BASIS OF PRESENTATION

Our consolidated financial information for the Track Record Period, which comprised the financial statements of our Company and our subsidiaries, has been prepared in accordance with HKFRSs which include standards and interpretations promulgated by the HKICPA. Inter-company transactions, balances and unrealized gains/losses on transactions between companies within our Group are eliminated on combination. For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have adopted all applicable new and revised HKFRSs throughout the Track Record Period, except for any new standards or interpretations that are not yet effective as at September 30, 2022. See Note 2 of the notes to the Accountant's Report in Appendix I to this document for more information on the basis of presentation and preparation of the financial information included herein.

Pursuant to the Reorganization, certain companies previously held by Seacon Shipping Group were gradually transferred to our Group. Given that Mr. Guo held 80% of the interest of that Seacon Shipping Group which was engaged in the same core business of shipping services for the years ended December 31, 2019, 2020 and 2021, the assets, liabilities and results of operations of Seacon Shipping Group have been included and consolidated into our Group's financial statements on the basis of merger accounting up to December 31, 2021. As the shareholding interests in Seacon Shipping Group was not transferred to our Group pursuant to the Reorganization, the financial results of Seacon Shipping Group was no longer consolidated into our Group's financial statements since

December 31, 2021 and the net liabilities position of Seacon Shipping Group as at December 31, 2021 was then treated as a deemed contribution of the shareholders on December 31, 2021 in our Group's financial statements.

Given that the Seacon Shipping Group was in a net liabilities position of approximately USD1.4 million as at December 31, 2021, the de-consolidation of Seacon Shipping Group's financial information from that of our Group as at December 31, 2021 in effect resulted in an increase in our Group's net assets and hence is recognised as a "deemed contribution of shareholders" in our Group's financial statements as at December 31, 2021 (the "**Deemed Contribution**"). The assets and liabilities of Seacon Shipping Group underpinning the Deemed Contribution as at December 31, 2021 are set out below:

	As at 31 December 2021
	US$'000
Trade and other receivables	27,215
— our Group and other related parties	26,485
— third parties	730
Prepayment and other current assets	14
Cash and cash equivalents	1,237
Trade and other payables	(29,836)
— our Group and other related parties	(26,545)
— third parties	(3,291)
	(1,370)

Trade and other payables in the amount of approximately USD29.8 million primarily represented the outstanding amounts owed by Seacon Shipping Group to Seacon Star Group Ltd which is mostly of non-trade nature while trade and other receivables in the amount of approximately USD27.2 million primarily represented amounts owed by our Group to Seacon Shipping Group which is mostly of non-trade nature. The net effect of these trade and other receivables and trade and other payables were accounted for in our consolidated balance sheets as Deemed Contribution as at December 31, 2021, and Seacon Shipping Group was no longer part of our Group since December 31, 2021.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. These estimates and assumptions are based on our historical experience, knowledge and assessment of our current business and business conditions, and our Directors' expectations regarding the future based on available information which they believe to be reasonable. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Notes 1 and 4 to the Accountant's Report in Appendix I to this document.

Significant accounting policies

Revenue recognition

Revenue is recognized when or as the control of the services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point of time. We generate revenue from operation of ship management business. Revenues from ship management business are recognized over time, which are determined on a straight-line basis.

We also generate revenue from shipping activities. Shipping revenues are derived from various charter arrangements which are recognized as shipping service income and rental income. For charters which do not contain a lease, revenue from shipping services is recognized over time, which is determined on a time proportion method of the voyage from loading to discharging. For charters which contains a lease, we separately account for the rental income from lease components and shipping services revenue from non-lease components for the charter contracts.

We identify whether a charter arrangement contains a lease if customer does not have the right to control the use of the ship. For charter arrangement which contains a lease, we may also provide technical management services and crew manning services, thus the arrangement may concurrently contain both lease and non-lease components (i.e. shipping services including technical management services and crew manning services). Consideration of the lease component and non-lease component is allocated with reference to the stand-alone market prices which are benchmarked against market data available, and accordingly recognized as rental income and service income.

Property, plant and equipment

Our property, plant and equipment are primarily comprised of vessels as well as other property, plant and equipment such as transportation equipment, buildings, and office equipment. Vessels are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Vessels are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values as follows:

• Vessels	25 years
• Dry-docking	2.5 years

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

Leases

We as a lessee

We primarily lease in vessels from suppliers as well as certain office buildings in the PRC, Japan, Hong Kong and Singapore. Lease is recognised as a right-of-use assets and a corresponding lease liability at the date while the leased asset is available for use by us. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

We as a lessor

We primarily lease out vessels under various charter arrangements.

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

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

The lease receivables under lease arrangements are recognized as "trade receivables" in our consolidated balance sheets.

Foreign currency translation

Items included in the financial statements of each of our Group's entities are measured using the currency of the primary economic environment in which such entity operates ("**functional currency**"). The functional currencies of our subsidiaries located in Hong Kong, Singapore, Japan and other countries except the PRC are USD, while the functional currencies of our subsidiaries in the PRC are RMB.

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section entitled "Risk Factors" and those set out below.

Market volatility

Our business is affected by global trade and demand for dry bulk goods and petrochemical products, particularly the market condition of the industries which underpin the demand for such dry bulk goods and petrochemical products. Where the market condition of these industries declines or where global trade sentiments are dampened due to slowing economic growth and recessions, there may be a decline in the demand for our services. Further, the global maritime shipping industry is dynamic and volatile and has in recent years been affected by volatility in market charter and freight rates, bunker prices and crew expenses owing to political tension between countries and the rise of trade protectionism. In addition to creating fluctuations in our major costs and revenue streams, political and trade disputes could adversely affect the international or regional trade volume and, in turn, could have a material adverse effect on our business, financial condition and results of operations as well as affecting our future expansion strategies.

In addition to the volatility in the demand for our shipping services resulting from movements in global trade sentiments and the occurrence of political tensions, we may also experience volatility in the supply of adequate vessels for charter. With the occurrence of the COVID-19 pandemic, global supply chain networks have been disrupted in the wake of quarantine measures employed by world governments. The recent Russian-Ukraine conflict has also disrupted global supply chain networks, particularly in industries reliant on oil and natural gases. While these disruptions on the global supply chain networks have driven up our revenue derived from shipping services and created new opportunities for us, as countries and various major industries continually react and evolve in response to the COVID-19 pandemic and major geopolitical conflicts such as the Russian-Ukraine conflict, it is difficult to assess or predict the extent to which the demand for our services and our future financial performance may be impacted.

Charter rates

The dry bulk shipping industry is cyclical with high volatility in charter rates. Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for major dry bulk commodities. As a significant portion of our shipping capacity is derived from chartered-in vessels which we chartered in from vessel suppliers, we are therefore exposed to the cyclicality and volatility of the BDI. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, 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, 2,943 points and 2,070 points, respectively. As at the Latest Practicable Date, the BDI was 990 points. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and September 30, 2022, our charter hire costs accounted for approximately USD53.3 million, USD60.8 million, USD176.7 million, USD128.0 million and USD108.6 million, respectively representing approximately 44.6%, 36.6%, 56.1%, 57.2% and 47.0%, respectively of our cost of sales for the corresponding periods.

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. We generally tried to source chartered-in vessels first when market rates is expected to increase in the near future so that we have adequate shipping capacity to capitalize on the increase in charter rates that we charge our customers. On the contrary, we endeavor to secure business from our customers shortly before chartering in suitable vessels so that we are able to mitigate against sudden declines in market charter rates, thereby ensuring we maintain a certain level of profitability. Please refer to "Business — Our fleet of vessels — Chartered-in vessel fleet" for further details as to our chartering sequencing strategy with regard to our chartered-in vessels.

Owing to the susceptibility of our charter hire cost to market charter rates, the following sensitivity analysis illustrates the impact of hypothetical fluctuations in charter hire cost on net profit before tax during the Track Record Period, assuming all other factors were to remain unchanged and the charter rate charged by our chartered-in vessels would fluctuate to the same extent. Fluctuations are assumed to be approximately 10%, 20% and 30% for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022. Our Directors consider that the hypothetical fluctuation rates set at 10%, 20% and 30% are reasonable for the purpose of the following sensitivity analysis:

Impact of hypothetical fluctuations in charter hire cost on our net profit before tax during the Track Record Period

	+/– 10%	**+/– 20%**	**+/– 30%**
	(USD'000)	*(USD'000)*	*(USD'000)*
Change in charter hire cost			
2019	+/–1,111.5	+/–2,223.0	+/–3,334.5
2020	+/–3,454.3	+/–6,908.6	+/–10,362.9
2021	+/–8,050.2	+/–16,100.4	+/–24,150.6
Nine months ended September 30, 2022	+/–5,359.2	+/–10,718.4	+/–16,077.6

Crew manning expenses

Crew manning expenses constitute one of the major cost of sales components which directly affects our operating cost and profitability. During the Track Record Period, we outsourced the procurement of crew members to crew manning agencies and paid crew manning expenses to such crew manning agencies who in turn were responsible for the wages of our crew members. See "Business — Operational Management of Vessels — Outsourcing of crew members" for further details. As the wages of sailors have steadily risen in the past few years owing to customary year-on-year increments in salary and increased difficulty in shift changes of crew workers due to quarantine and lockdown measures resulting from the COVID-19 pandemic, our crew manning expenses paid to crew manning agencies have increased 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, we incurred crew manning expenses of approximately USD25.1 million, USD33.3

million, USD47.8 million, USD31.6 million and USD40.9 million, respectively, representing approximately 21.0%, 20.0%, 15.2%, 14.1% and 17.7% of our cost of sales, respectively for the corresponding periods.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our crew manning expenses on our net profit before tax during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be approximately 10%, 20% and 30% for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. Our Directors consider that the hypothetical fluctuation rates set at 10%, 20% and 30% are reasonable for the purpose of the following sensitivity analysis:

Impact of hypothetical fluctuations in our crew manning expenses on our net profit before tax during the Track Record Period

	+/– 10% *(USD'000)*	**+/– 20%** *(USD'000)*	**+/– 30%** *(USD'000)*
Change in our profit before tax			
2019	+/–2,510.9	+/–5,021.8	+/–7,532.7
2020	+/–3,333.5	+/–6,667.0	+/–10,000.5
2021	+/–4,783.7	+/–9,567.4	+/–14,351.1
Nine months ended September 30, 2022	+/–4,088.1	+/–8,176.2	+/–12,264.3

Bunker fuel expenses

Bunker fuel expenses, represent a significant portion of our operating expenses. As a result, changes in the price of bunker or in our bunker consumption patterns can have a significant effect on our results of operations. While we seek to control our costs by purchasing bunker fuel at favourable prices ahead of voyages where possible, regularly reviewing fuel prices in different markets, and purchasing bunker fuel for our vessels when such vessels are visiting bunkering ports that offer lower bunker price, bunker prices has historically been volatile and is subject to many economic and political factors such as the recent Russian-Ukraine conflict that are beyond our control. We currently have not entered into agreements to hedge fluctuation in the price of bunker.

Our bunker fuel consumption is affected by various factors including the number of vessels being deployed, shipping routes, vessel size, vessel speed, vessel efficiency and the weight of the cargo being transported. 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.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in bunker fuel expenses on our net profit before tax during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be approximately 10%, 20% and 30% for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. Our Directors consider that the hypothetical fluctuation rates set at 10%, 20% and 30% are reasonable for the purpose of the following sensitivity analysis:

Impact of hypothetical fluctuations in bunker fuel expenses on our net profit before tax during the Track Record Period

	+/– 10%	**+/– 20%**	**+/– 30%**
	(USD'000)	*(USD'000)*	*(USD'000)*
Change in our profit before tax			
2019	+/–1,616.6	+/–3,233.2	+/–4,849.8
2020	+/–2,871.1	+/–5,742.2	+/–8,613.3
2021	+/–3,646.8	+/–7,293.6	+/–10,940.4
Nine months ended September 30, 2022	+/–3,102.3	+/–6,204.6	+/–9,306.9

Shipping capacity

Our shipping capacity affects our revenue generation and profitability. Our shipping capacity is mainly affected by factors such as: (i) the total number of vessels available for charter on the market; (ii) our ability to secure our capacity in a cost-efficient way and the ability to effectively deploy capacity to meet such demand; and (iii) our operating efficiency. Our total shipping capacity is limited by the number of vessels in our fleet and their respective weight carrying capacity. Therefore, our ability to expand fleet capacity to accommodate the expansion of our shipping network is imperative to our business performance. Such flexible fleet structure allowed us to respond quickly to the market and generate cost savings. See "Business — Our fleet of vessels" in this document for further details as to the composition of our vessel fleet.

External financing and interest rates

During the Track Record Period, we relied on external sources of financing for a significant portion of our capital needs for paying charter hire to vessel suppliers and for the purchase of vessels. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, our borrowings amounted to approximately USD58.8 million, USD50.0 million, USD32.8 million and USD73.0 million, respectively. Such external sources of financing mainly consisted of bank loans and finance lease arrangements. Failure to obtain external financing would affect our ability in chartering in vessels and purchasing new vessels, thus affecting our results of operations, the optimization of our vessel fleet as well as affecting our future expansion strategies.

In addition to our ability to obtain external financing, the fluctuation in interests rates on our borrowings have a material impact on our financial condition. During the Track Record Period, a significant portion of our finance costs was comprised of interest on bank and other borrowings and lease liabilities, which bear interests at variable rates varied with the then prevailing market condition and benchmark interest rates such as LIBOR. Any increase in the interest rates could lead to an increase of our finance costs and thus adversely affect our results of operation.

SUMMARY OF RESULTS OF OPERATIONS

The following table summarises the consolidated statements of comprehensive income for the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this document.

	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)
Net impairment reversal/(losses) on financial assets	106	(120)	205	(26)	(157)
Other income	47	161	51	32	2,119
Other (losses)/gains — net	(278)	(1,514)	(369)	433	4,268
Operating profit	11,445	5,546	40,322	35,355	51,893
Finance costs, net	(2,775)	(3,910)	(3,450)	(2,538)	(4,575)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	253	(242)	4,314	2,753	9,950
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
Total:	**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 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.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was principally derived from the provision of (i) shipping services and (ii) ship management services. Our revenue amounted to approximately USD135.6 million, USD178.9 million, USD372.7 million, USD264.7 million and USD285.3 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. The following table sets forth a breakdown of our revenue during the Track Record Period by our principal business segments:

	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*	*%*
Shipping services	108,855	80.3	142,379	79.6	323,742	86.9	231,194	87.3	243,797	85.4
Ship management services	26,752	19.7	36,550	20.4	48,996	13.1	33,534	12.7	41,514	14.6
Total	**135,607**	**100.0**	**178,929**	**100.0**	**372,738**	**100.0**	**264,728**	**100.0**	**285,311**	**100.0**

Shipping services

During the Track Record Period, we provided shipping services to customers primarily through our vessel fleet that comprised of chartered-in vessels and our controlled vessels. Our revenue derived from shipping services amounted to approximately USD108.9 million, USD142.4 million, USD323.7 million, USD231.2 million and USD243.8 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. The following table sets forth a breakdown of our revenue derived from our shipping services business segment by chartered-in vessels and controlled vessels 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*	*%*
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**

Our revenue derived from our controlled vessels amounted to approximately USD44.4 million, USD47.0 million, USD66.6 million, USD42.6 million and USD81.6 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively, representing approximately 40.8%, 33.0%, 20.6%, 18.4% and 33.5% of our total revenue for the shipping services business segment, respectively.

Our revenue derived from chartered-in vessels amounted to approximately USD64.5 million, USD95.4 million, USD257.2 million, USD188.6 million and USD162.2 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively, representing approximately 59.2%, 67.0%, 79.4%, 81.6% and 66.5% of our total revenue from the shipping services business segment, respectively.

Ship management services

Our revenue derived from our ship management services business segment amounted to approximately USD26.8 million, USD36.6 million, USD49.0 million, USD33.5 million and USD41.5 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively, representing approximately 19.7%, 20.4%, 13.1%, 12.7% and 14.6% of our overall revenue for the corresponding periods, respectively.

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our revenue during the Track Record Period.

Cost of sales

The following table sets out the breakdown of our cost of sales 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)*	%	*(USD'000)*	%
							(Unaudited)			
Charter hire cost	53,339	44.6	60,807	36.6	176,683	56.1	128,018	57.3	108,631	47.0
Crew manning expenses	25,109	21.0	33,332	20.1	47,836	15.2	31,623	14.1	40,881	17.7
Bunker charges	16,167	13.5	28,711	17.3	36,468	11.6	27,255	12.2	31,023	13.4
Depreciation	8,474	7.1	14,225	8.6	16,818	5.3	11,182	5.0	21,221	9.2
Port charges	4,774	4.0	11,934	7.2	13,919	4.4	10,583	4.7	8,753	3.8
Lubricating oil and spare parts costs	2,458	2.1	4,557	2.7	5,562	1.8	4,328	1.9	5,347	2.3
Employee benefit expenses	2,617	2.2	1,352	0.8	4,055	1.3	1,792	0.8	4,545	2.0
Shipbuilding supervision service fees	2	0.0	2,013	1.2	3,592	1.1	1,968	0.9	2,308	1.0
Insurance	1,589	1.3	2,271	1.4	2,581	0.8	1,759	0.8	2,555	1.1
Vessel take over fees	670	0.6	118	0.1	980	0.3	738	0.3	709	0.3
Vessel certificate and inspection related costs	434	0.4	1,165	0.7	914	0.3	655	0.3	1,313	0.6
Repair expenses	914	0.8	2,231	1.3	1,374	0.4	900	0.4	566	0.2
Amortisation of deferred assets	94	0.1	631	0.4	964	0.3	642	0.3	627	0.3
Others	2,912	2.4	2,855	1.7	3,342	1.1	2,162	1.0	2,712	1.2
Total:	119,553	100.0	166,202	100.0	315,088	100.0	223,605	100.0	231,191	100.0

Our costs of sales primarily consisted of (i) charter hire costs which mainly comprised expenses relating to the chartering of vessels from vessel suppliers, (ii) crew manning expenses which represented the fees we paid to crew manning agencies to help us source crew members, (iii) bunker charges, (iv) port charges, (v) depreciation, (vi) lubricating oil and spare parts costs, (vii) employee benefit expenses, (viii) shipbuilding supervision service fees, and (ix) insurance expenses. Others included a wide array of assorted expenses which mainly represented communication expenses, off-hire, port agency fees, travel expenses for crew and sailors to travel to and from vessels, fresh water expenses, quarantine expenses for crew and sailors, and surveying fees. During the Track Record Period, the fluctuation of the above components of our cost of sales was generally in line with our revenue growth and the size of our vessel fleet.

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our costs of sales during the Track Record Period.

Gross profit and gross profit margin

The following table sets out the breakdown of our gross profit and gross profit margin of our principal business segments during the Track Record Period:

	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)			
Shipping services	11,301	10.4	7,657	5.4	52,159	16.1	37,539	16.2	45,466	18.6
Ship management services	4,753	17.8	5,070	13.9	5,491	11.2	3,584	10.7	8,654	20.8
Total	16,054	11.8	12,727	7.1	57,650	15.5	41,123	15.5	54,120	19.0

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our overall gross profit amounted to approximately USD16.1 million, USD12.7 million, USD57.7 million, USD41.1 million and USD54.1 million, respectively, and our overall gross profit margin was approximately 11.8%, 7.1%, and 15.5%, 15.5% and 19.0%, respectively.

Shipping services

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, the gross profit of our shipping services business segment amounted to approximately USD11.3 million, USD7.7 million, USD52.2 million, USD37.5 million and USD45.5 million, and its gross profit margin amount to approximately 10.4%, 5.4%, 16.1%, 16.2% and 18.6%, respectively.

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

	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)			
Controlled vessels	7,185	16.2	3,478	7.4	20,577	30.9	13,587	31.9	25,328	31.0
Chartered-in vessels	4,116	6.4	4,179	4.4	31,582	12.3	23,952	12.7	20,138	12.4
Total:	**11,301**	**10.4**	**7,657**	**5.4**	**52,159**	**16.1**	**37,539**	**16.2**	**45,466**	**18.6**

The gross profit margin of our controlled vessels generally experienced a relatively larger degree of volatility compared to our chartered-in vessels because the costs for our controlled vessels are relatively fixed. The gross profit margin of our chartered-in vessels generally fluctuate along with market charter rate because we generally charter in such vessels under short leases (generally for three months or less), meaning that our gross profit margin of chartered-in vessels are relatively less vulnerable to fluctuation of market charter rate.

The gross profit margin of our controlled vessels decreased from approximately 16.2% for the year ended December 31, 2019 to 7.4% for the year ended December 31, 2020 as the decrease in average daily BDI from 1,365 points in 2019 to 1,068 points in 2020 reduced the amount of charter hire we received on average from our customers whilst our operating costs with respect to our controlled vessels remained relatively stable. Comparatively, the gross profit margin of our chartered-in vessels remained relatively stable, recording a slight decline from 6.4% to 4.4% as impacted by the COVID-19 pandemic and decline in average daily BDI.

The gross profit margin of our controlled vessels greatly increased from 7.4% for the year ended December 31, 2020 to 30.9% for the year ended December 31, 2021. This significant increase in the gross profit margin of our controlled vessels was largely due to the significant increase in the average daily BDI from approximately 1,068 points in 2020 to approximately 2,943 points in 2021, which greatly increased charter hire we received on average from our customers whilst operating costs for our controlled vessels remained relatively fixed. On the other hand, the gross profit margin of our chartered-in vessels also significantly increased from 4.4% for the year ended December 31, 2020 to 12.3% for the year ended December 31, 2021 as we were able to deploy our sequencing strategy effectively by first chartering in shipping capacity and then ride on periods of increasing market charter hire and freight rates so as to capitalize on such increasing rates to charter out such shipping capacity at higher charter rates. Please see "Business — our fleet of vessels — Chartered-in vessel fleet" for further details on our sequencing strategy for chartering vessels and shipping capacity.

The gross profit margin of our controlled vessels remained relatively stable at 31.9% and 31.0% for the nine months ended September 30, 2021 and 2022, respectively. Likewise, the gross profit margins of our chartered-in vessels also remained relatively stable at 12.7% and 12.4% for the nine months ended September 30, 2021 and 2022, respectively.

The following table sets out the breakdown of our gross profit and gross profit margin by type of charter entered into with our customers during the Track Record Period:

	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)			
Voyage charter	2,525	4.3	4,465	4.5	11,697	7.6	10,438	8.8	5,163	5.7
COA	134	14.2	144	6.4	6,125	8.9	6,243	12.4	3,878	10.3
Period-based time charter	6,653	25.0	5,943	24.7	22,378	38.8	14,732	37.4	25,351	32.1
TCT	1,989	8.6	(2,895)	(17.0)	11,959	27.6	6,126	26.6	11,074	30.2
Total	**11,301**	**10.4**	**7,657**	**5.4**	**52,159**	**16.1**	**37,539**	**16.2**	**45,466**	**18.6**

Our gross profit margin by charter type primarily depends on the type of vessels utilized for the charter (i.e. being controlled vessels or chartered in vessels). In general, our gross profit margin derived from period-based time charters is relatively higher and generally in line with the trend of the BDI as a considerable proportion of vessels utilized for such charters were controlled vessels which generally recorded a higher gross profit margin compared to our chartered-in vessels, whereas the gross profit margin for voyage charters and COA are comparatively lower as we primarily utilized chartered-in vessels for these charters. As such, please refer to the analysis of the fluctuations in the gross profit and gross profit margin by controlled vessels and chartered-in vessels during the Track Record Period hereinabove.

In particular, the gross profit margin for our voyage charters decreased from approximately 8.8% for the nine months ended September 30, 2021 to 5.7% for the corresponding period in 2022, largely due to the introduction of four new oil tankers into our controlled vessel fleet during late 2021 to early 2022 which involved (i) higher expenses for taking over of new vessels including extra bunker consumed, preparation of spare parts and materials and extra wages for onboarding the crew members and (ii) increased bunker costs owing to the rising bunker fuel costs amidst the Russia-Ukraine conflict and the respective charters associated with such oil tankers have recorded considerable gross loss during the period. With a view to diversify our vessel fleet, grasp more market opportunities and capture a wider scope of customers, we began to bareboat charter in more oil tankers during the latter half of 2021 and early 2022. As a relatively new entrant to the oil tankers industry and with a view to improve the profitability of our oil tankers, we entered into a vessel pooling arrangement during the nine months ended September 30, 2022 with Customer L, a globally-recognised shipping company and one of the world's largest shipping and ship operation companies to better operate our oil tankers. Customer L was one of our top five customers for the nine months ended September 30, 2022. Pursuant to this vessel pooling arrangement, we chartered four of our controlled oil tankers to Customer L (the "**Pool Vessels**") who operated the Pool Vessels in a pool exclusively comprised of said vessels on our behalf. We in return received time charter hire calculated based on net revenue earned from operating the Pool Vessels after deducting all direct costs involved in operating the pool vessels (such as bunker cost and port expenses) and the management fees charged by Customer L for the operation of the Pool Vessels. As advised by F&S, the vessel pooling arrangement is commonly adopted among the shipping companies in the maritime shipping industry.

Additionally, we recorded a gross profit margin of –17.0% in respect of our TCT for the year ended December 31, 2020 primarily attributable to the fact that we utilized controlled vessels for such TCTs. Given that the costs of our controlled vessels were relatively fixed, lower charter rates owing to poor market sentiments amidst the initial impact brought by the COVID-19 pandemic in 2020 meant that we received insufficient levels of revenue from our customers to cover the costs of such controlled vessels, thereby resulting in gross losses. Notwithstanding this, our gross profit margin derived from period-based time charters and voyage charters for the year ended December 31, 2020 was less affected because (i) the charter period for our period-based time charters were generally longer than that of TCT and therefore the charter hires charged to customers were less vulnerable to any declines in market charter rates; and (ii) a substantial portion of our voyage charters involved chartered-in vessels which were chartered in by us under relatively shorter leases and as a result the gross margin derived from voyage charter was less vulnerable to fluctuations in market charter rate. The gross profit and gross profit margin derived from TCT increased from approximately USD6.1 million and 26.6%, respectively for the nine months ended September 30, 2021 to approximately USD11.1 million and 30.2%, respectively for the nine months ended September 30, 2022. Given that the majority of revenue and gross profit from our provision of shipping services under TCT during the nine months ended September 30, 2022 was conducted through our controlled vessels, we were able to capitalize on the increasing BDI during the first half of 2022 and record relatively higher levels of gross profit and gross profit margin during such period because the costs of our controlled vessels are relatively fixed.

Ship management services

For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, the gross profit of our ship management services business segment amounted to approximately USD4.8 million, USD5.1 million, USD5.5 million, USD3.6 million and USD8.7 million, and its gross profit margin amount to approximately 17.8%, 13.9%, 11.2%, 10.7% and 20.8%, respectively.

The following table sets out the breakdown of our gross profit and gross profit margin of our ship management services charged under a lump-sum basis and charged under management fee basis during the Track Record Period:

	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)* (Unaudited)	*%*	*(USD'000)*	*%*
Lump-sum basis	2,322	10.1	2,889	9.0	3,349	7.8	2,288	7.6	4,140	12.5
Management fee basis	2,431	63.6	2,181	49.4	2,142	34.6	1,295	38.5	4,504	54.8
Total:	**4,753**	**17.8**	**5,070**	**13.9**	**5,491**	**11.2**	**3,584**	**10.7**	**8,654**	**20.8**

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our gross profit and gross profit margin during the Track Record Period.

Selling, general and administrative expenses

The following table sets out the breakdown of our selling, general and administrative expenses 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)*	%
Employee benefit expenses	1,348	30.0	2,050	36.1	9,042	52.5	1,546	24.9	2,474	29.3
Brokerage	1,353	30.2	1,923	33.7	4,154	24.1	2,242	36.1	2,460	29.1
[REDACTED] expenses	—	—	—	—	1,377	8.0	531	8.5	1,319	15.6
Depreciation and amortization	360	8.0	556	9.7	483	2.8	349	5.6	498	5.9
Business development and entertainment expenses	282	6.3	137	2.4	407	2.4	394	6.3	473	5.6
Office expenses	290	6.5	194	3.4	287	1.7	129	2.1	281	3.3
Travel expenses	104	2.3	145	2.5	218	1.3	101	1.6	134	1.6
Professional fees	129	2.9	77	1.3	218	1.3	133	2.1	53	0.6
Advertising costs	36	0.8	7	0.1	183	1.1	173	2.8	69	0.8
Utility costs	54	1.2	47	0.8	60	0.3	51	0.8	79	0.9
Auditor's remuneration	9	0.2	7	0.1	23	0.1	15	0.2	13	0.2
Others	519	11.6	565	9.9	763	4.4	553	8.9	604	7.1
Total:	4,484	100.0	5,708	100.0	17,215	100.0	6,217	100.0	8,457	100.0

Our selling, general and administrative expenses primarily consisted of (i) employee benefit expenses, (ii) brokerage paid to shipbrokers, (iii) depreciation and amortization, (iv) entertainment expenses, and (v) [REDACTED] expenses. Others mainly represented rental fees for our staff dormitories, fees for certificates such as Document of Compliance (DOC) issued to our companies, and email and communications fees. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our selling, general and administrative expenses amounted to approximately USD4.5 million, USD5.7 million, USD17.2 million, USD6.2 million and USD8.5 million, respectively.

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our selling, general and administrative expenses during the Track Record Period.

Other income

Other income mainly consisted of (i) government grants, (ii) fees from insurance claims arising from day-to-day wear and tear of vessels, and (iii) contract compensation which primarily represented a compensation fee paid to us arising from a customer terminating a charterparty contract prior to the intended vessel delivery date. Other income amounted to approximately USD47,000, USD161,000, USD51,000, USD32,000 and USD2.1 million during the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. Government grants represented government subsidies granted to us from local government authorities in the PRC, Singapore and Japan mainly for the purposes of (i) providing relief during the COVID-19 pandemic; and (ii) providing business support.

Other gains and (losses), net

The following table sets out the breakdown of our other gain/(loss) 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)*
Foreign exchange gain/(loss), net	(163)	(545)	(242)	(79)	(108)
Bank charges	(133)	(140)	(258)	(208)	(464)
Provision for legal proceedings	—	—	(803)	(4)	(680)
Impairment (loss) of held-for-sale assets	—	(1,244)	—	—	—
Net gains on disposal of property, plant and equipment	65	—	3	—	5,508
Net fair value gain/(loss) on financial assets at fair value through profit or loss	(3)	368	920	723	(2)
Others	(44)	47	11	11	14
Total	(278)	(1,514)	(369)	443	4,268

Other gains and (losses) mainly consisted of foreign exchange gains or losses, bank charges, provision for legal proceedings, impairment of held-for-sale assets, and net fair value gains or losses on financial assets. We recorded other losses of approximately USD0.3 million, USD1.5 million, and USD0.4 million for the years ended December 31, 2019, 2020 and 2021, respectively. For the nine months ended September 30, 2021 and 2022, we recorded other gains of approximately USD0.4 million and USD4.3 million, respectively. Foreign exchange gains or losses represented the gains or losses arising from foreign exchange differences primarily due to the fluctuations of RMB against USD. Impairment of held-for-sale assets represented the provisions made in relation to two of our controlled vessels which were subsequently sold in 2021. Net gains on disposal of property, plant and equipment mainly represented net gains on our disposal of our controlled vessels.

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our other losses during the Track Record Period.

Finance costs

The following table sets out the breakdown of our finance costs 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)*
Finance costs					
— Interest on borrowings	1,650	2,249	1,934	1,368	3,067
— Interest on lease liabilities	1,127	1,664	1,517	1,170	1,512
Finance costs expensed	2,777	3,913	3,451	2,538	4,579
Finance income	(2)	(3)	(1)	—	(4)
Total	**2,775**	**3,910**	**3,450**	**2,538**	**4,575**

Our finance income primarily consisted of interest on bank account deposits. Our finance costs primarily consisted of interest on bank borrowings and interest on our lease liabilities. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our finance costs amounted to approximately USD2.8 million, USD3.9 million, USD3.5 million, USD2.5 million and USD4.6 million, respectively. Interest paid on our borrowings mainly included interest paid on our bank borrowings and our finance lease arrangements. Interest paid on lease liabilities are primarily derived from the bareboat charters we entered into with vessel suppliers in respect of our controlled vessels. For details of our borrowings and our finance lease arrangements, see the paragraph headed "Indebtedness" in this section below and the paragraph headed "Business — Our fleet of vessels — Financing arrangements for our controlled vessels — Finance lease arrangements", respectively.

Please refer to the subsection headed "Comparison of our results of operations" in this section for a discussion of the fluctuation of our finance costs during the Track Record Period.

Share of net profit and loss of associates and joint ventures

Share of net profit and loss of associates and joint ventures represents the aggregate share of our associates' net profits and losses attributable to our interests in those associates and joint ventures. Our associates are Hongkong Xinyihai, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 to which we held minority shareholding interests in during the Track Record Period. Each of Hongkong Xinyihai, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 are principally engaged in the provision of shipping services. Please see "Business — Our fleet of vessels — Jointly-owned vessels" in this document for further details on our associates. Our joint venture is MSM Ship. MSM Ship is principally engaged in the provision of ship management services.

For the year ended December 31, 2019, we recorded share of net profit of associates and joint ventures in the amount of approximately USD0.3 million. We recorded a share of net loss of associates and joint ventures of approximately USD0.2 million for the year ended December 31, 2020 as Hongkong Xinyihai had recorded a loss for the same period. For the year ended December 31, 2021, we recorded share of net profit of associates and joint ventures in the amount of approximately USD4.3 million as (i) we had obtained 49.5% ownership interests in each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 during the year ended December 31, 2021, (ii) Hongkong Xinyihai recorded net profits for the year ended December 31, 2021 compared to the net loss recorded in 2020; and (iii) gains derived from the disposal of the vessel by Seacon 6 in late 2021. We recorded share of profit of associates and joint ventures in the amount of approximately USD2.8 million and USD10.0 million for the nine months ended September 30, 2021 and 2022. The increase in share of profit of associates and joint ventures across the period was primarily due to the contribution of share of net profits of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 which were acquired in the second half of 2021, the improved profitability of Hongkong Xinyihai during the period, and our share of the sale proceeds of XINYIHAI 55 which was disposed through an auction in August 2022.

Income tax expenses

The following table sets forth a breakdown of our income tax expenses 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)*
Current income tax:					
— Hong Kong profits tax	94	520	398	278	190
— PRC enterprise income tax ("**EIT**")	—	1	28	—	39
— Japan income tax	—	31	500	700	978
— Singapore income tax	—*	91	302	113	578
Deferred income tax	395	27	(47)	(19)	49
Total	489	670	1,181	1,072	1,834

We are subject to income tax on profits arising in or derived from countries/regions in which our Group operates in.

Cayman Islands

Our Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act and is not subject to any income tax in the Cayman Islands during the Track Record Period.

BVI

Our subsidiaries incorporated in the BVI are exempt from all provisions of the Income Tax Act of the BVI, including all dividends, interest, rents, royalties, compensations and other amounts paid by any of such subsidiaries, and capital gains realised with respect to any shares of any of such subsidiaries.

Marshall Islands

Our subsidiaries incorporated in the Marshall Islands were not subject to Marshall Islands tax on income or capital gains. In addition, any payments of dividends were not subject to withholding tax in the Marshall Islands.

Liberia

Our subsidiaries incorporated in the Liberia were not subject to tax on income or capital gains as their income was not derived or arising from the jurisdiction of Liberia.

Singapore

Our subsidiaries incorporated in Singapore or tax resident in Singapore are subject to income tax at a statutory rate of 17%. However, shipping income derived by our Group during the Track Record Period was exempt from income tax under Section 13F of the Singapore Income Tax Act 1947.

Our subsidiaries engaged in ship management business were partially exempt from corporate tax during the Track Record Period. For the 2019 year of assessment, the partial tax exemption scheme applied such that for the first SG$300,000 of normal chargeable income, with 75% of the first SG$10,000 of normal chargeable income and 50% of the next SG$290,000 of normal chargeable income being exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. From 2020 year of assessment onwards, the partial tax exemption scheme applies on the first SG$200,000 of normal chargeable income, with 75% of the first SG$10,000 of a company's normal chargeable income, and 50% of the next SG$190,000 being exempt from corporate tax.

Japan

Our subsidiaries incorporated in Japan or tax resident in Japan were subject to profits tax at progressive tax rates on estimated profits.

Hong Kong

Our subsidiaries incorporated in Hong Kong or tax resident in Hong Kong were subject to profits tax calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. However, as profits derived from the shipping business engaged in by our Hong Kong subsidiaries were not derived or arising in Hong Kong, our profits from our shipping business were exempt from profits tax in Hong Kong.

PRC

Pursuant to the EIT Law and the Implementation Regulations to the EIT Law, most of our PRC subsidiaries are subject to EIT at a statutory rate of 25% on the assessable income derived during the Track Record Period.

Certain of our PRC subsidiaries were recognized as "Small Low-Profit Enterprises" under relevant EIT rules and regulations and were subject to a preferential enterprise income tax rate. The portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and EIT shall be prepaid at the rate of 20%. The portion of the annual taxable income exceeds RMB1 million but does not exceed RMB3 million, then such portion of annual taxable income shall be deducted into the taxable income by 50%, and EIT shall be prepaid at the rate of 20%.

According to Announcement [2021] No. 12 and [2022] No. 13 of the Ministry of Finance and the State Administration of Taxation (財政部、稅務總局公告2021年第12號及公告2022年第13號), the portion of the annual taxable income of no more than RMB1 million shall be deducted from the taxable income by 12.5%, and the EIT shall be prepaid at the rate of 20% with respect to the preferential income tax payable for small low-profit enterprises. Annual taxable income that exceeds RMB1 million but no more than RMB3 million shall be deducted from the taxable income by 25%, and the EIT shall be prepaid at the rate of 20%.

Set out below is a table of our profit before income tax and income tax expenses against the theoretical amount that would arise using the rates prevailing in the jurisdictions in which our Group operates in:

	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 before income tax	8,923	1,394	41,186	35,570	57,268
Tax calculated at applicable tax rates	1,485	280	7,083	6,473	10,312
Expenses not deductible for taxation purposes	—	30	241	29	27
Tax effect of share of profits of associates and joint ventures	(42)	40	(712)	(468)	(1,692)
Net exempted gains	(954)	320	(5,431)	(4,962)	(6,813)
Income tax expense	489	670	1,181	1,072	1,834

We recorded income tax expenses of approximately USD0.5 million, USD0.7 million, USD1.2 million, USD1.1 million and USD1.8 million for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. Our effective tax rate was approximately 5.5%, 48.0%, 2.9%, 3.0% and 3.2% for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. The substantial increase of the effective tax rate for the year ended December 31, 2020 was primarily due to (i) the increase in profit before income tax of certain of our subsidiaries engaged in the provision of ship management services, and (ii) loss derived from our shipping services business segment that was largely exempted from income tax. The decrease in our effective tax rate for the year ended December 31, 2021 was primarily due to the increase in our profit before tax derived from our shipping services business segment which was generally exempted from tax. Our effective tax rate remained stable at approximately 3.0% and 3.2% for the nine months ended September 30, 2021 and 2022, respectively.

As at the Latest Practicable Date, we have fulfilled all of our income tax obligations and do not have any material unresolved income tax issues or disputes with relevant tax authorities in the jurisdictions where we currently operate. Please see "Business — Legal Compliance — Immaterial non-compliance incidents in Hong Kong" for details of the immaterial non-compliance incidents in relation to the filing of profits tax returns.

COMPARISON OF OUR RESULTS OF OPERATIONS

The year ended December 31, 2020 compared to the year ended December 31, 2019

Revenue

Our revenue increased by approximately USD43.3 million or 31.9% from approximately USD135.6 million in 2019 to approximately USD178.9 million in 2020. Such increase was mainly a result of the combined effect of:

- *Shipping services:* An increase in revenue by approximately USD33.5 million or 30.8% from approximately USD108.9 million in 2019 to approximately USD142.4 million in 2020 primarily due to an increase in shipping capacity as a result of (i) the acquisition and/or bareboat chartering of nine controlled vessels during 2019 and (ii) the increase in number of chartered-in vessel engagements from over 60 in 2019 to over 160 in 2020 riding on the growing demand of shipping services during the second half of 2020. Owing to the significant increase in our chartered-in vessel engagements in 2020 compared to 2019, revenue derived from our chartered-in vessels increased from approximately USD64.5 million in 2019 to approximately USD95.4 million in 2020, representing a growth of approximately 47.9% which outpaced the growth in revenue derived from our controlled vessels which increased from approximately USD44.4 million in 2019 to approximately USD47.0 million in 2020, representing an increase of 5.9%. This increase in revenue for our shipping services from 2019 to 2020 was partially offset by (i) the decrease in charter rate as a result of decreased average daily BDI from 1,365 points in 2019 to 1,068 points in 2020 primarily due to a decrease in international trade volume and shipping demand during the initial impact brought by the COVID-19 pandemic particularly in the first half of 2020, and (ii) a reduction in our revenue derived from our chemical and oil tankers from approximately USD11.9 million in 2019 to approximately USD6.1 million in 2020 mainly due to the non-renewal of bareboat charter for one of our tankers in 2020; and

- *Ship management services:* An increase in revenue by approximately USD9.8 million or 36.6% from approximately USD26.8 million in 2019 to approximately USD36.6 million in 2020 primarily due to (i) the increase in the aggregate number of third-party owned vessels under our management from 74 vessels in 2019 to 114 vessels in 2020, and (ii) the increase in number of our vessels under management where we charged management fees under lump-sum basis which generally commanded higher service fees.

Cost of sales

Our cost of sales increased by approximately USD46.6 million or 39.0% from approximately USD119.6 million in 2019 to approximately USD166.2 million in 2020. Such increase was generally in line with our business growth and was mainly a result of (i) the increase in our charter hire costs from approximately USD53.3 million in 2019 to USD60.8 million in 2020 resulting from the increase in the number of our chartered-in vessels engagements during 2020 compared to 2019, (ii) the expansion of our controlled vessel fleet and increase in our crew manning expenses from USD25.1 million in 2019 to USD33.3 million in 2020 resulting from an increase in the number of ships under our management where we charged management fees under lump-sum basis which generally required us to provide crew manning services, (iii) the increase in our bunker costs from approximately USD16.2 million in 2019 to USD28.7 million in 2020 also due to the increase in the number of our chartered-in vessels engagements in 2020 compared to 2019, and (iv) the increase in port charges from approximately USD4.8 million in 2019 to USD11.9 million in 2020 generally due to increased number of days our vessels being berthed in port resulting from COVID-19 quarantine measures.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by approximately USD3.3 million or 20.7% from approximately USD16.1 million in 2019 to approximately USD12.7 million in 2020. Our overall gross profit margin decreased from approximately 11.8% in 2019 to 7.1% in 2020. Such decrease was mainly a result of the combined effect of:

- *Shipping services:* The gross profit from our shipping services decreased by approximately USD3.6 million or 32.2% from approximately USD11.3 million in 2019 to approximately USD7.7 million in 2020. Such decrease was primarily due to the decline in the gross profit margin of our shipping services from 10.4% to 5.4% as a result of the decline in gross profit margin of our controlled vessels from 16.2% to 7.4%, which was due to a smaller growth in revenue when compared to the increase in our costs of sales largely 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 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. Reduced economic activity during the initial stages of the COVID-19 pandemic globally has reduced the demand for dry bulk goods which in turn has pushed down the demand for shipping services for such dry bulk goods, leading to a significant decrease in the charter rates we are able to charge to our customers. Such a phenomenon was reflected in the decrease in average daily BDI from 1,365 points in 2019 to 1,068 points in 2020 which generally reduced the amount of charter hire we received on average from our customers. Coupled with an increase in operating costs of our vessels such as increased crew manning costs and port charges owing to longer turnaround times of our vessels in port owing to crew and port quarantine measures, the overall profitability of our shipping services business segment was considerably impacted by the reduced revenue inflows and heightened costs incurred during early 2020.

Comparatively, the gross profit margin of our chartered-in vessels remained relatively stable, recording a slight decline from 6.4% to 4.4% as impacted by the COVID-19 pandemic and decline in average daily BDI. The gross profit margin of our controlled vessels experienced a relatively larger decline compared to our chartered-in vessels because the costs for our controlled vessels are relatively fixed, hence a decline in the average daily BDI in 2020 from 2019 meant that we generally received less charter hire from our customers compared to 2019, thereby affecting the gross profit margin of our controlled vessels. On the other hand, the costs and revenue of our chartered-in vessels generally fluctuate along with market charter rate because we generally charter in such vessels under short leases (generally for three months or less), meaning that our gross profit margin of chartered-in vessels are relatively less vulnerable to fluctuation of market charter rate. As such, we only experienced a slight decrease in gross profit margin of our chartered-in vessels in 2020 compared to 2019 which is largely due to poor market sentiment during the initial outbreak of the COVID-19 pandemic in 2020. Accordingly, in light of the foregoing, our gross profit margin for our shipping services also decreased from 10.4% in 2019 to 5.4% in 2020; and

- *Ship management services:* The gross profit from our ship management services increased by approximately USD0.3 million or 6.7% from approximately USD4.8 million in 2019 to approximately USD5.1 million in 2020 primarily due to a larger increase in growth of our revenue when compared to the increase in our costs of sales owing to the increase in number of ships under our management in 2020 compared to 2019. Our gross profit margin for ship management services decreased from 17.8% in 2019 to 13.9% in 2020 primarily due to the increase in labour cost as a result of our expansion of ship management team along with the increase in average salary level of our staff. Specifically, our gross profit margin of ship management services under both lump-sum basis and management fee basis decreased from approximately 10.1% to 9.0% and from approximately 63.6% to 49.4%, respectively. The profitability of our ship management services under lump-sum basis decreased as increasing crew manning costs during 2020 owing to crew quarantine measures amidst the outbreak of the COVID-19 pandemic increased the costs we had to bear under such ship management contracts charged under lump-sum basis, which cut into our profit margins of such contracts.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by approximately USD1.2 million or 27.3% from approximately USD4.5 million in 2019 to approximately USD5.7 million in 2020, primarily due to an increase in (i) our employee benefit expenses from approximately USD1.3 million in 2019 to approximately USD2.1 million in 2020 as we increased our headcount of administration personnel in order to support the growth of our ship management business and (ii) an increase in brokerage fee paid to shipbrokers from USD1.4 million in 2019 to USD1.9 million in 2020 which was generally in line with the revenue growth of our shipping services business segment.

Net impairment reversal and losses on financial assets

We recognized net impairment reversal on financial assets of approximately USD106,000 in 2019 while we recognized net impairment losses on financial assets of approximately USD120,000 in 2020 primarily due to: (i) the increased balance of accounts receivables as at December 31, 2020 compared to that of December 31, 2019; and (ii) an increase in provision for impairment over our trade receivables in 2020.

Other income

Our other income increased by approximately USD114,000 or 242.6% from approximately USD47,000 in 2019 to approximately USD161,000 in 2020, primarily due to the increase of government grants and subsidies granted to us during 2020 as a result of the COVID-19 pandemic.

Other losses, net

We recorded other losses of approximately USD1.5 million in 2020, which represents an increase of approximately USD1.2 million or 444.6% from approximately USD0.3 million in 2019. This increase in other losses was largely due to (i) the recognition of impairment of held-for-sale assets of approximately USD1.2 million in 2020 which were subsequently sold in 2021, and (ii) an increase in foreign exchange losses from approximately USD0.2 million in 2019 to USD0.5 million in 2020 arising from the appreciation of RMB against the USD in 2020.

We recorded impairment loss of held-for-sale assets in 2020 as vessels classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a impairment loss of approximately USD1.2 million in our financial statements.

Finance costs

Our finance costs increased by approximately USD1.1 million or 40.9% from approximately USD2.8 million in 2019 to approximately USD3.9 million in 2020, primarily due to an increase in bank borrowings in 2020 which was in line with the expansion of our controlled fleet in 2020.

Share of net profit and loss of associates and a joint venture

We recorded share of net profit of associates and a joint venture of approximately USD0.3 million in 2019 while we recorded share of net loss of approximately USD0.3 million in 2020 because Hongkong Xinyihai recorded losses in 2020.

Income tax expenses

Our income tax expense increased by approximately USD0.2 million or 37.0% from approximately USD0.5 million in 2019 to approximately USD0.7 million in 2020 primarily due to (i) an increase in profit before income tax of certain of our subsidiaries engaged in the provision of ship management services and (ii) loss derived from our shipping services business segment during 2020 which was largely exempted from income tax.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately USD7.7 million or 91.4% from approximately USD8.4 million in 2019 to approximately USD0.7 million in 2020.

The year ended December 31, 2021 compared to the year ended December 31, 2020

Revenue

Our revenue increased by approximately USD193.8 million or 108.3% from approximately USD178.9 million in 2020 to approximately USD372.7 million in 2021. Such increase was mainly a result of the combined effect of:

- *Shipping services:* An increase in revenue by approximately USD181.4 million or 127.4% from approximately USD142.4 million in 2020 to approximately USD323.7 million in 2021 primarily due to (i) an increase in the number of chartered-in vessel engagements from over 160 in 2020 to over 200 in 2021 riding on the growing demand of shipping services which increased our shipping capacity, (ii) a heightened demand for shipping services in 2021 owing to the combined effect of the disruption in global supply chain networks and the gradual recovery of global economies after initial impact of the COVID-19 pandemic in 2020, and (iii) an increase in the average daily BDI from 1,068 points in 2020 to 2,943 points in 2021 which greatly increased the charter hire we received from our customers in 2021. Owing to the significant increase in our chartered-in vessel engagements in 2021 compared to 2020, revenue derived from our chartered-in vessels increased from approximately USD95.4 million in 2020 to approximately USD257.2 million in 2021, representing a growth of approximately 169.7% which significantly outpaced the growth in revenue derived from our controlled vessels which increased from approximately USD47.0 million in 2020 to approximately USD66.6 million in 2021, representing an increase of approximately 41.5%. Our revenue under each type of charter also increased significantly principally because market dry bulk freight rates and charter hires periodically hit multi-year highs in 2021 on the back of an improving global economy after the initial impact from the COVID-19 pandemic in early 2020; and

- *Ship management services:* An increase in revenue by approximately USD12.4 million or 34.1% from approximately USD36.6 million in 2020 to approximately USD49.0 million in 2021 was primarily due to (i) an increase in the aggregate number of third party-owned vessels under our management from 114 in 2020 to 176 in 2021, and (ii) an increase in the number of vessels under our management where we charged management fees under lump-sum basis which generally commanded higher service fees.

Cost of sales

Our cost of sales increased by approximately USD148.9 million or 89.6% from approximately USD166.2 million in 2020 to approximately USD315.1 million in 2021. Such increase was generally in line with our business growth and was mainly a result of (i) an increase in our charter hire costs from approximately USD60.8 million in 2020 to USD176.7 million in 2021 and an increase in bunker costs from approximately USD28.7 million in 2020 to USD36.5 million in 2021 as a result of an increase in the number of chartered-in vessels engagements during 2021 compared to 2020, (ii) expansion of our controlled vessel fleet and increase in the number of ships under our management where we charged management fees under lump-sum basis which generally required us to provide crew manning services, leading to an increase in our crew manning expenses from USD33.3 million in 2020 to USD47.8 million in 2021, and (iii) the addition of several controlled vessels during 2021 which increased our overall operating costs.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately USD44.9 million or 353.0% from approximately USD12.7 million in 2020 to approximately USD57.7 million in 2021. Our overall gross profit margin increased from approximately 7.1% in 2020 to 15.5% in 2021. Such increase was mainly a result of the combined effect of:

- *Shipping services:* The gross profit from our shipping services increased by approximately USD44.5 million or 581.2% from approximately USD7.7 million in 2020 to approximately USD52.2 million in 2021 primarily due to a larger growth in revenue when compared to the increase in our costs of sales. This was primarily due to a heightened demand for shipping services in 2021 which greatly increased the charter hire we received from our customers in 2021. The COVID-19 pandemic has also severely disrupted global supply chains as vessels were held up at ports due to quarantine measures which essentially choked up available shipping capacity. Coupled with a sharp increase in demand for shipping services amidst a broader economic recovery and improved market sentiments owing to the roll-out of broader economic stimulus and relief measures in 2021, this low-supply of available vessels and high-demand for shipping services have propelled market charter rates to multi-year peaks during 2021 which allowed shipping companies to capitalize and reap higher profits. This is particularly evident in the average daily BDI having increased from approximately 1,068 points in 2020 to approximately 2,943 points in 2021. As the operating costs of our controlled vessels are relatively fixed, an increase in market charter rates such as the BDI allows us to charge our customers more charter hire, which greatly increased the gross profit margins of our controlled vessels from 7.4% in 2020 to 30.9% in 2021. The gross profit margins of our chartered-in vessels also increased from 4.4% in 2020 to 12.3% in 2021 as we were able to deploy our sequencing strategy effectively by first chartering in shipping capacity and then ride on periods of increasing market charter hire and freight rates so as to capitalize on such increasing rates to charter out such shipping capacity at higher charter rates. Please see "Business — our fleet of vessels — Chartered-in vessel fleet" for further details on our sequencing strategy for chartering vessels and shipping capacity. Accordingly, in light of the foregoing, our gross profit margin for our shipping services also increased from 5.4% in 2020 to 16.1% in 2021; and

- *Ship management services:* The gross profit from our ship management services increased by approximately USD0.4 million or 8.3% from approximately USD5.1 million in 2020 to approximately USD5.5 million in 2021 primarily due to a larger growth in revenue when compared to the increase in our costs of sales. Our gross profit margin for ship management services decreased from 13.9% in 2020 to 11.2% in 2021 primarily due to the increase in labour cost as a result of our expansion of ship management team along with the increase in average salary level of our staff. Specifically, our gross profit margin of ship management services under both lump-sum basis and management fee basis decreased from approximately 9.0% to 7.8% and from approximately 49.4% to 34.6%, respectively.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by approximately USD11.5 million or 201.6% from approximately USD5.7 million in 2020 to approximately USD17.2 million in 2021 mainly due to (i) an increase in our employee benefit expenses from approximately USD 2.1 million in 2020 to approximately USD 9.0 million in 2021 primarily resulting from an increase in our headcount of administration personnel and increase in bonus paid in 2021 to support our business growth as well as the payment of share-based compensation in the amount of approximately USD5.6 million in 2021; and (ii) an increase in brokerage fee paid to shipbrokers which was generally in line with the revenue growth of our shipping services business segment, and (iii) recognition of [REDACTED] expenses of approximately USD1.4 million in 2021.

Net impairment reversal and losses on financial assets

We recognized net impairment losses on financial assets of approximately USD120,000 in 2020 while we recognized net impairment reversal on financial assets of approximately USD205,000 in 2021 primarily due to decrease in allowance for impairment of trade and other receivables as a result of our strengthened collection activities during 2021.

Other income

Our other income decreased by approximately USD0.1 million or 68.3% from approximately USD161,000 in 2020 to approximately USD51,000 in 2021, primarily due to the cessation of COVID-19 related government grants and subsidies that were previously granted to us in 2020.

Other losses

Our other losses decreased by approximately USD1.1 million or 75.6% from approximately USD1.5 million in 2020 to approximately USD0.4 million in 2021. This decrease in other losses was largely due to the elimination of impairment of held-for-sale assets of approximately USD1.2 million recorded in 2020 arising from the disposal of two of our controlled vessels in 2021.

Finance costs

Our finance costs decreased by approximately USD0.5 million or 11.8% from approximately USD3.9 million in 2020 to approximately USD3.5 million in had previously been 2021, primarily due to the reduction in the interests payable on our borrowings and finance lease arrangements owing to lower LIBOR interest rates in 2021 compared to 2020.

Share of net profit and loss of associates and joint ventures

We recorded share of net loss of associates and joint ventures of approximately USD0.2 million in 2020 while we recorded share of net profit of approximately USD4.3 million in 2021 because (i) we acquired shareholding interests over each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 during 2021 which greatly contributed to our share of net profits of these companies in that year; and (ii) Hongkong Xinyihai recorded net profit for the year ended December 31, 2021 compared to the net loss recorded in 2020.

Income tax expenses

Our income tax expense increased by approximately USD0.5 million or 76.3% from approximately USD0.7 million in 2020 to approximately USD1.2 million in 2021 primarily due to an increase in our tax payable in 2021 owing to higher profits recorded.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly by approximately USD39.3 million or 5,425.6% from approximately USD0.7 million in 2020 to approximately USD40.0 million in 2021.

The nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Revenue

Our revenue increased by approximately USD20.6 million or 7.8% from approximately USD264.7 million for the nine months ended September 30, 2021 to approximately USD285.3 million for the nine months ended September 30, 2022. Such increase was mainly a result of the combined effect of:

- *Shipping services:* An increase in revenue by approximately USD12.6 million or 5.5% from approximately USD231.2 million for the nine months ended September 30, 2021 to approximately USD243.8 million for the nine months ended September 30, 2022 primarily due to (i) the introduction of five oil tankers into our controlled vessel fleet during the second half of 2021 and early 2022 which contributed revenue amounting to approximately USD24.1 million for the nine months ended September 30, 2022 as compared to nil for the nine months ended September 30, 2021, and (ii) the greater revenue contribution from our controlled vessels which were introduced into our controlled vessel fleet throughout the year ended December 31, 2021. In particular, revenue derived from our controlled vessels increased from approximately USD42.6 million for the nine months ended September 30, 2021 to approximately USD81.6 million for the nine months ended September 30, 2022, representing a growth of approximately 91.5%. On the other hand, revenue derived from our chartered-in vessels decreased from approximately USD188.6 million for the nine months ended September 30, 2021 to approximately USD162.2 million for the nine months ended September 30, 2022, representing a decrease of approximately 14.0%. This was primarily due to (i) the fact that we entered into less chartered-in vessel engagements for the nine months ended September 30, 2022 compared to the corresponding period in 2021, and (ii) a decrease in the average daily BDI from 2,764 points for the nine months ended September 30, 2021 compared to 2,070 points for the corresponding period in 2022 which meant that the charter hire we were able to receive from our customers reduced. Conversely, we recorded growth in revenue derived from our controlled vessels as we were able to benefit from chartering out our controlled vessels under longer period-based time charters to our customers whereby comparatively high charter rates were secured in the latter half of 2021 during which the BDI recorded multi-year peaks. For instance, the BDI had maintained at relatively high levels during the latter half of 2021 where the daily average BDI for the third quarter and fourth quarter of 2021 amounting to approximately 3,732 points and 3,498 points, respectively, compared to the daily average BDI of approximately 1,739 points and 2,793 points for the first quarter and second quarter of 2021, respectively. For the nine months ended September 30, 2022, approximately 27.8% of our revenue from our controlled fleet of dry bulk carriers was derived from period-based time charters that were secured and priced in the latter half of 2021 during which the daily average BDI had reached multi-years peaks. On the other hand, for the corresponding period in 2021, only approximately 13.7% of our revenue from our controlled fleet of dry bulk carriers was derived from period-based time charters which were engaged and priced in the latter half of 2021. The larger percentage contribution for the nine months ended September 30, 2022 was higher than that of the corresponding period in 2021 primarily due to the longer period of time we able to benefit from the period-based time charters that were priced and entered into during the second half of 2021 when the BDI was at heightened levels. As a result, we were still able to record a high level of charter hire in respect of our controlled vessels from our customers for the nine months ended September 30, 2022 despite the generally lower BDI for the same period as compared to the corresponding period in 2021. Accordingly, revenue derived from our period-based time charters increased from approximately USD39.4 million for the nine months ended September 30, 2021 to approximately USD79.0 million for the nine months ended September 30, 2022, representing a growth of approximately 100.5%. Fixing and securing longer period-based time charters when market charter rates were at higher levels during the latter half 2021 allowed us to mitigate against and offset a general decline in the BDI during the nine months ended September 30, 2022. These longer period-based time charters which generally utilized our controlled vessels also helped to mitigate against the decline in amount of revenue derived from our chartered-in vessels during the same period as the charters for such vessels tended to be shorter in length, therefore more exposed to the fluctuations and general decline in BDI during the period.

- *Ship management services:* An increase in revenue by approximately USD8.0 million or 23.8% from approximately USD33.5 million for the nine months ended September 30, 2021 to approximately USD41.5 million for the nine months ended September 30, 2022 primarily due to (i) an increase in the aggregate number of third party-owned vessels under our management for the nine months ended September 30, 2022 compared to the same period in 2021, and (ii) an increase in the revenue derived from our provision of shipbuilding supervision services from approximately USD1.3 million for the nine months ended September 30, 2021 to approximately USD4.2 million for the nine months ended September 30, 2022, representing an increase of approximately 225.7% as a large majority of our shipbuilding supervision projects commenced in the latter half of 2021 which contributed to our revenue for the nine months ended September 30, 2022.

Cost of sales

Our cost of sales increased by approximately USD7.6 million or 3.4% from approximately USD223.6 million for the nine months ended September 30, 2021 to approximately USD231.2 million for the nine months ended September 30, 2022. Such increase was generally in line with our business growth and was mainly a result of (i) an increase in bunker costs from approximately USD27.3 million for the nine months ended September 30, 2021 to USD31.0 million for the nine months ended September 30, 2022 primarily as a result of an increase in bunker fuel prices in early 2022 resulting from the Russian-Ukraine conflict, (ii) expansion of our controlled vessel fleet which required us to properly crew with sailors, leading to an increase in our crew manning expenses from USD31.6 million for the nine months ended September 30, 2021 to USD40.9 million for the nine months ended September 30, 2022, and (iii) the addition of several controlled vessels in the latter half of 2021 and early 2022 which increased our overall operating costs as well as depreciation expenses for the nine months ended September 30, 2022. Such increase was partially offset by the decrease in charter hire cost from approximately USD128.0 million for the nine months ended September 30, 2021 to approximately USD108.6 million for the respective period in 2022, which was primarily due to decrease in chartered-in vessels engagements from vessel suppliers in addition to the decreasing average daily BDI.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately USD13.0 million or 31.6% from approximately USD41.1 million for the nine months ended September 30, 2021 to approximately USD54.1 million for the nine months ended September 30, 2022. Our overall gross profit margin increased from approximately 15.5% for the nine months ended September 30, 2021 to 19.0% for the nine months ended September 30, 2022. Such increase was mainly a result of the combined effect of:

- *Shipping services:* The gross profit from our shipping services increased by approximately USD7.9 million or 21.1% from approximately USD37.5 million for the nine months ended September 30, 2021 to approximately USD45.5 million for the nine months ended September 30, 2022 primarily due to a larger growth in revenue when compared to the increase in our costs of sales. This growth in revenue was primarily underpinned by the revenue contribution brought by our new oil tankers which were introduced into our controlled vessel fleet during the latter half of 2021 and early 2022, and was partially offset by the decline in gross profit of our chartered-in vessels by approximately 15.9% from approximately USD24.0 million to approximately USD20.1 million. In particular, we recorded comparatively greater growth in revenue derived from our controlled vessels as we were able to secure charters of our controlled vessels in the latter half of 2021 when the BDI recorded multi-year peaks, thereby allowing us to receive high levels of charter hire in respect of our controlled vessels from our customers for the nine months ended September 30, 2022 despite the generally lower BDI for the same period as compared to the corresponding period of 2021. The gross profit margins of our controlled vessels remained stable at approximately 31.9% and 31.0% for the nine months ended September 30, 2021 and 2022, respectively. The gross profit margins of our chartered-in vessels also remained stable at approximately 12.7% and 12.4% for the nine months ended September 30, 2021 and 2022, respectively. Our gross profit and gross profit margin for the nine months ended September 30, 2022 was also underpinned by the increase in gross profit and gross profit margin derived from our time charters. Accordingly, in light of the foregoing and with the substantial increase in revenue contributed by our controlled vessels which generally attained a higher gross profit margin than chartered-in vessels, our gross profit margin for our shipping services increased from 16.2% for the nine months ended September 30, 2021 to 18.6% for the nine months ended September 30, 2022; and

- *Ship management services:* The gross profit from our ship management services increased by approximately USD5.1 million or 141.5% from approximately USD3.6 million for the nine months ended September 30, 2021 to approximately USD8.7 million for the nine months ended September 30, 2022 primarily due to a larger growth in revenue when compared to the increase in our costs of sales. Our gross profit margin for ship management services also increased from approximately 10.7% for the nine months ended September 30, 2021 to 20.8% for the nine months ended September 30, 2022 primarily due to a substantial increase in the number of vessels and the increase in proportion of revenue contributed by vessels charged under a management fee basis in addition to the commencement of a large portion of our shipbuilding supervision projects during the latter half of 2021 that generally did not involve a high level of associated costs, thereby improving the general profitability of our ship management services business segment for the nine months ended September 30, 2022 compared to the same period in 2021.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by approximately USD2.2 million or 36.0% from approximately USD6.2 million for the nine months ended September 30, 2021 to approximately USD8.5 million for the nine months ended September 30, 2022 mainly due to (i) the increase in [REDACTED] expenses recognized from approximately USD0.5 million for the nine months ended September 30, 2021 to approximately USD1.3 million for the nine months ended September 30, 2022, and (ii) an increase in employee benefit expenses from approximately USD1.5 million for the nine months ended September 30, 2021 to USD2.5 million for the same period in 2022 primarily owing to an increase in our headcount of administration and operations personnel during the nine months ended September 30, 2022.

Net impairment losses on financial assets

Net impairment losses on financial assets increased from approximately USD26,000 for the nine months ended September 30, 2021 to approximately USD157,000 for the nine months ended September 30, 2022 due to an increase in provision for impairment over our trade receivables as at September 30, 2022 which was made on an individual basis with loss rate of 7.86% after taking into consideration of its long-aging status.

Other income

Our other income increased from approximately USD32,000 for the nine months ended September 30, 2021 to approximately USD2.1 million for the nine months ended September 30, 2022, representing an increase of approximately 6,521.9% primarily due to (i) contract compensation of approximately USD2.0 million paid to us arising from a customer terminating a charterparty contract prior to the intended vessel delivery date, and (ii) the increase of one-off government subsidies granted to our subsidiary Seacon Ships Ningbo for business support.

Other gains and losses

We recorded other gains of approximately USD0.4 million for the nine months ended September 30, 2021 and recorded other gains of approximately USD4.3 million for the nine months ended September 30, 2022, representing an increase of approximately USD3.8 million or 863.4% between the nine months ended September 30, 2021 and 2022. This increase in other gains was largely due to the recognition 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 SEACON BRAZIL one of our controlled vessels during the nine months ended September 30, 2022.

Finance costs

Our finance costs increased by approximately USD2.0 million or 80.3% from approximately USD2.5 million for the nine months ended September 30, 2021 to approximately USD4.6 million for the nine months ended September 30, 2022 primarily due to an increase in the interest payable on our borrowings and lease liabilities as we had entered into (i) new finance leases for SEACON FUZHOU and SEACON ATHENS during the nine months ended September 30, 2022 and (ii) five new bareboat charters throughout late 2021 to early 2022 which increased our interest payable on lease liabilities.

Share of net profit of associates and joint ventures

Our share of net profits of associates and joint ventures increased by approximately USD7.2 million or 261.4% from approximately USD2.8 million for the nine months ended September 30, 2021 to approximately USD10.0 million for the nine months ended September 30, 2022 primarily because (i) we acquired shareholding interests over each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 during the second half of 2021 which greatly contributed to our share of net profits of such associated companies; (ii) Hongkong Xinyihai recorded a strong financial performance for the nine months ended September 30, 2022 compared to the same period in 2021; and (iii) our share of the net profits from the sale of XINYIHAI 55 during the nine months ended September 30, 2022.

Income tax expenses

Our income tax expense increased by approximately USD0.8 million or 71.1% from approximately USD1.1 million for the nine months ended September 30, 2021 to approximately USD1.8 million for the nine months ended September 30, 2022 primarily due to an increase in our tax payable for the nine months ended September 30, 2022 owing to higher profits recorded for the nine months ended September 30, 2022 compared to the same period in 2021.

Profit for the period

As a result of the foregoing, our profit for the period increased significantly by approximately USD20.9 million or 60.7% 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.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

Property, plant and equipment

Our property, plant and equipment primarily consisted of vessels, buildings, transportation equipment and office equipment. The following table sets forth a breakdown of the net book value of our property, plant and equipment 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)*
Vessels	56,041	46,300	53,459	89,931
Buildings	1,104	1,147	1,140	998
Transportation equipment	206	231	242	212
Office equipment and other equipment	54	30	7	111
Total	**57,405**	**47,708**	**54,848**	**91,252**

The net book value of our property, plant and equipment decreased from approximately USD57.4 million as at December 31, 2019 to approximately USD47.7 million as at December 31, 2020, which was mainly due to the decrease in vessels primarily because we re-categorized two controlled vessels as assets held for sale in 2020 upon entering into sale contracts with Independent Third Parties. The net book value of our property, plant and equipment increased from approximately USD47.7 million as at December 31, 2020 to approximately USD54.8 million as at December 31, 2021, which was mainly due to the increase in vessels. The net book value of our property, plant and equipment further increased to approximately USD91.3 million as at September 30, 2022 mainly due to the acquisition of SEACON FUZHOU and SEACON ATHENS in or around January 2022.

Right-of-use assets

Our right-of-use assets primarily comprised vessels which we chartered in from vessel suppliers and the building leases for our offices. Our right-of-use assets decreased from approximately USD47.5 million as at December 31, 2019 to approximately USD33.4 million as at December 31, 2020, primarily due to (i) the expiry of the bareboat charter of one of our controlled vessels in 2020 and (ii) amortisation of the balance in relation to the vessels which were bareboat chartered to us throughout the charter period. Our right-of-use assets increased from approximately USD33.4 million as at December 31, 2020 to approximately USD91.9 million as at December 31, 2021, primarily due to the addition of five controlled vessels in 2021 which we bareboat chartered from our suppliers. Our right-of-use assets further increased to approximately USD98.3 million as at September 30, 2022 primarily due to the addition of two bareboat charters following December 31, 2021.

Interests in associates and joint ventures

We held interests in joint ventures and associated companies with third parties. Set out below are our joint ventures and associates as at December 31, 2019, 2020 and 2021 and September 30, 2022.

	Ownership interest *(%)*					Carrying amount *(USD'000)*			
Name of entity	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at September 30, 2022	Nature of ownership	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at September 30, 2022
MSM Ships	50%	50%	50%	50%	Joint venture	—*	35	48	178
Hongkong Xinyihai	35%	35%	35%	35%	Associate	346	69	1,172	4,517
Seacon 6	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	732	2,463
Seacon 7	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	242	738
Seacon 8	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	1,308	959
Seacon 9	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	1,731	3,431
Seacon Tankers	49%	N/A	N/A	N/A	Associate	—*	N/A	N/A	N/A
						346	**104**	**5,233**	**12,286**

Note: "—*" represents amounts less than USD1,000 and "N/A" indicates that we did not hold ownership interests in the relevant entity as at December 31, 2019, 2020 and 2021 or September 30, 2022.

The aggregate carrying amounts of our joint ventures and associates decreased from approximately USD0.3 million as at December 31, 2019 to approximately USD0.1 million as at December 31, 2020 primarily owing to the fact that Hongkong Xinyihai had recorded net losses in 2020. The aggregate carrying amounts of our joint ventures and associates significantly increased from approximately USD0.1 million as at December 31, 2020 to approximately USD5.2 million as at December 31, 2021 largely due to our acquisition of shareholding interests over each of Seacon 6, Seacon 7, Seacon 8 and Seacon 9 during 2021 as well as the improved profitability of Hongkong Xinyihai in 2021. The aggregate carrying amounts of our joint ventures and associates further increased to approximately USD12.3 million as at September 30, 2022 mainly due to the increase in carrying value of Seacon 6 and XINYIHAI 55 as a result of the sale of our jointly owned vessel SEACON 6 and XINYIHAI 55 as well as the improved profitability of each of Seacon 7, Seacon 8 and Seacon 9 and Hongkong Xinyihai during the nine months ended September 30, 2022.

Financial assets at fair value through profit or loss

As at December 31, 2019, 2020 and 2021 and as at September 30, 2022, our financial assets at fair value through profit or loss was approximately USD2.0 million, USD2.4 million, USD3.3 million, and USD1.3 million, respectively. Financial assets at fair value through profit or loss represented the aggregate of our right of gain/loss sharing from disposal of two of our controlled vessels under bareboat charter as well as the right to receive the deposits we previously paid for these two vessels pursuant to a gain/loss sharing arrangement entered into with the lessor of these two controlled vessels (the "**SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements**"). For further details of our financial assets at fair value through profit or loss, please refer to Note 16 of the notes to the Accountant's Report in Appendix I to this document.

The fluctuation of our financial assets at fair value through profit or loss at the end of each reporting period was primarily the result of fluctuations in the estimated market value of the two controlled vessels as at the respective time periods. In particular, our financial assets at fair value through profit or loss decreased from approximately USD3.3 million as at December 31, 2021 to approximately USD1.3 million as at September 30, 2022 as one of the two controlled vessels subject to such gain/loss sharing arrangement, namely SEACON SINGAPORE, had been sold during May 2022 which in effect decreased our financial assets at fair value through profit or loss as at September 30, 2022 because there was only one controlled vessel subject to the gain/loss sharing arrangement instead of two vessels after the sale of SEACON SINGAPORE.

Level 3 of Fair Value Measurement

The fair value assessment of SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, market information of recent transactions and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

Our finance department performs the valuation of level 3 financial instruments for financial reporting purposes. We manage the valuation exercise of the investments on a case by case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our level 3 instruments and reports to senior management and our Directors. For details, see note 3.3 to the Accountant's Report as set out in Appendix I to this document.

Our financial assets under the SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements which are categorized within level 3 of fair value measurements represents our Group's right of gain/loss sharing from vessel disposal and the right to receive the returning deposit.

In respect of the assessment of fair value of SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) considering available information in assessing the financial forecast and assumptions including but not limited to the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions, and prepared an assessment of the fair value; (ii) reviewing and discussing with our management and the Reporting Accountant on the valuation models and approaches; and (iii) discussing with the Reporting Accountant on the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of our Group for the Track Record Period as a whole. In respect of the valuation of the fair value of SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements, details and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements are set forth in Note 16 to the Accountants' Report set out in Appendix I to this document.

The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA for the purpose of expressing an opinion on our Group's historical financial information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this document.

The Sole Sponsor has conducted relevant due diligence work, including (i) discussing with our chief financial officer and the finance department who had prepared the assessment on fair value measurement regarding the valuation methodologies, computation bases, key assumptions and underlying rationales adopted on the valuation of the fair value of the SEACON SINGAPORE and SEACON QINGDAO Bareboat Charter Agreements; (ii) understanding from our management the key basis and assumptions for the valuation of financial assets categorized as level 3 fair value measurements; (iii) reviewing relevant notes in the Accountant's Report as contained in Appendix I to this document; and (iv) understanding from the Reporting Accountant the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of our Group for the Track Record Period as a whole. Having considered the work done by our management, the audit work performed by the Reporting Accountant, and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor's attention that indicates that our management has not undertaken sufficient investigation and due diligence, or that the underlying valuation is unreasonable.

Inventories

Our inventories primarily consisted of lubricating oil, spare parts and bunker fuel. Our inventories increased from approximately USD4.9 million as at December 31, 2019 to approximately USD5.7 million as at December 31, 2020 and decreased to approximately USD4.7 million as at December 31, 2021. The fluctuations in our inventories during the years ended December 31, 2019, 2020 and 2021 were relatively minimal and were generally in line with our business growth. Our inventories as at September 30, 2022 increased to approximately USD10.0 million largely due to an increase in our bunker fuel to approximately USD8.1 million as at September 30, 2022 compared to USD3.9 million as at December 31, 2021. This increase was primarily because (i) a general increase in bunker fuel prices owing to the Russian-Ukraine conflict which greatly pushed up oil prices during early 2022, and (ii) the period-based time charter which our controlled vessel SEACON AFRICA was under had ended during the first half of 2022 and was subsequently chartered out under voyage charter which meant we were responsible for the bunker fuel when chartering-out via voyage charter and the bunker fuel stored in SEACON AFRICA was recognized as our inventory as at September 30, 2022.

The following table sets forth the average turnover days of our inventories for the periods as indicated:

	Year ended December 31,			Nine months ended September 30,
	2019	2020	2021	2022
Average turnover days of our inventories(Note)	10	12	6	9

Note: Overall average turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by number of days in the relevant period (i.e. 365 days for the three years ended December 31, 2021 or 270 days for the nine months ended September 30, 2022).

Our inventory turnover days were approximately 10, 12, 6 and 9 for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively and was at a relatively low level during the Track Record Period. Our Directors believe that the fluctuation of our inventory turnover days were immaterial as our inventories were for regular consumption in the provision of shipping services to our customers as opposed to being sold as commodity.

As at December 31, 2022, approximately USD8.5 million or approximately 84.5% of our inventories as at September 30, 2022, were subsequently consumed or utilized.

Prepayment and other current assets

Our prepayment and other current assets primarily consisted of prepayments for vessels under short term charters and office rental, prepayment for insurance expenses and other prepayments for spare parts. Others mainly included prepayments for repair and maintenance work on our vessels and prepayments of freight charges. The following table sets forth a breakdown of our prepayments and current assets 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)*
Prepayments for:				
— Vessels under short term time charters and office rental	325	2,204	3,943	2,537
— Insurance expenses	251	320	426	755
— Purchase of spare parts	—	15	516	225
— [REDACTED] expense	—	—	385	706
— Others	118	413	864	300
Total	**694**	**2,952**	**6,134**	**4,523**

Our prepayment and other current assets increased from approximately USD0.7 million as at December 31, 2019 to approximately USD3.0 million as at December 31, 2020 primarily due to an increase in number of vessels chartered by us for provision of shipping services through chartered-in vessels during 2020. Our prepayment and other current assets further increased to approximately USD6.1 million as at December 31, 2021 primarily due to (i) an increase in number of vessels chartered by us for provision of shipping services through chartered-in vessels during 2021 and (ii) increase in prepayment for repair and maintenance works and spare parts. Our prepayment and other current assets decreased to approximately USD4.5 million as at September 30, 2022 primarily due to a decrease in prepayments made for our vessels under short term time charters.

Trade and other receivables

Our trade receivables represent outstanding amounts due from customers for our services. Our other receivables primarily consist of amounts due from other parties and deposits and guarantees. The following table sets forth our trade and other receivables 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)*
Trade receivables — Shipping services				
— Third parties	5,184	11,652	11,363	11,943
— Related parties	—	217	32	—
Less: Provision for impairment	*(2)*	*(30)*	*(25)*	*(146)*
Subtotal:	**5,182**	**11,839**	**11,370**	**11,797**
Trade receivables — Ship management services				
— Third parties	3,389	3,587	5,486	2,038
— Related parties	74	827	121	319
Less: Provision for impairment	*(1)*	*(11)*	*(17)*	*(6)*
Subtotal:	**3,462**	**4,403**	**5,590**	**2,351**
Total trade receivables:	**8,644**	**16,242**	**16,960**	**14,148**
Other receivables				
— Amount due from related parties	5,518	5,148	3,623	521
— Deposits to related parties	—	11	50	—
— Amount due from third parties	458	—	—	—
— Deposits and guarantees	1,818	2,722	3,496	4,651
— Others	1,788	2,955	1,478	1,740
Less: Provision for impairment	*(81)*	*(115)*	*(65)*	*(87)*
Subtotal:	**9,501**	**10,721**	**8,582**	**6,825**
Total:	**18,145**	**26,963**	**25,542**	**20,973**

Our trade receivables increased from approximately USD8.6 million as at December 31, 2019 to approximately USD16.2 million as at December 31, 2020. Our trade receivables further increased to approximately USD17.0 million as at December 31, 2021 and decreased to approximately USD14.1 million as at September 30, 2022. The increase in our trade receivables from 2019 to 2021 was generally in line with our revenue growth throughout the corresponding periods. Our trade receivables decreased to approximately USD14.1 million as at September 30, 2022 mainly due to the decrease in the provision of ship management service charged under lump-sum basis for the nine months ended September 30, 2022 leading to the reduced amounts of management fees to be received by us. The following table sets out an ageing analysis of our trade receivables presented based on invoice dates, 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)*
Within three months	8,067	15,143	13,604	12,569
Three to six months	395	499	1,058	106
Six to twelve months	185	610	853	1,598
One to two years	—	31	1,465	5
Two to three years	—	—	22	22
Total:	**8,647**	**16,283**	**17,002**	**14,300**

Our trade receivables with an age of one to two years increased from approximately USD31,000 as at December 31, 2020 to approximately USD1.5 million as at December 31, 2021. This increase is mainly due to the receivables from Seacon Shipping Group relating to ship management services provided to Seacon Shipping Group in 2020. Pursuant to the Reorganization, the shareholding interests in Seacon Shipping Group was not transferred to our Group. However, as Seacon Shipping Group was engaged in the core businesses of our Group during the Track Record Period and falls within the consolidation scope until it was treated as a deemed disposal at 31 December 2021. Consequently, amounts due from Seacon Shipping Group at 31 December 2021 are reflected as trade receivables, resulting in a significant increase of our trade receivables with an age of one to two years as at December 31, 2021 compared to 2020. Our trade receivables aged six to twelve months increased from approximately USD0.9 million as at December 31, 2021 to approximately USD1.6 million as at September 30, 2022. This was mainly due to the outstanding receivables in the amount of approximately USD1.5 million from one of our customers who was embroiled in a dispute with their customer (the "**sub charterers**") during early 2022. Owing to such a dispute, the sub charterers refused to pay the customer relevant freight which in turn meant that the customer was unable to pay to us the relevant freight charges owed to us. Our Directors consider that there is no recoverability issue with regard to such outstanding receivables as (i) the sub charterers had provided the Supreme Court of Bangladesh with a cheque in the amount of approximately USD1.5 million as security to settle our outstanding freight charges if we do not receive the same amount from the implicated customer and that (ii) the next court hearing is fixed to be held by the end of March 2023 after which our Directors expect we will receive the sums under the said cheque.

As we generally do not grant any credit terms to our customers, all trade receivables are considered past due. However, our trade receivables are generally recovered within three months and a relatively small percentage of our trade receivables are aged past three months. As at December 31, 2019, 2020 and 2021, the amount of trade receivables aged over three months were approximately USD0.6 million, USD1.1 million and USD3.4 million, respectively, of which amounts due from Seacon Shipping Group accounted for approximately nil, nil and USD2.6 million, respectively for the same periods. As at December 31, 2021, the amount of approximately USD3.1 million (including receivables of approximately USD1.6 million aged less than one year and approximately USD1.5 million aged between one to two years) due from Seacon Shipping Group was individually determined and an impairment provision of approximately USD16,000 was made. Notwithstanding the amount of long-aged receivables from Seacon Shipping Group, our Directors consider that the risk of such receivables is low given that the financial status and credit standing of Seacon Shipping Group is good, and we intended to settle it in 2022. The provision for impairment of receivables from other customers was made on a group basis, ranging from 0.03% to 100%.

As at September 30, 2022, trade receivables and other receivables from Seacon Shipping Group was approximately USD0.6 million.

Our other receivables increased from approximately USD9.6 million as at December 31, 2019 to approximately USD10.8 million as at December 31, 2020 primarily due to an increase in our deposits and guarantees received from customers in relation to the provision of ship management services in 2020. Our other receivables decreased to approximately USD8.6 million as at December 31, 2021 primarily due to a reduction in the amounts due from related parties in 2021. Our other receivables decreased to approximately USD6.8 million as at September 30, 2022 primarily due to the settlement of a significant balance due from related parties which decreased from approximately USD3.6 million as at December 31, 2021 to approximately USD0.5 million as at September 30, 2022. The following table sets out an ageing analysis of our other receivables presented based on invoice dates, 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)*
Within one year	9,083	8,805	8,092	6,479
One to two years	87	2,030	495	218
Two to three years	412	1	60	182
Over three years	—	—	—	33
Total:	**9,582**	**10,836**	**8,647**	**6,912**

The payment periods and credit terms offered by us to our customers are generally in line with industry norms. We generally required prepayments and do not grant any credit terms to our customers. We seek to maintain strict control over our outstanding receivables. Our finance department reviews our outstanding receivables and overdue balances on a regular basis. The following table sets forth the average turnover days of our trade receivables for the periods as indicated:

	Year ended December 31,			Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
Average turnover days of our trade receivables(Note)	16	25	16	15

Note: Overall average turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by number of days in the relevant period (i.e. 365 days for the three years ended December 31, 2021 or 270 days for the nine months ended September 30, 2022).

Our trade receivable turnover days were approximately 16, 25, 16 and 15 for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. Our trade receivable turnover days increased from 16 days in 2019 to 25 days in 2020 primarily because our customers require longer time to make payments to us during the COVID-19 pandemic. Our trade receivable turnover days decreased from 25 days in 2020 to 16 days in 2021 as a result of our strengthened collection activities coupled with our customers making quicker payments to us as they gradually adjusted their business operations following the recovery from the initial COVID-19 outbreak in 2020. Our trade receivable turnover days for the nine months ended September 30, 2022 remained relatively stable at 15 days.

Our management determines the provision for impairment of trade receivables on a forward-looking basis and the expected lifetime losses are recognized from initial recognition of the assets. The provision matrix is determined based on our historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, our management have considered available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, and actual or expected significant adverse changes in business and customers' financial position including, among others, the economic impact of the COVID-19 pandemic on the customers and the regions in which we operate. At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analysed by our management.

As at December 31, 2022, approximately USD12.1 million (or approximately 85.5%) of our trade receivables outstanding as at September 30, 2022 were subsequently settled.

Our Directors believe that we are not subject to material credit risk and do not foresee any significant recoverability issue with our trade receivables as our customers generally have maintained good track record with us and have high credibility. In addition, our accounting staff continually monitor the operating and financial conditions of our customers and proactively follow up with them to ensure recoverability. In light of the foregoing, our Directors are of the view that, based on the overall quality and credit strength of our customers, and given that the settlement rate of our trade receivables is consistent with historical patterns, we have made sufficient provisions and do not foresee any material recoverability issue for our trade receivables.

Trade and other payables

Our trade and other payables represents payments due to our suppliers including service fees paid to various maritime services providers. The following table sets forth our trade and other payables 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)*
Trade payables				
— Third parties	11,227	17,984	15,712	13,630
— Related parties	1,295	4,511	4,137	1,397
Subtotal:	12,522	22,495	19,849	15,027
Other payables				
— Amount due to related parties	34,971	33,946	26,850	1,674
— Deposits from related parties	8	60	154	159
— Amount due to third parties	—	472	—	—
— Deposits and guarantees	882	1,598	2,025	1,511
— Salaries and staff welfare payables	1,155	664	2,524	229
— Provisions for legal proceeding	—	—	784	1,088
— [REDACTED] expenses	—	—	935	375
— Others	142	111	126	107
Subtotal:	**37,158**	**36,851**	**33,398**	**5,143**
Total:	**49,680**	**59,346**	**53,247**	**20,170**

Our trade payables increased from approximately USD12.5 million as at December 31, 2019 to approximately USD22.5 million as at December 31, 2020 primarily due to the scaling up of our shipping services business segment during the period. Our trade payables decreased to approximately USD19.8 million as at December 31, 2021 primarily due to quicker settlements by us to our suppliers during the period. Our trade payables further decreased to approximately USD20.2 million as at September 30, 2022 primarily due to quicker settlements by us to our suppliers during the period. The following table sets out an ageing analysis of our trade payables presented based on invoice dates, 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)*
Less than one year	12,499	22,245	19,670	14,873
One to two years	23	250	176	85
Two to three years	—	—	3	69
Total	12,522	22,495	19,849	15,027

During the Track Record Period, our suppliers generally granted us various credit periods. The credit periods granted to us generally ranged around 30 to 60 days or we were required to make prepayments. The following table sets forth the average turnover days of our trade payables for the periods as indicated:

	Year ended December 31			Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
Average turnover days of our payables(Note)	38	38	25	20

Note: Overall average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of payables for the relevant period by cost of sales and multiplying by number of days in the relevant period (i.e. 365 days for the three years ended December 31, 2021 or 270 days for the nine months ended September 30, 2022).

Our payables turnover days were approximately 38, 38, 25 and 20 for the years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, respectively. Our payables turnover days remained relatively stable at 38 days in 2019 and 38 days in 2020. Our payables turnover days decreased from 38 days in 2020 to 25 days in 2021 as we made timelier payments to our suppliers. Our trade payables turnover days for the nine months ended September 30, 2022 further decreased to 20 days mainly due to our efforts in expediting the settling of our trade payables in order to enhance business relationship with various suppliers.

As at December 31, 2022, approximately USD13.6 million, or approximately 90.4% of our trade and other payables as at September 30, 2022, were subsequently settled.

Our other payables mainly consisted of (i) amounts due to related parties which were non-trade in nature (ii) salaries and staff welfare payable and (iii) deposits and guarantees payable to vessel suppliers for securing chartered-in vessels. Our other payables recorded a slight decrease from approximately USD37.2 million as at December 31, 2019 to approximately USD36.9 million as at December 31, 2020 primarily due to decrease in amount due to related parties and salaries and staff welfare payable which was largely due to the reduction for bonus paid to staff of shipping services. Our other payables further decreased to approximately USD33.4 million as at December 31, 2021 and further decreased to USD5.1 million as at September 30, 2022 mainly due to the decrease in amounts due to related parties. The balance with respect to amounts due to related parties have been fully settled as at the Latest Practicable Date.

Lease liabilities

Our lease liabilities primarily comprised of charter hire paid to our vessel suppliers in respect of our controlled vessels chartered by us under bareboat charters. Our lease liabilities decreased from approximately USD42.4 million as at December 31, 2019 to approximately USD32.5 million as at December 31, 2020, primarily due to (i) the decrease in one controlled vessel chartered under bareboat charter in 2020 and (ii) payments to vessel suppliers throughout the charter period. Our lease liabilities increased to approximately USD86.7 million as at December 31, 2021, primarily due to the increase in the number of controlled vessels chartered from suppliers under bareboat charter in 2021. Our lease liabilities further increased to approximately USD92.0 million as at September 30, 2022 primarily due to increase in number of controlled vessels chartered from suppliers under bareboat charter following December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash flows

The following table sets forth a summary of our consolidated statements of cash flows 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)*
Net cash generated from operating activities	9,559	24,473	88,147	49,604	57,164
Net cash generated 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)
Net increase in cash and cash equivalents	210	2,485	20,628	9,742	1,605
Effects of exchange rate changes on cash and cash equivalents	(8)	(8)	(18)	(31)	(74)
Cash and cash equivalents at the beginning of the year	1,741	1,943	4,420	4,420	25,030
Cash and cash equivalents at the end of the year	**1,943**	**4,420**	**25,030**	**14,131**	**26,561**

Net cash generated from operating activities

Our cash inflow from operating activities is principally derived from the receipt of payments from customers for our shipping services and our ship management services. Our cash outflow from operating activities mainly comprised payment to suppliers and various operating expenses.

Our net cash generated from operating activities in 2019 amounted to approximately USD9.6 million, which primarily reflected our profit before tax of approximately USD8.9 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortization of approximately USD8.9 million and finance costs of approximately USD2.8 million, and (ii) changes in certain working capital items that affected our operating cash flows which mainly included changes in trade and other receivables of approximately USD8.4 million, changes in inventories of approximately USD2.5 million and changes in advances and contract liabilities of approximately USD0.2 million.

Our net cash generated from operating activities in 2020 amounted to approximately USD24.5 million, which primarily reflected our profit before tax of approximately USD1.4 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortization of approximately USD15.4 million, finance costs of approximately USD3.9 million and provision of held-for-sale assets of approximately USD1.2 million, and (ii) changes in certain working capital items that affected our operating cash flows which mainly included changes in trade and other payables of approximately USD20.0 million, changes in trade and other receivables of approximately USD13.6 million and changes in advances and contract liabilities of approximately USD2.9 million.

Our net cash generated from operating activities in 2021 amounted to approximately USD88.1 million, which primarily reflected our profit before tax of approximately USD41.2 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortization of approximately USD18.3 million, share based compensation of approximately USD5.6 million, share of profit of associates and joint ventures of approximately USD4.3 million and finance costs of approximately USD3.5 million, and (ii) changes in certain working capital items that affected our operating cash flows which mainly included changes in trade and other payables of approximately USD51.1 million and changes in trade and other receivables of approximately USD27.2 million.

Our net cash generated from operating activities for the nine months ended September 30, 2022 amounted to approximately USD57.2 million, which primarily reflected our profit before tax of approximately USD57.3 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortization of approximately USD22.3 million and finance costs of approximately USD4.6 million, and (ii) changes in certain working capital items that affected our operating cash flows which mainly included changes in trade and other payables of approximately USD7.1 million, changes in inventories of approximately USD5.4 million and changes in trade and other receivables of approximately USD3.3 million.

Net cash generated from/(used for) investing activities

Our cash inflow from investing activities primarily consists of proceeds from disposals of property, plant and equipment, repayments from third parties and related parties and dividends from joint ventures and associates. Our cash outflow from investing activities primarily consists of the payments for property, plant and equipment, payments of deposits for right-of-use assets, and amounts due from third parties and related parties.

Our net cash generated from investing activities in 2019 amounted to approximately USD0.5 million. This primarily reflected repayments from related parties of approximately USD18.3 million, repayments from third parties of approximately USD5.8 million and proceeds from disposal of property, plant and equipment of approximately USD5.9 million which was partially offset by payments for property, plant and equipment and other non-current assets of approximately USD16.0 million and advances to related parties of approximately USD9.6 million.

Our net cash generated from investing activities in 2020 amounted to approximately USD2.0 million, which primarily reflected repayments from related parties of approximately USD20.3 million and repayments from third parties of approximately USD1.1 million which was partially offset by advances to related parties of approximately USD15.8 million and payments for property, plant and equipment and other non-current assets of approximately USD3.5 million.

Our net cash used for investing activities in 2021 amounted to approximately USD6.0 million, which primarily reflected payments for property, plant and equipment and other non-current assets of approximately USD19.7 million and advances to related parties of approximately USD4.8 million which was partially offset by proceeds from disposal of property, plant and equipment of approximately USD7.3 million, repayments from third parties of approximately USD5.1 million, repayments from related parties of approximately USD4.6 million, and dividends from joint ventures and associates of approximately USD1.5 million.

Our net cash used for investing activities for the nine months ended September 30, 2022 amounted to approximately USD6.1 million, which primarily reflected payments for property, plant and equipment and other non-current assets of approximately USD27.9 million and advances to related parties of approximately USD8.0 million which was partially offset by proceeds from disposal of property, plant and equipment of approximately USD15.8 million and repayments from related parties of approximately USD9.1 million.

Net cash used for financing activities

Our cash inflow from financing activities primarily consists of proceeds from bank borrowings and amounts due to related parties. Our cash outflow from financing activities primarily consists of repayment of borrowings, repayment of leases, dividends paid to non-controlling interests in subsidiaries, interests paid on borrowings and repayments to related parties.

Our net cash used for financing activities in 2019 amounted to approximately USD9.8 million, which primarily reflected repayment to related parties of approximately USD18.7 million, repayment of principal and interest of lease liabilities of approximately USD13.3 million, repayment of borrowings of approximately USD12.0 million and interests paid on borrowings of approximately USD1.7 million which was partially offset by advances from related parties of approximately USD23.4 million and proceeds from borrowings of approximately USD12.6 million.

Our net cash used for financing activities in 2020 amounted to approximately USD24.0 million, which primarily reflected repayment to related parties of approximately USD17.7 million, repayment of principal and interest of lease liabilities of approximately USD11.6 million, repayment of borrowings of approximately USD9.2 million and interests paid on borrowings of approximately USD2.2 million which was partially offset by advances from related parties of approximately USD12.7 million and proceeds from borrowings of approximately USD2.7 million.

Our net cash used for financing activities in 2021 amounted to approximately USD61.5 million, which primarily reflected repayments to related parties of approximately USD31.2 million, repayment of borrowings of approximately USD20.4 million, repayment of principal and interest of lease liabilities and deposits for right-of-use assets of approximately USD23.6 million, interests paid on borrowings of approximately USD1.9 million, and deemed distribution of approximately USD1.2 million which was partially offset by proceeds from borrowings of approximately USD16.5 million and advances from related parties of approximately USD3.8 million.

Our net cash used for financing activities for the nine months ended September 30, 2022 amounted to approximately USD49.5 million, which primarily reflected repayments to related parties of approximately USD32.4 million, repayment of principal and interest of lease liabilities and deposits for right-of-use assets of approximately USD20.0 million, and repayment of borrowings of approximately USD9.0 million which was partially offset by advances from related parties of approximately USD8.8 million and proceeds from borrowings of approximately USD8.4 million.

Current assets and current liabilities

The following table sets forth the details of our current assets and current liabilities during the Track Record Period.

	As at December 31,			As at September 30,	As at January 31,
	2019	2020	2021	2022	2023
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
					(Unaudited)
Current assets					
Financial assets at fair value through profit or loss	—	—	3,285	1,277	1,232
Inventories	4,895	5,702	4,651	10,048	10,101
Prepayment and other current assets	694	2,952	6,134	4,523	4,935
Trade and other receivables	18,145	26,963	25,542	20,973	26,069
Current portion of other non-current assets	3,258	3,903	—	—	—
Restricted bank deposits	—	72	31	32	33
Cash and cash equivalents	1,943	4,420	25,030	26,561	22,633
Assets classified as held for sale	—	7,318	—	—	—
Total current assets	**28,935**	**51,330**	**64,673**	**63,414**	**65,003**
Current liabilities					
Advances and contract liabilities	1,616	4,551	4,448	5,129	2,458
Trade and other payables	49,680	59,346	53,247	20,170	29,856
Current tax liabilities	94	737	1,840	1,745	1,596
Borrowings	10,830	12,289	5,369	9,472	11,543
Lease liabilities	9,880	9,385	21,073	21,110	16,928
Total current liabilities	**72,100**	**86,308**	**85,977**	**57,626**	**62,381**
Net current (liabilities)/assets	**(43,165)**	**(34,978)**	**(21,304)**	**5,788**	**2,622**

We recorded net current liabilities of approximately USD35.0 million as at December 31, 2020, compared to net current liabilities of approximately USD43.2 million as at December 31, 2019, representing a decrease of approximately USD8.2 million or 19.0% primarily due to the increase in our current assets from approximately USD28.9 million in 2019 to USD51.3 million in 2020 owing to an increase of our trade and other receivables along with our revenue growth, cash and cash equivalents, and assets classified as held for sale of two vessels which were subsequently sold in 2021.

We recorded net current liabilities of approximately USD21.3 million as at December 31, 2021, compared to net current liabilities of approximately USD35.0 million as at December 31, 2020, representing a further decrease of approximately USD13.7 million or 39.1% primarily due to the increase in cash and cash equivalents from approximately USD4.4 million in 2020 to USD25.0 million in 2021 in addition to a decrease in our current liabilities from approximately USD86.3 million in 2020 to USD86.0 million in 2021 owing to a decrease of our trade and other payables and borrowings.

As at September 30, 2022, we recorded net current assets of approximately USD5.8 million compared to our net current liabilities of approximately USD21.3 million as at December 31, 2021. We turned from a net current liabilities position to a net current asset position as at September 30, 2022 primarily due to the continuous cash inflow from our operations and our continued efforts made in repaying our trade and other payables. Our net current assets decreased to approximately USD2.6 million as at January 31, 2023 primarily due to a decrease in our cash and cash equivalents owing to the payments of the construction costs for one of our new vessels under construction in October 2022 and January 2023.

Working capital

Going forward, we expect to satisfy our liquidity requirements by using funds from a combination of cash flow from operating activities, cash and cash equivalents, bank borrowings, finance lease arrangements, and the estimated [REDACTED] from the [REDACTED]. As at the Latest Practicable Date, we have unutilized banking facilities of USD1.3 million.

Taking into account the financial resources available to us, including cash flow from operating activities, cash and cash equivalents, bank borrowings, finance lease arrangements, and the estimated [REDACTED] from the [REDACTED] (after a possible [REDACTED] setting the final [REDACTED] up to 10% below the low end of the indicative [REDACTED] range), our Directors are of the view, and the Sole Sponsor concurs, that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS

Our indebtedness primarily consisted of bank borrowings and lease liabilities. The following table sets out our indebtedness as at the dates indicated:

	As at December 31,			As at September 30,	As at January 31,
	2019	**2020**	**2021**	**2022**	**2023**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
					(Unaudited)
Non-current portion of long-term borrowings					
— Secured	47,932	37,428	27,289	63,344	81,953
— Unsecured	—	291	187	208	220
Subtotal:	**47,932**	**37,719**	**27,476**	**63,552**	**82,173**
Current portion of long term borrowings					
— Secured	10,830	12,289	5,295	9,472	10,996
— Unsecured	—	—	74	—	547
Subtotal:	**10,830**	**12,289**	**5,369**	**9,472**	**11,543**
Lease liabilities					
— Current	9,880	9,385	21,073	21,110	16,928
— Non-current	32,490	23,121	65,586	70,873	54,791
Subtotal:	**42,370**	**32,506**	**86,659**	**91,983**	**71,719**
Total:	**101,132**	**82,514**	**119,504**	**165,007**	**165,435**

Borrowings

As at December 31, 2019, 2020 and 2021, September 30, 2022 and October 31, 2022, our total borrowings amounted to approximately USD58.8 million, USD50.0 million, USD32.8 million, USD73.0 million and USD72.1 million, respectively. Our total borrowings significantly increased from approximately USD32.8 million as at December 31, 2021 to approximately USD73.0 million as at September 30, 2022 mainly due to the finance leases we had entered into with respect to our controlled vessels SEACON ATHENS and SEACON FUZHOU in January 2022 of this year and the re-financing of our controlled vessel SEACON SHANGHAI in February 2022. Our total borrowings increased from approximately USD73.0 million as at September 30, 2022 to approximately USD93.7 million as at January 31, 2023 mainly due to the finance lease we had entered into with respect to our controlled vessel SEACON NOLA in January 2023. As at December 31, 2019, 2020 and 2021 and September 30, 2022, our borrowings of approximately USD58.8 million, USD49.7 million, USD32.6 million and USD72.7 million, respectively were secured by vessels and properties such as buildings. For further details as to these secured borrowings, please refer to Note 24 to the Accountant's Report in Appendix I to this document.

As at the Latest Practicable Date, nine of our controlled vessels were under finance lease arrangements. See "Business — Our fleet of vessels — Financing arrangements for our controlled vessels — Finance lease arrangements" in this document for further details as to our finance lease arrangements.

Our bank loan agreements and our finance lease arrangements contained standard terms, conditions and covenants that are customary for commercial bank loans and finance lease arrangements.

Lease liabilities

As at December 31, 2019, 2020 and 2021 and September 30, 2022, our lease liabilities were approximately USD42.4 million, USD32.5 million, USD86.7 million and USD92.0 million, respectively, primarily represent the long term bareboat charters with lease periods of one year or more. Please see "Description of selected items of consolidated balance sheets — Lease liabilities" in this section above for further details.

Given our credit history and our current credit status, our Directors believe that we will not encounter any major difficulties in obtaining additional bank borrowings and finance leases in the future.

Our Directors further confirm that, we did not have any material default in payment of our bank borrowings and lease liabilities or breach of material covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings" in this document, we were not involved in any legal proceedings pending or, to our knowledge, threatened against us which could have a material adverse effect on our business or operations, and our Directors further confirm that we did not have any significant contingent liabilities.

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

CAPITAL EXPENDITURES AND COMMITMENTS

Capital commitments

Our capital commitments relate to capital expenditures contracted for but not yet incurred in relation to purchase of property, plant and equipment. For the years ended December 31, 2019, 2020 and 2021 and September 30, 2022, our capital commitments amounted to approximately USD57.0 million, USD107.1 million, USD216.4 million and USD178.1 million, respectively.

Capital expenditure

Our capital expenditure primarily consisted of vessels during the Track Record Period. Our projected capital expenditures are subject to revision based upon any future changes in our business plans, market conditions, and economic and regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business. See "Future plans and [REDACTED]" for further information.

PROPERTY INTERESTS

Our Directors confirm that, as at September 30, 2022, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at September 30, 2022, our property interests do not form part of our property activities and none of our property interests which forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios during the Track Record Period:

	As at December 31/ Year ended December 31,			As at September 30/ Nine months ended September 30,
	2019	**2020**	**2021**	**2022**
Return on equity[1]	206.1%	8.5%	65.4%	51.2%
Return on total assets[2]	5.0%	0.3%	14.6%	18.1%
Current ratio[3]	0.4	0.6	0.8	1.1
Quick ratio[4]	0.3	0.5	0.7	0.9
Net debt to equity ratio[5]	2,638.7%	1,475.7%	183.8%	131.2%

Notes:

1. Return on equity is calculated by profit attributable to shareholders of our Company divided by total equity as at the end of the respective year multiplied by 100%.

2. Return on total assets is calculated by profit attributable to shareholders of our Company divided by total assets as at the end of the respective year multiplied by 100%.

3. Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.

4. Quick ratio is calculated by dividing total current assets net of inventory with current liabilities as the end of the respective year.

5. Net debt to equity ratio is calculated by dividing interest-bearing bank and other borrowings net of cash and cash equivalents at the end of the year by total equity at the end of the respective year and expressed as a percentage.

Return on equity

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.

Return on total assets

Our return on total assets decreased from approximately 5.0% for the year ended December 31, 2019 to approximately 0.3% for the year ended December 31, 2020, which was mainly due to the decrease in our net profit owing to a general decline in the profitability of our shipping services during the early stages of the COVID-19 pandemic in 2020. Our return on total assets increased from approximately 0.3% for the year ended December 31, 2020 to approximately 14.6% 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. Our return on total assets increased from approximately 14.6% for the year ended December 31, 2021 to approximately 18.1% for the nine months ended

September 30, 2022, which was mainly due to the increase in our net profit resulting from our improved financial condition and profitability during the nine months ended September 30, 2022.

Current ratio

Our current ratio as at December 31, 2019 and 2020 was relatively low at 0.4 times and 0.6 times, respectively, primarily due to our substantial capital expenditures on long-term assets such as vessels in connection with business expansion plans which led to lower levels of cash and cash equivalent as at December 31, 2019 and 2020.

Our current ratio increased from approximately 0.6 times as at December 31, 2020 to approximately 0.8 times as at December 31, 2021, which was mainly due to increase in our cash and cash equivalents resulting from improvement of our profitability in 2021. Our current ratio further increased to 1.1 times as at September 30, 2022 mainly due to the combined effect of (i) a reduction of our current liabilities owing to reduction of our trade and other payables as we had utilized the proceeds from the sale of our controlled vessel SEACON BRAZIL to settle our liabilities and (ii) an increase in our current assets owing to an increase in our inventories which primarily comprised bunker fuel.

Quick ratio

Our quick ratio as at December 31, 2019 and 2020 was relatively low at 0.3 times and 0.5 times, respectively, primarily due to our substantial capital expenditures on long-term assets such as vessels in connection with business expansion plans which led to lower levels of cash and cash equivalent as at December 31, 2019 and 2020.

Our quick ratio increased from approximately 0.5 times as at December 31, 2020 to approximately 0.7 times as at December 31, 2021, which was mainly due to increase in our cash and cash equivalents resulting from improvement of our profitability. Our quick ratio further increased to 0.9 times as at September 30, 2022 mainly due to a reduction of our trade and other payables as we had utilized the proceeds from the sale of our controlled vessel SEACON BRAZIL to settle our liabilities.

Net debt to equity ratio

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 lease liabilities and the increase in our total equity. 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 cash and cash equivalent and our retained earning 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.

RELATED PARTY TRANSACTIONS

As part of our ordinary course of business, we entered into various related party transactions during the Track Record Period. Our trade receivables with related parties primarily represented services fees from our joint ventures and associates and Guo's Controlled Companies for our provision of ship management services. Our amounts due from related parties primarily represented current account balances between us and our related parties. Save for the amounts due from Guo's Controlled Companies which were generated from non-operating activities, our amounts due from related parties were of trade nature. Such amounts due from our related parties have been fully settled as at the Latest Practicable Date. The table below sets forth the year-end balances arising from amounts due from related parties of our Company as at December 31, 2019, 2020 and 2021 and September 30, 2022, respectively.

	As at December 31,			As at September 30,
	2019	**2020**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade receivables				
— Joint ventures and associates	74	121	102	222
— Guo's Controlled Companies	—	923	51	97
	74	**1,044**	**153**	**319**
Other receivables				
Amounts due from:				
— Joint ventures and associates	868	1,218	259	—
— Guo's Controlled Companies	3,707	3,178	3,364	521
— Other related parties	943	752	—	—
Deposits to:				
— Guo's Controlled Companies	—	11	50	—
	5,518	**5,159**	**3,673**	**521**

The table below sets forth the year-end balances arising from amounts due to related parties of our Company as at December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. Our amounts due to related parties primarily represented (i) crew manning expenses and materials purchase fees payable by us to our related parties for their provision of crew manning services and purchases of materials; (ii) the purchase price for some of our controlled vessels that Guo's Controlled Companies had settled on our behalf; and (iii) current account balances between us and Guo's Controlled Companies. Save for the amounts due to Guo's Controlled Companies which were generated from non-operating activities, our amounts due to related parties were of trade nature. Such amounts due to our related parties have been fully settled as at the Latest Practicable Date.

	As at December 31,			As at September 30,
	2019	**2020**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Trade payables				
— Joint ventures and associates	—	—	367	—
— Guo's Controlled Companies	1,295	4,511	3,770	1,397
	1,295	**4,511**	**4,137**	**1,397**
Other payables				
Amounts due to:				
— Joint ventures and associates	106	—	—	—
— Guo's Controlled Companies	34,784	33,922	26,826	1,674
— Other related parties	81	24	24	—
Deposits from:				
— Joint ventures and associates	8	3	21	17
— Guo's Controlled Companies	—	57	133	140
— Other related parties	—	—	—	2
	34,979	**34,006**	**27,004**	**1,833**

The table below sets forth the guarantees provided by us for related parties of our Company as at December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. The guarantees provided by us for related parties are non-trade in nature and had already been fully settled as at September 30, 2022.

	As at December 31,			As at September 30,
	2019	**2020**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Joint ventures and associates	8,800	8,000	—	—
Directors	674	729	—	—
Guo's Controlled Companies	1,116	1,777	596	—
	10,590	**10,506**	**596**	**—**

The table below sets forth the balance of the borrowings and lease liabilities guaranteed by related parties of our Company as at December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. The borrowings and lease liabilities guaranteed by our related parties are non-trade in nature, and the respective balance and the guarantee provided by our related parties will be fully settled or released before the [REDACTED].

	As at December 31,			As at September 30,
	2019	**2020**	**2021**	**2022**
	USD'000	*USD'000*	*USD'000*	*USD'000*
Borrowings	39,942	31,886	23,871	4,602
Lease liabilities	—	—	77,015	80,536
	39,942	31,886	100,886	85,138

Our guarantees with our related parties will be released before the [REDACTED]. For further details of our related party transactions, see Note 31 to the Accountant's Report in Appendix I to this document.

Our Directors confirm that these transactions (i) were conducted in the ordinary and usual course of business and on normal commercial terms or such terms that were no less favourable to us than those available to Independent Third Parties, and (ii) did not distort our Track Record Period results or make our historical results not reflective of our future performance.

Save for the continuing connected transactions between us and our connected parties set out in the section headed "Connected Transactions" in this document, the related party transactions set out in Note 31 to the Accountant's Report in Appendix I to this document will not continue after the [REDACTED].

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL AND CAPITAL RISKS

Our business activities expose us to a variety of financial risks which primarily comprise foreign exchange risk, credit risk, liquidity risk and fair value interest rate risk. See Note 3 to the Accountant's Report in Appendix I to this document for the details of the risks to which we are exposed to.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

DISTRIBUTABLE RESERVES

We did not have distributable reserves as at the Latest Practicable Date.

DIVIDEND POLICY

During the Track Record Period, we had not declared and/or paid any dividends to our Shareholders. As at the Latest Practicable Date, we did not have any dividend policy.

The declaration of dividends will be subject to the discretion of our Board, our Articles of Association and the applicable laws and regulations. Our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration of final dividend by our Company will also be subject to the approval of our Shareholders in a Shareholders' meeting.

There can be no assurance that dividends will be paid in any particular amount for any given period. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been [REDACTED] on the Stock Exchange.

SUBSEQUENT EVENTS

No audited financial statements have been prepared and no dividend or distribution has been declared or made by our Company or its subsidiaries in respect of any period subsequent to the Track Record Period. There have been no other material events subsequent to the Track Record Period which require adjustment or disclosure in accordance with HKFRS.

Please see the section headed "Summary — Recent developments" for details on changes that occurred subsequent to the Track Record Period.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, save as disclosed in the section headed "Summary — Recent developments — No material adverse change" in this document, there has been no material adverse change in our financial or trading position since September 30, 2022 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since September 30, 2022 which would materially affect the information shown in the Accountant's Report.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately USD[REDACTED] (HK$[REDACTED]) (at the [REDACTED] of HK$[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.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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