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**Application Proof of**

**Seacon Shipping Group Holdings Limited**

**洲際船務集團控股有限公司**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

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## Seacon Shipping Group Holdings Limited

洲際船務集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)  
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation and the [REDACTED])  
Maximum [REDACTED] : Not more than HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
Nominal value : HK\$0.01 per Share  
[REDACTED] : [REDACTED]

Sole Sponsor



Zhongtai International Capital Limited

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and the Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] or such later time as may be agreed by the Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. Investors applying for [REDACTED] must pay, on application, the maximum indicative [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] as finally determined is lower than HK\$[REDACTED] per [REDACTED].

The [REDACTED] (for itself and on behalf of the [REDACTED]), may, with the consent of the Company, reduce the indicative [REDACTED] range and/or the number of [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, announcement of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be made on the Company's website at [www.seacon.com](http://www.seacon.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed “Structure and Conditions of the [REDACTED]” and “How to Apply for [REDACTED]”.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Please see the section headed “[REDACTED] — [REDACTED] and Expenses — [REDACTED] — Grounds for termination.”

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors” in this document.

No information on any website forms part of this document.

[REDACTED]

December 13, 2022

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**EXPECTED TIMETABLE<sup>(1)</sup>**

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### EXPECTED TIMETABLE<sup>(1)</sup>

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**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

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**IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

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## SUMMARY

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

### OVERVIEW

We are an integrated shipping services provider headquartered in the PRC. We endeavour to provide comprehensive shipping solutions to our customers along the value chain of the maritime shipping industry. We have been successful in the provision of ship management and shipping services.

Our history can be traced back to 2012 when we commenced to provide ship management services to customers. Through years of development, we have established ourselves as a leading ship management services provider with a proven track record of providing comprehensive and high-quality ship management solutions to major stakeholders in the shipping industry such as shipowners, ship operators and financial institutions. We provide our customers with first-rate and comprehensive ship management services. Our services offerings generally included the daily operations of vessels, technical management, crew management, repair and maintenance, and regulatory management and compliance, and we managed a wide variety of vessel types such as dry bulk carriers, oil tankers, chemical tankers, passenger ships, cargo ships, and container ships during the Track Record Period. According to the F&S Report, we accounted for approximately 0.9% of the total market share of all ship management services providers globally in terms of the number of third-party owned vessels under management in 2021.

Leveraging our strong foundation of ship management capabilities, we have expanded our service offerings to shipping services in 2017. We provided shipping services through our fleet of controlled vessels and chartered-in vessels during the Track Record Period which primarily comprised dry bulk carriers. Through our large and varied fleet of dry bulk carriers, we are able to transport all major kinds of dry bulks for our customers such as iron ore, coal, grain, steel, logs, cement, fertilizer, nickel ore and bauxite. In addition to dry bulk goods, we are also able to transport asphalt, petrochemical products and molten sulphur through our controlled fleet of oil and chemical tankers. According to the F&S Report, with a combined weight carrying capacity of approximately (i) 1.26 million dwt for our entire controlled vessel fleet and (ii) approximately 1.15 million dwt for our controlled dry bulk carrier fleet, we accounted for approximately 0.1% of the total market share of all dry bulk shipping companies globally in 2021.

Our comprehensive, asset-light ship management services business segment as well as our sizeable network of trusted vessel suppliers and the strategically balanced asset mix in our vessel fleet for our shipping services business segment have allowed us to continuously scale up our business, quickly respond to market conditions, increase our profitability and better serve our customers. Accordingly, we experienced significant growth during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, our total revenue was approximately USD135.6 million, USD178.9 million, USD372.7 million, USD125.8 million and USD179.0 million, respectively, representing an increase of approximately 32.0% from 2019 to 2020, and a further increase of approximately 108.3% from 2020 to 2021. Our revenue increased by approximately 42.3% from the five months ended May 31, 2021 to the five months ended May 31, 2022.

## SUMMARY

### OUR BUSINESS

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

During the Track Record Period, we provided shipping services through our fleet of controlled vessels and chartered-in vessels. Our controlled fleet of vessels are predominantly comprised of dry bulk carriers which we solely own or jointly own with our business partners, or chartered by us on a long-term basis through bareboat charters or finance lease arrangements. On the other hand, our chartered-in vessels are comprised of dry bulk carriers chartered from vessel suppliers predominantly under period-based time charters and trip-based time charters (TCT).

As at December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our vessel fleet comprised 16, 15, 22 and 22 controlled vessels, respectively, and we entered into over 60, 160, 200 and 55 chartered-in vessel engagements in aggregate for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. The following table sets forth a breakdown of our revenue during the Track Record Period derived from our shipping services business segment by our controlled and chartered-in vessels:

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

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

	Year ended December 31,						Five months ended May 31,			
	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)	%
Chartered-in vessels	4,116	6.4	4,179	4.4	31,582	12.3	9,128	10.2	15,699	14.2
Controlled vessels	7,185	16.2	3,478	7.4	20,577	30.9	3,624	19.4	11,327	25.1
<b>Total:</b>	<b>11,301</b>	<b>10.4</b>	<b>7,657</b>	<b>5.4</b>	<b>52,159</b>	<b>16.1</b>	<b>12,752</b>	<b>11.8</b>	<b>27,026</b>	<b>17.4</b>

For each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate weight carrying capacity of our chartered-in vessel engagements during each year was approximately 3.7 million dwt, 10.6 million dwt, 14.6 million dwt and 3.9 million dwt, respectively. As at December 31, 2019, 2020 and 2021 and

## SUMMARY

the five months ended May 31, 2022, aggregate weight carrying capacity of our controlled vessel fleet was approximately 0.8 million dwt, 0.8 million dwt, 1.2 million dwt and 1.1 million dwt, respectively.

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

During the Track Record Period, we also provided ship management services to customers. Our ship management business services primarily comprises the provision of ship management services where we provided ship management solutions in respect of seafaring vessels. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we managed 94, 133, 203 and 176 vessels, respectively of which 74, 114, 176 and 149 were third-party owned vessels. The vessels under our management are of varying types and sizes registered under the flag states of major global shipping hubs such as Singapore, Hong Kong, the PRC, Panama, the Marshall Islands and Liberia

Our customers during the Track Record Period primarily included (i) shipowners, (ii) finance and leasing companies, (iii) shipbuilders, (iv) dry bulk goods traders, and (v) shipping and logistics companies. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue derived from the provision of services to our five largest customers represented approximately 20.9%, 18.7%, 25.6% and 20.1% of our total revenue for the corresponding periods, respectively, and revenue derived from our largest customer represented approximately 7.7%, 5.0%, 7.0% and 7.2% of our total revenue for the corresponding periods, respectively. Please see the section headed “Business — Customers” in this document for further details.

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

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

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

Our suppliers during the Track Record Period primarily included (i) vessel suppliers, (ii) marine goods suppliers such as lubricants and spare parts, (iii) bunker suppliers, (iv) insurance companies, (v) classification societies, and (vi) repair and maintenance service providers. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, procurement made to our five largest suppliers represented

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## SUMMARY

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approximately 13.7%, 15.2%, 9.5% and 18.2% of our total procurement costs for the corresponding periods, respectively, and procurement made to our largest supplier represented approximately 5.4%, 6.3%, 2.5% and 4.8% of our total procurement costs for the corresponding periods, respectively. Please see the section headed “Business — Suppliers” in this document for further information.

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

### OUR COMPETITIVE STRENGTHS

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

- As a leading third-party ship management services provider in the PRC offering comprehensive ship management solutions, we are well-positioned to benefit from solid industry growth.
- Through our sizeable network of trusted vessel suppliers and the strategically balanced asset mix in our vessel fleet, we are able to offer a comprehensive portfolio of vessels with flexible schedules, meeting customers’ needs and enhancing our competitiveness in the industry.
- We have developed a high quality and diversified customer base.
- We are able to achieve customer satisfaction and sustainable development through our quality and reliable service offerings.
- We have a highly qualified and dedicated management team with extensive industry insight and experience.

### COMPETITIVE LANDSCAPE OF OUR GROUP

According to the F&S Report, the maritime shipping market in the PRC is a highly competitive market that is both capital intensive and highly fragmented with more than 20,000 market participants globally in 2021 having shipped goods to and from the PRC via international shipping routes. The competition in the market is based primarily on supply and demand and we compete for vessels and charter contracts on the basis of price, vessel location, size, age, the condition of the vessel and our market reputation. In the highly fragmented markets in which we operate, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and they may be able to offer lower charter rates and higher quality vessels than we are able to offer. According to the F&S Report, the ship management market in the PRC has been characterized by strong competition. The direct and indirect costs of compliance requirements of operating a vessel are generally increasing, and shipowners need the support of a ship management service provider with sufficient resources to meet such requirements for risk management, safety and quality, contingencies and day-to-day needs. Ship management service providers thus have to improve the quality and broaden their service offerings to compete for business from customers.

## SUMMARY

### OUR BUSINESS STRATEGIES

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

### SUMMARY OF FINANCIAL INFORMATION

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

#### Selected items of consolidated statements of comprehensive income

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

	Year ended December 31,			Five months ended May 31,	
	2019 USD'000	2020 USD'000	2021 USD'000	2021 USD'000 (Unaudited)	2022 USD'000
<b>Revenue</b>	135,607	178,929	372,738	125,767	178,952
Cost of sales	(119,553)	(166,202)	(315,088)	(111,207)	(147,037)
<b>Gross profit</b>	<u>16,054</u>	<u>12,727</u>	<u>57,650</u>	<u>14,560</u>	<u>31,915</u>
Selling, general and administrative expenses	(4,484)	(5,708)	(17,215)	(2,738)	(4,958)
Net impairment reversal/ (losses) on financial assets	106	(120)	205	(55)	(91)
Other income	47	161	51	19	15
Other losses, net	(278)	(1,514)	(369)	(339)	5,088
<b>Operating profit</b>	11,445	5,546	40,322	11,447	31,969
Finance costs, net	(2,775)	(3,910)	(3,450)	(1,277)	(2,389)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	253	(242)	4,314	572	4,566
<b>Profit before income tax</b>	8,923	1,394	41,186	10,742	34,146
Income tax expenses	(489)	(670)	(1,181)	(297)	(1,256)
<b>Profit for the year/period</b>	<u>8,434</u>	<u>724</u>	<u>40,005</u>	<u>10,445</u>	<u>32,890</u>
<b>Profit attributable to:</b>					
— Shareholders of the Company	7,747	451	33,617	7,726	31,840
— Non-controlling interests	687	273	6,388	2,719	1,050
	<u>8,434</u>	<u>724</u>	<u>40,005</u>	<u>10,445</u>	<u>32,890</u>

## SUMMARY

For further details as to the fluctuations in our financial results by our major business segments, please refer to the section headed “Financial Information — Comparison of our results of operations” in this document.

### Non-HKFRS measure

Non-HKFRS measure is not a standard measure under HKFRSs. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use non-HKFRS measure, namely, adjusted net profit (non-HKFRS measure) which is not required by, or presented in accordance with HKFRS. While adjusted net profit (non-HKFRS measure) provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit (non-HKFRS measure) has certain limitations, because it does not reflect all items of income and expense that affect our operations. 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]. 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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	USD'000	USD'000	USD'000	USD'000	USD'000
Profit for the year/period	8,434	724	40,005	10,445	32,890
Add: [REDACTED] <sup>(1)</sup>	—	—	1,377	—	948
Add: Share based compensation <sup>(2)</sup>	—	—	5,635	—	—
<b>Non-HKFRS measure:</b>					
<b>Adjusted net profit for the year/period</b>	<b>8,434</b>	<b>724</b>	<b>47,017</b>	<b>10,445</b>	<b>33,838</b>

*Notes:*

- (1) [REDACTED] relate to the [REDACTED] of our Company. This item is adjusted for as it is not directly related to our operating activities.
- (2) Share based compensation incurred during the year ended December 31, 2021 arose from shares granted to certain directors of our Company which vested during the respective financial year. This item is adjusted for as it is non-cash in nature.

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

## SUMMARY

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

Our net profit increased from approximately USD10.4 million for the five months ended May 31, 2021 to approximately USD32.9 million for the five months ended May 31, 2022, representing an increase of approximately 214.9%. This was mainly due to our increased profitability during the five months ended May 31, 2022 primarily owing to the combined effect of (i) an increase in the daily average BDI during the five months ended May 31, 2022 compared to the corresponding period in 2021, thereby allowing us to capitalize and reap higher profit during the period, (ii) recognition of net gains on disposal of property, plant and equipment of approximately USD5.7 million for the five months ended May 31, 2022 arising from the disposal of one of our controlled vessels SEACON BRAZIL, and (iii) an increase in our share of net profit of associates and joint ventures for the five months ended May 31, 2022 owing to the acquisition of associates in the second half of 2021.

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

### Selected items of consolidated balance sheets

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

	As at December 31,			As at
	2019	2020	2021	May 31, 2022
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>Non-current assets:</b>				
Property, plant and equipment	57,405	47,708	54,848	91,837
Right-of-use assets	47,464	33,383	91,932	106,186
Intangible assets	16	60	114	102
Interests in associates and joint ventures	346	104	5,233	9,799
Deferred tax assets	51	24	71	67
Financial assets at fair value through profit or loss	1,997	2,365	—	—
Other non-current assets	<u>20,067</u>	<u>17,466</u>	<u>13,575</u>	<u>22,493</u>
<b>Total non-current assets</b>	<b><u>127,346</u></b>	<b><u>101,110</u></b>	<b><u>165,773</u></b>	<b><u>230,484</u></b>

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## SUMMARY

	As at December 31,			As at
	2019	2020	2021	May 31, 2022
	USD'000	USD'000	USD'000	USD'000
<b>Current assets:</b>				
Financial assets at fair value through profit or loss	—	—	3,285	1,662
Inventories	4,895	5,702	4,651	13,049
Prepayment and other current assets	694	2,952	6,134	4,956
Trade and other receivables	18,145	26,963	25,542	36,402
Current portion of other non-current assets	3,258	3,903	—	—
Restricted bank deposits	—	72	31	64
Cash and cash equivalents	1,943	4,420	25,030	19,680
Assets classified as held for sale	—	7,318	—	—
<b>Total current assets</b>	<b><u>28,935</u></b>	<b><u>51,330</u></b>	<b><u>64,673</u></b>	<b><u>75,813</u></b>
<b>Total assets</b>	<b><u>156,281</u></b>	<b><u>152,440</u></b>	<b><u>230,446</u></b>	<b><u>306,297</u></b>
<b>Equity:</b>				
Equity attributable to shareholders of the Company	3,267	4,381	47,320	79,203
Non-controlling interests	492	911	4,087	5,137
<b>Total equity/net assets</b>	<b><u>3,759</u></b>	<b><u>5,292</u></b>	<b><u>51,407</u></b>	<b><u>84,340</u></b>
<b>Non-current liabilities:</b>				
Borrowings	47,932	37,719	27,476	66,376
Lease liabilities	32,490	23,121	65,586	76,187
<b>Total non-current liabilities</b>	<b><u>80,422</u></b>	<b><u>60,840</u></b>	<b><u>93,062</u></b>	<b><u>142,563</u></b>
<b>Current liabilities:</b>				
Advances and contract liabilities	1,616	4,551	4,448	5,217
Trade and other payables	49,680	59,346	53,247	38,520
Current tax liabilities	94	737	1,840	1,763
Borrowings	10,830	12,289	5,369	9,841
Lease liabilities	9,880	9,385	21,073	24,053
<b>Total current liabilities</b>	<b><u>72,100</u></b>	<b><u>86,308</u></b>	<b><u>85,977</u></b>	<b><u>79,394</u></b>
<b>Total liabilities</b>	<b><u>152,522</u></b>	<b><u>147,148</u></b>	<b><u>179,039</u></b>	<b><u>221,957</u></b>
<b>Net current liabilities</b>	<b><u>43,165</u></b>	<b><u>34,978</u></b>	<b><u>21,304</u></b>	<b><u>3,581</u></b>

Our net current liabilities decreased from USD43.2 million as at December 31, 2019 to USD35.0 million as at December 31, 2020. Our net current liabilities further decreased to USD21.3 million as at December 31, 2021. Our net current liabilities further decreased from USD21.3 million as at December 31, 2021 to USD3.6 million as at May 31, 2022. For further details, please refer to the section headed “Financial Information — Liquidity and capital resources — Current assets and current liabilities” in this document.



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## SUMMARY

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We recorded net current liabilities during the Track Record Period primarily due to (i) the relatively high current portion of lease liabilities and bank borrowings resulting from the leasing arrangements or financing of our vessels for further expansion of the vessel fleet, and (ii) trade and other payables primarily attributable to amounts due to related parties which will be fully settled upon [REDACTED]. Such amounts due to related parties primarily represented other payables owing to certain companies which Mr. Guo had interests in that did not form part of our Group (the “**Guo’s Controlled Companies**”) in the amount of approximately USD34.8 million, USD33.9 million, USD26.8 million and USD8.0 million as at December 31, 2019, 2020 and 2021 and as at May 31, 2022, respectively, which are non-trade in nature and was generally comprised of (i) the purchase price for some of our controlled vessels that Guo’s Controlled Companies had settled on our behalf and (ii) current account balances with Guo’s Controlled Companies. Such amounts due to related parties will be fully settled upon [REDACTED].

As a result of the cash inflow from our operation riding on our improving profitability and the gradual settlement of the amounts due to related parties, our net current liabilities substantially decreased to USD3.6 million as at May 31, 2022. We turned from a net current liabilities position as at May 31, 2022 to a net current assets position of approximately USD6.9 million as at September 30, 2022 primarily due to greater operating cash inflows arising from our improved profitability and our continued efforts made in repaying our trade and other payables.

We recorded net assets of approximately USD3.8 million as at December 31, 2019, USD5.3 million as at December 31, 2020, USD51.4 million as at December 31, 2021 and USD84.3 million as at May 31, 2022. Such increase in our net assets was mainly due to the accumulation of retained earnings throughout the Track Record Period.

### Selected items of consolidated statements of cash flows

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

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>
				(Unaudited)	
Net cash from operating activities	9,559	24,473	88,147	17,699	26,926
Net cash from/(used for) investing activities	500	2,027	(6,004)	(5,208)	(2,474)
Net cash used for financing activities	(9,849)	(24,015)	(61,515)	(9,799)	(29,764)
Effects of exchange rate changes on cash and cash equivalents	(8)	(8)	(18)	(23)	(38)
Net increase in cash and cash equivalents	210	2,485	20,628	2,692	(5,312)
Cash and cash equivalents at the beginning of the year/period	1,741	1,943	4,420	4,420	25,030
<b>Cash and cash equivalents at the end of the year/period</b>	<b>1,943</b>	<b>4,420</b>	<b>25,030</b>	<b>7,089</b>	<b>19,680</b>

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## SUMMARY

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### Summary of key financial ratios

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

	As at December 31/ Year ended December 31,			As at May 31/ Five months ended May 31, 2022
	2019	2020	2021	
Return on equity	206.1%	8.5%	65.4%	37.8%
Return on total assets	5.0%	0.3%	14.6%	10.4%
Current ratio	0.4	0.6	0.8	1.0
Quick ratio	0.3	0.5	0.7	0.8
Net debt to equity ratio	2,638.7%	1,475.7%	183.8%	185.9%

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 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 37.8% for the five months ended May 31, 2022, which was mainly due to the significant increase in the retained earnings.

Our net debt to equity ratio decreased from approximately 2,638.7% as at December 31, 2019 to approximately 1,475.7% as at December 31, 2020, which was mainly due to the combined effect of the decrease in our borrowings and leased liabilities and the increase in cash and cash equivalents and our retained earning. Our net debt to equity ratio further decreased to approximately 183.8% as at December 31, 2021, which was mainly due to the decrease in our borrowings and an increase in our total equity resulting from a significant improvement of our profitability in 2021. Our net debt to equity ratio remained stable at approximately 185.9% as at May 31, 2022.

### SUMMARY OF MATERIAL RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include (i) charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in market charter rates, (ii) we face risks associated with obtaining suitable shipping capacity such as chartered-in vessels and purchasing vessels, (iii) an increase in bunker fuel prices may reduce our profitability and adversely affect our business operations, (iv) we require a substantial amount of working capital and financial resources to sustain our

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## SUMMARY

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business operations and our expansion plans, and (v) we are faced with increasingly intense competition with major market players within the maritime shipping industry in the PRC. For further details, please refer to the section headed “Risk Factors” in this document.

[REDACTED]

	<b>Based on [REDACTED] of HK\$[REDACTED] per [REDACTED] (low-end)</b>	<b>Based on [REDACTED] of HK\$[REDACTED] per [REDACTED] (high-end)</b>
Market capitalization <sup>(1)</sup>	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company per Share <sup>(2)(3)</sup>	HK\$[REDACTED]	HK\$[REDACTED]

*Notes:*

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

## DIVIDENDS

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

[REDACTED]

The [REDACTED] from the issue of the [REDACTED] under the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range, are estimated to be approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), after deducting the estimated [REDACTED] and total expenses in the aggregate amount of approximately

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## SUMMARY

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HK\$[REDACTED], paid and payable by our Company from the [REDACTED] of the [REDACTED] and assuming the [REDACTED] is not exercised. We intend to apply the [REDACTED] of the issue of the [REDACTED] under the [REDACTED] in the following manner:

- approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to expand and optimize our vessel fleet, among which:
  - o approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to expand and optimize our controlled vessel fleet; and
  - o approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to increase the scale of our chartered-in vessel fleet;
- approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to (i) reinforce our ship management capabilities by setting up new offices in strategic locations such as Shanghai, Greece, Philippines and Japan by renting office premises, and (ii) expand our current ship management operations in Qingdao, Ningbo and Fuzhou;
- approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used to adopt digital technologies and implement advanced information technology in our business operations; and
- approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), or [REDACTED]%, is expected to be used for our general working capital.

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

### [REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately USD[REDACTED] (HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] of the [REDACTED] (at the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range) and assuming the [REDACTED] is not exercised) among which (i) [REDACTED]-related expenses, including [REDACTED] 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 USD2.9 million (HK\$23.0 million) of [REDACTED] expenses during the Track Record Period, among which approximately USD2.3 million (HK\$18.2 million) was recorded as expenses and approximately USD0.6 million (HK\$4.8 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] of approximately USD[REDACTED] (HK\$[REDACTED])) will be incurred by our Company,

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## SUMMARY

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approximately USD[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to profit or loss, and approximately USD[REDACTED] (HK\$[REDACTED]) of which is expected to be recognized as a deduction in equity directly upon the [REDACTED].

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

### OUR CONTROLLING SHAREHOLDERS

Immediately prior to the [REDACTED] and the [REDACTED], Mr. Guo, Jin Qiu, Shining Friends and Jin Chun, together exercised control of 69% of the issued share capital of our Company. Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon exercise of the [REDACTED] or options which may be granted under the Share Option Scheme), the percentage of issued share capital controlled by Mr. Guo, Jin Qiu, Shining Friends and Jin Chun will be diluted to [REDACTED]%, and they will together be entitled to directly or indirectly exercise or control the exercise of 30% or more of the voting rights at the general meeting of our Company immediately upon completion of the [REDACTED]. Accordingly, Mr. Guo, Jin Qiu, Shining Friends and Jin Chun are considered our group of Controlling Shareholders immediately following the [REDACTED]. See “Relationship with our Controlling Shareholders” for details.

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

### [REDACTED] INVESTMENT

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

### SHARE OPTION SCHEME AND SHARE AWARD PLAN

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

### LEGAL PROCEEDINGS

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

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

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## SUMMARY

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### IMPACT OF THE COVID-19 PANDEMIC

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

In the first quarter of 2022, there were resurgences of COVID-19 outbreak, including the highly transmissible Omicron variant in various provinces across the PRC, and the local governments have imposed various restrictions on business and social activities. Save for minor delays in payments made to us from certain customers owing to their suspension of business operations due to the recent lock-down in Shanghai during early 2022, our Directors are of the view that the resurgence does not have a material or sustained adverse impact on our business or the market conditions on the basis that, while the Baltic Dry Index has once dropped to 1,296 points in late January 2022, it has moderately recovered since then and, as at October 31, 2022, the Baltic Dry Index was 1,463 points. Our Directors expect market conditions for integrated shipping companies such as our Group to remain favourable in the near future.

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

### RECENT DEVELOPMENTS

#### Changes in our vessel fleet composition

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

- we and our business partner have sold our jointly-owned dry bulk carrier XINYIHAI 55 through a public auction in April 2022 and was delivered to the purchaser in August 2022.
- we have entered into an agreement in August 2022 for the newbuilding of a new general cargo vessel with a proposed weight carrying capacity of 13,500 dwt estimated to be completed in 2023.
- we have entered into an agreement in October 2022 for the newbuilding of a new dry bulk carrier with a proposed weight carrying capacity of 40,000 dwt estimated to be completed in 2024.
- we have exercised the purchase option of our controlled vessel GOLDEN CAMELLIA in October 2022 and entered into an agreement on even date to sell GOLDEN CAMELLIA to an Independent Third Party with completion estimated to take place in or around January 2023.

#### Our business and results of operations after the Track Record Period

For the nine months ended September 30, 2022, the average utilization rate of our controlled vessels was approximately 91.8% and the average utilization rate of our chartered-in vessels during this period was approximately 99.4%. Please refer to the paragraph headed “Business — Our fleet of vessels — Controlled vessels — Fleet utilization” for further details on the calculation basis of our vessel utilization rates.

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## SUMMARY

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After the Track Record Period and up to September 30, 2022, we turned from a net current liabilities position of approximately USD3.6 million as at May 31, 2022 to a net current asset position of approximately USD6.9 million as at September 30, 2022 primarily due to greater operating cash inflows arising from our improved profitability and our continual efforts made in repaying our trade and other payables.

Based on our unaudited management accounts, our revenue for the nine months ended September 30, 2022 increased by approximately 9.1% as compared with the corresponding period in 2021 primarily due to an increase in revenue derived from our oil tankers owing to an increase of four new oil tankers to our controlled vessel fleet during late 2021 and early 2022. Based on our unaudited management accounts, our gross profit for the nine months ended September 30, 2022 increased by approximately 45.4% as compared to the corresponding period in 2021 which was primarily due to (i) increased gross profit derived from some of our controlled vessels which were under longer period-based time charters fixed with charter rates fixed in or around the year-end of 2021 where BDI was at relatively higher levels compared to the first half of 2021, thereby allowing our controlled vessels to record higher profits for the nine months ended September 30, 2022 compared to the corresponding period in 2021, and (ii) increased number of shipbuilding supervision projects which greatly contributed to the improved profitability of our ship management business segment.

Our Directors expect our business for the year ending December 31, 2022 will continue to grow primarily due to the introduction of the aforementioned four new oil tankers to our controlled vessel fleet which we expect are able to capitalize on the heightened demand and prices for oil products amidst the Russia-Ukraine conflict. Like the BDI, we make reference to the Baltic Clean Tanker Index (the “BCTI”), a composite of average charter rates from key routes travelled by clean tankers that transport petroleum and oil products, when assessing whether charter rates for our oil tankers are in line with prevailing market conditions. According to the F&S Report, international oil price has surged as significant numbers of traders refused to purchase oil originated from Russia, resulting in a shortage of supply around the globe. Following the Russian-Ukraine conflict since February 2022, the BCTI has increased from approximately 731 points as at February 28, 2022 and peaked at 1,732 points as at June 22, 2022. As at October 31, 2022, the BCTI was 1,213 points. Despite the BCTI having peaked in June 2022, the BCTI has still remained at relatively higher levels compared to before the Russian-Ukraine conflict commenced, which our Directors believe will provide considerable impetus to the heightened levels of our revenue to be derived from our oil tankers for the year ending December 31, 2022.

### **Impact of the BDI on our financial performance**

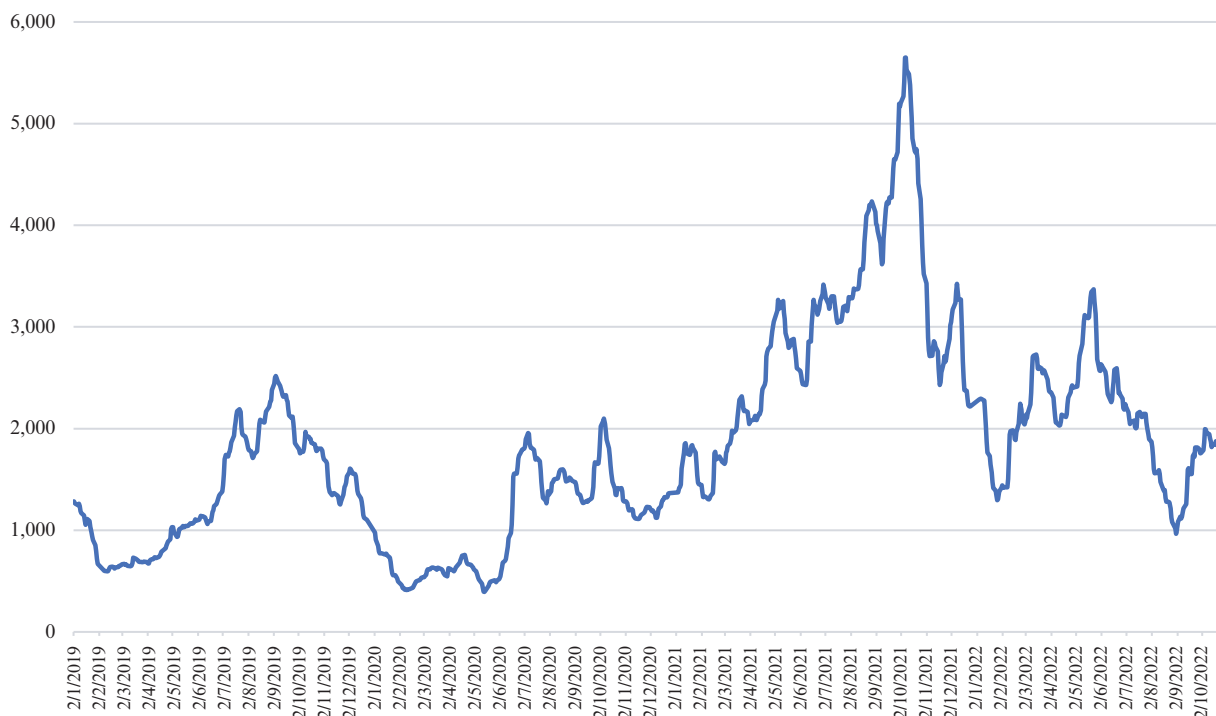
The BDI is a shipping and trade index issued daily by The Baltic Exchange Limited based in London. The BDI index measures the cost of transporting dry bulk goods like coal and steel around the world, or more specifically, the demand for shipping capacity against the supply of dry bulk carriers. Shipping companies and other market players in the maritime shipping industry often refer to the BDI when gauging whether charter rates offered are in line with the prevailing market conditions. Set out below is a graph setting out the historical fluctuations of each of the BDI during the Track Record Period and up to October 31, 2022.

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## SUMMARY

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### Historical Movement in Baltic Dry Index (BDI) during the Track Record Period and up to October 31, 2022



During the Track Record Period, our financial performance typically fluctuated in line with the movements in the BDI. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the Baltic Dry Index has fluctuated in a range between 393 points and 5,650 points with a daily average of approximately 1,365 points, 1,068 points, 2,943 points and 2,258 points, respectively, and our net profit was approximately USD8.4 million, USD0.7 million, USD40.0 million and USD32.9 million for the corresponding periods.

Following the Track Record Period and up to October 31, 2022, the BDI had plummeted from 2,566 points as at May 31, 2022 to a low of 965 points as at August 31, 2022 and then rebounded to 1,463 points as at October 31, 2022. According to the F&S Report, this decrease was largely due to negative market sentiments arising from (i) the diminished demand for steel, a major dry bulk, in the PRC owing to the weak performance of the real estate and manufacturing industries during the second and third quarters of 2022, having recorded significant declines compared to the corresponding period in 2021; (ii) a decrease in exports and overall freight rates for grains and agricultural products owing to altered agricultural trade policies and export patterns resulting from extreme weather conditions, geopolitical disputes and epidemics; and (iii) market uncertainty arising from the recent string of interest rate hikes by the U.S. Federal Reserve since May 2022. The BDI subsequently increased to 1,463 points as at October 31, 2022, demonstrating a moderate recovery from the low during August 31, 2022.

Notwithstanding the recent decline in the BDI following the Track Record Period, our Directors are of the view that such a decline did not have a material impact on our overall business operations or our financial performance as our revenue and gross profit for the eight months ended August 31, 2022 was higher than the corresponding period in 2021 and such decline was only temporary as the BDI has already quickly reached 1,463 points as at October 31, 2022.



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## SUMMARY

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### **Impact of key events in the maritime shipping industry**

#### ***The Russia-Ukraine war***

The prolonged Russia-Ukraine conflict since February 2022 is expected to continue to create uncertainty in the maritime shipping industry for the remainder of 2022, though the overall impact on the overall dry bulk industry had been relatively muted in comparison to the oil tanker industry following the Track Record Period up to the Latest Practicable Date. Given the fact that Russia and Ukraine are major exporters of dry bulk commodities, with Russia mainly exporting coal, grain, steel products and fertilisers, while Ukraine exports grain, iron ore and steel products, the ongoing tension between the two countries has hampered the exports of these commodities and increased the shipping costs globally. Despite the uncertainty created by the conflict, the BDI has increased from 2,069 points as at March 1, 2022 to 2,566 as at May 31, 2022. While we have been able to capitalize on the increased market charter rates in light of decreased shipping capacity and longer travelling times following the Track Record Period up to the Latest Practicable Date as owing to disturbances in trade patterns around the Black Sea, the protracted conflict between Russia and Ukraine will continue to create uncertainty in the maritime shipping industry going forward.

An expanded ban on Russian fuel has also pushed up the cost and availability of bunker fuel and pushed shipowners to use alternative fuels. Additionally, the uncertainty in relation to the conflict between Ukraine and Russia, and the sanctions imposed as a consequence, may lead to be further increases in global fuel prices. Whilst our fleet of oil tankers are positioned to benefit from the increase in oil prices, we may concurrently face an increased burden on our bunker costs. Our Directors expect our revenues derived from our oil tankers to increase for the year ending December 31, 2022 as a result of the heightened oil prices amidst the protracted Russia-Ukraine conflict.

#### ***Rising tensions across the Taiwan Strait***

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

#### ***Interest rate hikes by the U.S. Federal Reserve***

In a bid to temper runaway inflation, the U.S. Federal Reserve increased its target federal funds rate to 3.00%–3.25% in September 2022 which marked the fourth interest rate increase this year, and a three-quarter percent jump from the last interest rate hike in July 2022. The U.S. Federal Reserve’s latest decision makes for a total 3.00%–3.25% increase since the start of 2022. Our Directors expect that the recent string of interest rate hikes by the U.S. Federal Reserve will have a considerable impact on our indebtedness going forward as our finance lease arrangements and bank loans generally bore interest at floating rates based on LIBOR which may fluctuate to such increases in the interest rates by the U.S. Federal Reserve.

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## SUMMARY

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### *The U.S. Ocean Shipping Reform Act*

In June 2022, the new Ocean Shipping Reform Act was signed into law in the United States. The legislation expresses the objectives of promoting the growth of exports from the U.S. through a competitive ocean transportation system and avoiding excessive detention and demurrage charges to shippers by ocean carriers. According to the F&S Report, and our Directors concur that, this legal reform will have very little impact on the market as it will not cause significant meaningful structural changes to the maritime shipping industry but rather a reform of recommended practices in the industry. As such our Directors believe that the Ocean Shipping Reform Act has not had a material impact on our business operations or financial condition following the Track Record Period and up to the Latest Practicable Date.

### **No material adverse change**

Our Directors confirm that, since May 31, 2022 and up to the date of this document, save as disclosed in the section headed “Business — Legal proceedings” in this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there had been no material adverse change in the financial or trading positions or prospect of our Group, and (iii) there had been no event which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

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## DEFINITIONS

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*In this document, the following expressions shall have the meanings set out below unless the context otherwise requires.*

“Accountant’s Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“Akai Holding”	Akai Holding Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on December 13, 2019, which is wholly-owned by Mr. Chen
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on [ • ] which will become effective upon the [REDACTED], a summary of which is contained in Appendix III to this document, as amended, supplemented or modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong or other relevant jurisdictions are generally open for normal banking business
“BVI”	British Virgin Islands
[REDACTED]	[REDACTED]
“Cayman Companies Act” or “Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or modified from time to time

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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**DEFINITIONS**

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[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Seacon Shipping Group Holdings Limited (洲際船務集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 22, 2021
“Comprehensively Sanctioned Countries”	Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/ Ukraine and the self-proclaimed Luhansk People’s Republic and self-proclaimed Donetsk People’s Republic regions
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in this context, refers to the controlling shareholders of our Company, being Mr. Guo, Jin Chun, Jin Qiu and Shining Friends, or any of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“COVID-19”	the novel coronavirus identified as the source of a global outbreak in late 2019
“CZK Holding”	CZK HOLDING LTD., a company incorporated in the BVI with liability limited by shares on October 19, 2021 and is directly wholly-owned by Mr. Chen, being one of our Substantial Shareholders
“Director(s)” or “our Directors”	the director(s) of our Company
“English Legal Advisers”	Ince & Co., our legal advisers as to the laws of England and Wales
“ESG Committee”	the environmental, social and governance committee of our Board

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## DEFINITIONS

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“extreme condition(s)”	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labor Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
“Frost & Sullivan” or “F&S”	Frost & Sullivan International Limited, an independent market research and consulting company
“Frost & Sullivan Report” or “F&S Report”	the industry report commissioned by us and independently prepared by Frost & Sullivan, summary of which is set forth in the section headed “Industry Overview” in this document
[REDACTED]	[REDACTED]
“Golden Bridge”	Golden Bridge Ships Limited, a company incorporated in Hong Kong with limited liability on October 22, 2018 and an indirect wholly-owned subsidiary of our Company
“Golden Camellia”	Golden Camellia Limited, a company incorporated in Hong Kong with limited liability on September 13, 2021 and an indirect wholly-owned subsidiary of our Company
“Golden Dahlia”	Golden Dahlia Limited, a company incorporated in Hong Kong with limited liability on September 13, 2021 and an indirect wholly-owned subsidiary of our Company
“Golden Daisy”	Golden Daisy Limited, a company incorporated in Hong Kong with limited liability on September 13, 2021 and an indirect wholly-owned subsidiary of our Company
“Golden Lavender”	Golden Lavender Limited, a company incorporated in Hong Kong with limited liability on September 13, 2021 and an indirect wholly-owned subsidiary of our Company
“Golden Lotus”	Golden Lotus Ltd, a corporation incorporated in the Marshall Islands on November 24, 2021 and an indirect wholly-owned subsidiary of our Company
“Golden Orchid”	Golden Orchid Ltd., a corporation incorporated in the Marshall Islands on April 6, 2017 and an indirect wholly-owned subsidiary of our Company
“Golden River”	Golden River Ships Limited, a company incorporated in Hong Kong with limited liability on October 22, 2018 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Golden Violet”	Golden Violet Ltd (formerly named Estar Shipping Ltd), a corporation incorporated in the Marshall Islands on November 3, 2021 and an indirect wholly-owned subsidiary of our Company
[REDACTED]	[REDACTED]
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time, and the businesses carried on by them or their predecessors (as the case may be)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Counsel”	Ms. Queenie W.S. Ng, barrister-at-law in Hong Kong
“Hongkong Xinyihai”	Hongkong Xinyihai 55 Co., Limited (香港新一海55有限公司), a company incorporated in Hong Kong with limited liability on April 10, 2018 and an associate of our Company, which is owned as to 35% by Seacon Shipping and 65% by Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party
“Hongkong Zengzhou”	Hongkong Zengzhou Co., Limited (香港增洲有限公司), a company incorporated in Hong Kong with limited liability on January 15, 2013 which is wholly-owned by Seacon Star Group, and our connected person
[REDACTED]	[REDACTED]

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**DEFINITIONS**

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“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Independent Third Party(ies)”	a person or entity which, to the best of our Directors’ knowledge, information, and belief having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
[REDACTED]	[REDACTED]



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**DEFINITIONS**

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[REDACTED]	[REDACTED]
“International Sanctions”	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United States, the European Union and its member states, the United Nations, the United Kingdom and its overseas territories or Australia
“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Japanese Legal Advisers”	Soga Law Office, our legal advisers as to the laws of Japan
“Jasper Shipping”	Jasper Shipping Ltd (formerly named Sky Height Shipping Ltd), a corporation incorporated in the Marshall Islands on February 19, 2021 and an indirect wholly-owned subsidiary of our Company
“Jin Chun”	JIN CHUN HOLDING LTD., a company incorporated in the BVI with liability limited by shares on October 19, 2021 and is directly wholly-owned by Mr. Guo, being one of our Controlling Shareholders

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## DEFINITIONS

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“Jin Qiu”	JIN QIU HOLDING LTD., a company incorporated in the BVI with liability limited by shares on December 15, 2021 and is directly wholly-owned by Shining Friends, being one of our Controlling Shareholders
“Jovial Alliance”	Jovial Alliance Limited, a company incorporated in the BVI with liability limited by shares on December 8, 2021 and all of its issued shares are held by Tricor Trust (Hong Kong) as trustee for the benefit of selected grantees under the Share Award Plan, being one of our Shareholders
“JPY”	Japanese yen, the lawful currency of Japan
“Junyue Holding”	Junyue Holding Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on December 12, 2019, which is wholly-owned by Mr. Guo
“Kaimei Holding”	KAIMEI HOLDING LTD., a company incorporated in the BVI with liability limited by shares on December 15, 2021 and is directly wholly-owned by Oceanic Flame, being one of our Substantial Shareholders
“Latest Practicable Date”	[October 31], 2022, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
“Liberia”	the Republic of Liberia
“Liberian Legal Advisers”	Pierre, Tweh & Associates, Inc., our legal advisers as to the laws of Liberia
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

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## DEFINITIONS

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“Marshall Islands”	the Republic of the Marshall Islands
“Marshall Islands Legal Advisers”	Norton Rose Fulbright US LLP, our legal advisers as to the laws of the Marshall Islands
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on [ • ] and effective upon the [REDACTED], a summary of which is contained in Appendix III to this document, as amended, supplemented or modified from time to time
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Mr. Chen Zekai (陳澤凱), one of our Substantial Shareholders and our executive Director
“Mr. Guo”	Mr. Guo Jinkui (郭金魁), one of our Controlling Shareholders, chairman of our Board and our executive Director
“Mr. He Gang”	Mr. He Gang (賀罡), our executive Director and chief financial officer
“Mr. Shi Yi”	Mr. Shi Yi, the investor in the [REDACTED] Investment
“Mr. Zhao Yong”	Mr. Zhao Yong (趙勇), our executive Director and president of ship management
“MSM Ship”	MSM Ship Management Pte. Ltd., a private company limited by shares incorporated in Singapore on September 30, 2019 and an associate of our Company, which is owned as to 50% by Seacon Ships Management (SG) and 50% by Ocean Wealth Enterprise Pte. Ltd., an Independent Third Party
“Nomination Committee”	the nomination committee of our Board
“Ocean Fleet Shipmanage”	Ocean Fleet Shipmanage Limited (香港萬通船舶管理有限公司), a company incorporated in Hong Kong with limited liability on November 1, 2021 and an indirect wholly-owned subsidiary of our Company
“Oceanic Flame”	OCEANIC FLAME LIMITED, a company incorporated in the BVI with liability limited by shares on December 7, 2021 and all of its issued shares are held by Tricor Equity Trustee as trustee for the benefit of Mr. Chen and his family members, being one of our Substantial Shareholders

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## DEFINITIONS

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“OFAC”	the U.S. Department of Treasury’s Office of Foreign Assets Control
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Panama”	the Republic of Panama
“Panamanian Legal Advisers”	Morgan & Morgan, our legal advisers as to the laws of Panama
“Passion Wealth”	PASSION WEALTH LTD., a company incorporated in the BVI with liability limited by shares on November 24, 2021 and is directly wholly-owned by Mr. He Gang, being one of our Shareholders
“PRC Legal Advisers”	AllBright Law Offices, our legal advisers as to PRC law
“[REDACTED] Investment”	the investment by Mr. Shi Yi in Seacon Ships Qingdao pursuant to the [REDACTED] Investment Agreement, see “History, Reorganization and Corporate Structure — The [REDACTED] Investment” for details
“[REDACTED] Investment Agreement”	the investment agreement dated October 6, 2021 entered into between Mr. Shi Yi and Mr. Chen relating to the investment in Seacon Ships Qingdao by Mr. Shi Yi

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## DEFINITIONS

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[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Primary Sanctioned Activity”	any activity in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation
[REDACTED]	[REDACTED]
“Relevant Jurisdiction”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, person or entities targeted by such law or regulation
“Relevant Persons”	means the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of Shares including the Stock Exchange and related group companies
“Relevant Regions”	Egypt, Hong Kong, Myanmar and Russia (excluding Crimea)
“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the restructuring of our Group in preparation for the [REDACTED], details of which are set out in “History, Reorganization and Corporate Structure — Reorganization”
“Risk Management Committee”	the risk management committee of our Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of China

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## DEFINITIONS

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“Ruigao Holding”	RUIGAO HOLDING LTD., a company incorporated in the BVI with liability limited by shares on November 24, 2021 and is directly wholly-owned by Mr. Zhao Yong, being one of our Shareholders
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular No. 37”	Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on July 4, 2014
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (since March 2018 known as the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局))
“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a country or territory for which Relevant Jurisdictions maintain various forms of sanctions programs in place; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Seacon 6”	Seacon 6 Limited (海洲六號有限公司), a company incorporated in Hong Kong with limited liability on September 7, 2012 and an associate of our Company, which is owned as to 49.5% by Seacon Shipping and 50.5% by Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party
“Seacon 7”	Seacon 7 Limited (海洲七號有限公司), a company incorporated in Hong Kong with limited liability on September 7, 2012 and an associate of our Company, which is owned as to 49.5% by Seacon Shipping and 50.5% by Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party

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## DEFINITIONS

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- “Seacon 8”                      Seacon 8 Limited (海洲八號有限公司), a company incorporated in Hong Kong with limited liability on September 7, 2012 and an associate of our Company, which is owned as to 49.5% by Seacon Shipping and 50.5% by Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party
- “Seacon 9”                      Seacon 9 Limited (海洲九號有限公司), a company incorporated in Hong Kong with limited liability on September 7, 2012 and an associate of our Company, which is owned as to 49.5% by Seacon Shipping and 50.5% by Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party
- “Seacon Africa”                Seacon Africa Ltd, a corporation incorporated in the Marshall Islands on March 31, 2021 and an indirect wholly-owned subsidiary of our Company
- “Seacon Brazil”                Seacon Brazil Ltd, a company incorporated in Liberia with limited liability on April 18, 2019 and an indirect wholly-owned subsidiary of our Company
- “Seacon Enterprise”            Seacon Enterprise Pte. Ltd., a private company limited by shares incorporated in Singapore on April 19, 2017, an indirect non-wholly owned subsidiary of our Company, owned as to 60% by Seacon Marine (SG) and 40% by Wealthy & Glory Marine Pte. Ltd.. Wealthy & Glory Marine Pte. Ltd. is wholly-owned by Mr. Wang Guangfu (王光福), who is a director of Seacon Enterprise. Wealthy & Glory Marine Pte. Ltd. is a substantial shareholder of Seacon Enterprise, hence Mr. Wang Guangfu is also a substantial shareholder of Seacon Enterprise. Both Wealthy & Glory Marine Pte. Ltd. and Mr. Wang Guangfu are our connected persons
- “Seacon Hamburg”             Seacon Hamburg Ltd, a company incorporated in Liberia with limited liability on August 10, 2022 and an indirect wholly-owned subsidiary of our Company
- “Seacon Kobe”                 Seacon Kobe Ltd, a corporation incorporated in the Marshall Islands on January 20, 2021 and an indirect wholly-owned subsidiary of our Company
- “Seacon Logistics (Japan)”    Seacon Logistics Company Limited\* (洲際物流株式会社), a joint stock company incorporated in Japan with limited liability on May 25, 2021 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Seacon Manila”	Seacon Manila Ltd, a corporation incorporated in the Marshall Islands on February 23, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Marine (BVI)”	SEACON MARINE LTD., a company incorporated in the BVI with liability limited by shares on October 27, 2021 and a direct wholly-owned subsidiary of our Company
“Seacon Marine (SG)”	Seacon Marine Pte. Ltd., a private company limited by shares incorporated in Singapore on January 20, 2020 and an indirect wholly-owned subsidiary of our Company
“Seacon Marine Technical”	Seacon Marine Technical Pte. Ltd., a private company limited by shares incorporated in Singapore on June 17, 2020 and an indirect wholly-owned subsidiary of our Company
“Seacon Marine Technical (Qingdao)”	Seacon Marine Technical Company Limited (Qingdao)* (青島洲際海事諮詢有限公司), a company established in the PRC with limited liability on June 15, 2020 and an indirect non-wholly owned subsidiary of our Company
“Seacon Ningbo”	Seacon Ningbo Ltd, a company incorporated in Liberia with limited liability on June 5, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Nola”	Seacon Nola Ltd, a company incorporated in Liberia with limited liability on August 10, 2022 and an indirect wholly-owned subsidiary of our Company
“Seacon Osaka”	Seacon Osaka Ltd, a corporation incorporated in the Marshall Islands on January 20, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Peru”	Seacon Peru Ltd, a corporation incorporated in the Marshall Islands on May 27, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Qingdao”	Seacon Qingdao Ltd, a corporation incorporated in the Marshall Islands on April 8, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Qingdao Shipping”	Seacon Shipping Company Limited (Qingdao)* (青島洲際星航運有限公司), a company established in the PRC with limited liability on May 10, 2022 and an indirect wholly-owned subsidiary of our Company



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## DEFINITIONS

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“Seacon Rizhao”	Seacon Rizhao Ltd, a corporation incorporated in the Marshall Islands on February 3, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Santos”	Seacon Santos Ltd, a company incorporated in Liberia with limited liability on August 10, 2022 and an indirect wholly-owned subsidiary of our Company
“Seacon Shanghai”	Seacon Shanghai Ltd, a company incorporated in Liberia with limited liability on June 11, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Shipping”	Seacon Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore on January 29, 2020 and an indirect wholly-owned subsidiary of our Company
“Seacon Shipping (Qingdao)”	Seacon Shipping (Qingdao) Co., Limited (洲際海運(青島)有限公司), a company incorporated in Hong Kong with limited liability on December 29, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Shipping Group”	Seacon Shipping Group Limited (洲際船務集團有限公司) (formerly named Seacon Star Group Limited (香港洲際船務集團有限公司) and Seacon Star Group Limited (香港星洲集團有限公司)), a company incorporated in Hong Kong with limited liability on February 1, 2013 which is wholly-owned by Seacon Star Group, and our connected person
“Seacon Shipping Japan”	Seacon Shipping Japan Ltd* (洲際海運ジャパン株式会社), a joint stock company incorporated in Japan with limited liability on October 25, 2018 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Europe”	SEACON SHIPS MANAGEMENT (EUROPE) SA, a corporation incorporated in the Marshall Islands on April 19, 2022 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 51% by Seacon Ships Group (HK) and 49% by China Maritime General Services Co., Limited (an Independent Third Party)
“Seacon Ships Group (BVI)”	SEACON SHIPS MANAGEMENT GROUP (BVI) LTD., a company incorporated in the BVI with liability limited by shares on October 27, 2021 and a direct wholly-owned subsidiary of our Company
“Seacon Ships Group (HK)”	Seacon Ships Management Group (HK) Limited, a company incorporated in Hong Kong with limited liability on November 8, 2021 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Seacon Ships Fujian”	Seacon Ships Management Co., Limited (Fujian)* (福建洲際星船務有限公司), a company incorporated in the PRC with limited liability on November 3, 2021 and an indirect non-wholly owned subsidiary of our Company
“Seacon Ships Management (Fuzhou)”	Seacon Ships Management (Fuzhou) Co., Limited, a company incorporated in Hong Kong with limited liability on September 14, 2022 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Management Group”	Seacon Ships Management Group Ltd, a corporation incorporated in the Marshall Islands on December 18, 2019 which is wholly-owned by Sunny Star, and our connected person
“Seacon Ships Management (HK)”	Seacon Ships Management Co., Limited (香港洲際船舶管理有限公司) (formerly named Seacon Ships Management Co., Limited (海洲船舶管理有限公司)), a company incorporated in Hong Kong with limited liability on December 14, 2012 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Management (HK) (Qingdao Representative Office)”	Seacon Ships Management Co., Limited (Qingdao Representative Office)* (香港洲際船舶管理有限公司青島代表處), a representative office established in the PRC by Seacon Ships Management (HK) on October 17, 2016
“Seacon Ships Management (Ningbo)”	Seacon Ships Management (Ningbo) Ltd., a corporation incorporated in the Marshall Islands on May 12, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Management (SG)”	Seacon Ships Management Pte. Ltd., a private company limited by shares incorporated in Singapore on May 14, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Ningbo”	Seacon Ningbo Company Limited* (洲際船務(寧波)有限公司), a company established in the PRC with limited liability on March 25, 2021 and an indirect non-wholly owned subsidiary of our Company
“Seacon Ships Qingdao”	Seacon Ships Management Co., Limited (Qingdao)* (青島洲際之星船務有限公司), a company established in the PRC with limited liability on April 12, 2013 and an indirect non-wholly owned subsidiary of our Company, owned as to 97% by Seacon Ships Shanghai and 3% by Mr. Shi Yi

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## DEFINITIONS

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“Seacon Ships Qingdao (Shanghai)”	Seacon Ships Management Co., Limited (Qingdao) (Shanghai Branch Office)* (青島洲際之星船務有限公司上海分公司), a branch office established by Seacon Ships Qingdao in the PRC on December 21, 2018
“Seacon Ships Shanghai”	Seacon Ships Technology Co., Limited (Shanghai)* (上海洲際之星海事科技有限公司), a company established in the PRC with limited liability on December 21, 2021 and an indirect wholly-owned subsidiary of our Company
“Seacon Ships Zhejiang”	Seacon Ships Management Co., Limited (Zhejiang)* (浙江洲際之星船務有限公司), a company established in the PRC with limited liability on June 27, 2018 and an indirect non-wholly owned subsidiary of our Company
“Seacon Ships Zhejiang (Qingdao)”	Seacon Ships Management Co., Limited (Zhejiang) (Qingdao Branch Office)* (浙江洲際之星船務有限公司青島分公司), a branch office established by Seacon Ships Zhejiang in the PRC on February 18, 2020
“Seacon Singapore”	Seacon Singapore Ltd, a corporation incorporated in the Marshall Islands on April 8, 2019 and an indirect wholly-owned subsidiary of our Company
“Seacon Star Group”	Seacon Star Group Ltd (星洲集團有限公司), a corporation incorporated in the Marshall Islands on January 24, 2013 which is owned as to 80% by Mr. Guo and 20% by Mr. Chen, respectively, and our connected person
“Seacon Star Marine Consultant”	Seacon Star Marine Consultant Pte. Ltd. (formerly named Seacon Maritime Pte. Ltd.), a private company limited by shares incorporated in Singapore on June 3, 2013, and our connected person. Prior to the Reorganization, it was owned as to 51% and 49% by Seacon Ships Management (HK) and Mr. Gao Xianfeng (杲先鋒) (an Independent Third Party), respectively. After the Reorganization, it was owned as to 51% and 49% by Seacon Shipping Group, our connected person, and Mr. Gao Xianfeng (杲先鋒) (an Independent Third Party), respectively
“Seacon Tankers”	Seacon Tankers Shipmanage Pte. Ltd. (formerly named Seacon Xin Yuan Shipping Pte. Ltd.), a private company limited by shares incorporated in Singapore on July 17, 2019 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Seacon Tokyo”	Seacon Tokyo Ltd, a company incorporated in Liberia with limited liability on August 10, 2022 and an indirect wholly-owned subsidiary of our Company
“Seacon Vancouver”	Seacon Vancouver Ltd, a company incorporated in Liberia with limited liability on August 10, 2022 and an indirect wholly-owned subsidiary of our Company
“Seacon Victory”	Seacon Victory Ltd, a corporation incorporated in the Marshall Islands on April 8, 2015 and an indirect wholly-owned subsidiary of our Company
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shining Friends”	SHINING FRIENDS LIMITED, a company incorporated in the BVI with liability limited by shares on December 7, 2021 and all of its issued shares are held by Tricor Equity Trustee as trustee for the benefit of Mr. Guo and his family members, being one of our Controlling Shareholders
“SGD” or “S\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Award Plan”	the share award plan of our Company which was adopted on February 22, 2022 and amended on April 11, 2022, a summary of the principal terms and conditions of which is set forth in “Statutory and General Information — E. Share Award Plan” in Appendix IV to this document
“Share Award Trust”	Seacon Shipping Share Award Trust, a discretionary trust established pursuant to a Deed of Settlement dated February 22, 2022 and varied on April 11, 2022 made between our Company as settlor and Tricor Trust (Hong Kong) as the trustee, the beneficiaries of which are selected grantees under the Share Award Plan

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on [•] for the benefit of our Directors, senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms and conditions of which is set forth in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document
“Singapore”	the Republic of Singapore
“Singaporean Legal Advisers”	Avant Law LLC, our legal advisers as to the laws of Singapore
[REDACTED]	[REDACTED]
“Sole Sponsor” or “Sponsor”	Zhongtai International Capital Limited (中泰國際融資有限公司), a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Star Wealth”	Star Wealth Ltd, a corporation incorporated in the Marshall Islands on August 23, 2016 and a direct wholly-owned subsidiary of Seacon Star Group prior to its dissolution on January 6, 2022
[REDACTED]	[REDACTED]
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in this context, refers to the substantial shareholders of our Company
“Sunny Star”	Sunny Star Shipping Ltd., a company incorporated in the BVI with liability limited by shares on December 12, 2019, which is owned as to 80% by Mr. Guo and 20% by Mr. Chen, respectively, and our connected person

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**DEFINITIONS**

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“The CZK Trust”	The CZK Trust, a discretionary trust pursuant to a Deed of Settlement dated December 6, 2021 made between Mr. Chen, as settlor and protector, and Tricor Equity Trustee, as the trustee, for Mr. Chen’s succession planning purposes, the beneficiaries of which are Mr. Chen and his family members
“The J&Y Trust”	The J&Y Trust, a discretionary trust pursuant to a Deed of Settlement dated December 6, 2021 made between Mr. Guo, as settlor and protector, and Tricor Equity Trustee, as the trustee, for Mr. Guo’s succession planning purposes, the beneficiaries of which are Mr. Guo and his family members
“Track Record Period”	the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022
“Tricor Equity Trustee”	Tricor Equity Trustee Limited, a company incorporated in the BVI with limited liability, which was appointed as the trustee of The J&Y Trust and The CZK Trust, see “History, Reorganization and Corporate Structure” and, through The J&Y Trust, one of our Controlling Shareholders
“Tricor Trust (Hong Kong)”	Tricor Trust (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which was appointed as the trustee of the Share Award Trust, see “History, Reorganization and Corporate Structure”
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“United States”, “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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## DEFINITIONS

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*For ease of reference, the English names of Chinese or Japanese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) are translations of their Chinese or Japanese names and have been included in this document for identification purpose only. In the event of any inconsistency between the Chinese/Japanese names and their English translation, the Chinese/Japanese names shall prevail.*

*English translations of company names and other terms from the Chinese/Japanese language are marked with “ \* ”.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to the standard industry meaning or usage of these terms.*

“Baltic Dry Index” or “BDI”	an index of the daily average of international shipping prices of various dry bulk cargoes from key dry bulk routes published by The Baltic Exchange Limited in London and is a composite of average charter rates for capesize, panamax and supramax charter rates, namely the Baltic Capesize Index (BCI), Baltic Panamax Index (BPI) and the Baltic Supramax Index (BSI)
“bareboat charter”	an arrangement for the hire of a bare vessel whereby no administration or technical maintenance is included and where the charterer obtains full possession and full control of the vessel
“BIMCO”	The Baltic and International Maritime Council, an international shipping association representing shipowners and the world’s largest direct membership organisation for shipowners, charterers, shipbrokers, and agents
“bunker”	fuel, consisting of diesel or heavy fuel oil, used for vessels
“CAGR”	compound annual growth rate
“capesize”	vessels whose weight carrying capacity is approximately 100,000 dwt or larger
“chartered-in vessels”	vessels which we chartered from vessel suppliers primarily under period-based time charters and trip-based time charters (TCT), and occasionally under voyage charters, and we typically are not required to manage these chartered vessels
“charterparty(ies)”	contract(s) for leasing of a vessel
“charter hire”	the sum paid to the shipowner by a charterer for the use of vessel under a charterparty
“classification society”	an independent organisation that certifies that a vessel has been built, delivered and maintained in accordance with the rules of such organisation
“COA”	contract of affreightment, a type of charterparty which covers a series of voyage (instead of a single voyage) over a fixed period of time and the freight charges are pre-determined under the contract made between a shipowner and a charterer
“COLREGS”	International Regulations for Preventing Collisions at Sea



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## GLOSSARY OF TECHNICAL TERMS

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“controlled vessels”	vessels which we (i) self-owned; (ii) jointly-owned with our business partners; (iii) chartered from finance leasing companies under finance lease arrangements; and (iv) chartered from vessel suppliers under bareboat charters
“demurrage”	a pre-determined penalty payable by the charterers of a vessel to the shipowner where the charterers fail to load and unload cargo from a vessel within the agreed period of laytime
“despatch”	a pre-determined incentive payable by the shipowners of a vessel to the charterers if the charterers completes loading and unloading cargo from the vessel earlier than the agreed period of laytime
“dry bulk”	cargoes which are not in packages or containers, and generally shipped loose in the hold of a ship without mark and count
“dry-dock”	a facility or establishment where a vessel can be removed from the water for inspection, maintenance and/or repair of submerged parts
“dwt”	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship’s carrying capacity, including cargoes, bunker, fresh water, crew and provisions
“fixed period time charter”	an arrangement whereby a shipowner hires out the vessel for a specified period, whereby the shipowner is required to provide and pay for the crew and other fixed cost of the vessel (such as insurance, repair and maintenance), while the charterer may, at its disposal, select the ports and direct the vessel where to go, and shall generally pay for all bunker, port charges and other costs that are directly related to the voyage. Charter hire under a fixed-period time charter is generally charged on a per day basis for the charter period, and is customarily paid periodically in advance
“flag of convenience” or “convenience flag”	a business practice whereby a vessel is registered under the laws of a country (i.e. the flag state) different from the laws of its shipowners
“flag state”	the country where the vessel is registered
“handymax”	vessels whose weight carrying capacity ranges from approximately 40,000 dwt to approximately 50,000 dwt
“handysize”	vessels whose weight carrying capacity ranges from approximately 10,000 dwt to approximately 40,000 dwt

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## GLOSSARY OF TECHNICAL TERMS

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“IMO”	International Maritime Organisation, a United Nations agency that issues international trade standards for shipping
“ISM Code”	International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention
“ISPS Code”	the International Ship and Port Facility Security Code, an amendment to the SOLAS Convention
“laytime”	the amount of time allowed for the charterer of a vessel to load and unload cargo from a vessel
“LIBOR”	London Inter-Bank Offered Rate
“MARPOL Convention”	International Convention for the Prevention of Pollution from Ships
“MLC”	the Maritime Labor Convention
“off-hire”	the period a vessel is temporarily unable to perform the services for which it is required under a period-based time charter and a trip-based time charter, or the period between two charters
“panamax”	vessels whose weight carrying capacity ranges from approximately 70,000 dwt to approximately 100,000 dwt
“port charge”	a general term which includes charges and dues of every nature assessed against a vessel, cargo and passengers in a port. Such charges can be classified into three categories: (i) charges in relation to the vessel such as vessel tonnage tax, vessel port dues, pilot fee and towage, (ii) charges in relation to the cargoes such as cargo port duties, loading and unloading fees and cargo handling fees and (iii) other expenses such as ship repairing costs and advances by the crew
“SOLAS Convention”	the International Convention for the Safety of Life at Sea
“STCW”	International Convention on Standards of Training, Certification and Watchkeeping for Seafarers
“stevedores”	a person or a company who manages the operation of loading or unloading of cargo from a vessel
“supramax”	vessels whose weight carrying capacity ranges from approximately 50,000 dwt to approximately 58,000 dwt

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**GLOSSARY OF TECHNICAL TERMS**

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- “TCT” an abbreviation for time charter trip or trip-based time charter, a time charter with attributes of both time and voyage charters where the charter is typically for a certain trip or voyage, as with a voyage charter, but charter hire is payable (not freight), as with a typical fixed-period time charter
  
- “time charter” period-based time charters and trip-based time charters
  
- “ultramax” vessels whose weight carrying capacity ranges from approximately 60,000 dwt to approximately 66,000 dwt
  
- “voyage charter” an arrangement for the hire of a vessel under which the shipowner is paid on the basis of the cargo movement from the loading port to the unloading port. The shipowner is generally responsible for paying both operating costs and voyage costs and the charterer is generally responsible for any delay at the loading or discharging ports

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## FORWARD-LOOKING STATEMENTS

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This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and [REDACTED]” in this document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our business strategies and plans to achieve these strategies;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- general economic, political and business conditions in the industry and markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we conduct or may conduct our business;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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## FORWARD-LOOKING STATEMENTS

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The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions, including the sustainability of the economic growth;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue; and
- the risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section “Risk Factors” in this document.

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## RISK FACTORS

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*Potential investors should consider carefully all the information set out in this document and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and part of our Group has operations conducted outside Hong Kong which are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below may have a material adverse effect on our business, results of operations, financial condition or on the [REDACTED] of our Shares, and may cause you to lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

#### **Charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in market charter rates**

The maritime shipping industry, in particular the dry bulk shipping industry, is cyclical and volatile in terms of charter rates. A worsening of global economic conditions may lead to dry bulk carrier charter rates to decline, thereby adversely affecting our ability to charter our vessels to customers at current profitable levels. Fluctuations in dry bulk carrier charter rates are driven by changes in the supply of and demand for dry bulk goods and the shipping capacity of dry bulk carriers. The factors affecting the supply of and demand for dry bulk goods and the shipping capacity of dry bulk carriers are outside of our control, and the nature, timing and degree of changes in market environment and industry conditions are unpredictable. The Baltic Dry Index, an index of daily average of charter rates for dry bulk carriers published by The Baltic Exchange Limited, is the main benchmark to reflect the volatile movements of the dry bulk carrier charter rates. During the Track Record Period, the Baltic Dry Index has fluctuated in a range between 393 points and 5,650 points with a daily average of approximately 1,365 points, 1,068 points, 2,943 points and 2,258 points, respectively. As at the Latest Practicable Date, the Baltic Dry Index was 1,463 points. Since the charter hire and freight we receive from our customers and pay to our vessel suppliers are determined with reference to the Baltic Dry Index, we are exposed to the cyclicity of the dry bulk shipping industry and volatility of dry bulk carrier charter rates. Any significant decrease of major fluctuations in the Baltic Dry Index would also adversely affect our charter hire received from our customers, and accordingly, our profitability and cash flows.

During the Track Record Period, we chartered in a large number of vessels from our vessel suppliers. For the year ended December 31, 2021, we entered into over 200 chartered-in vessel engagements in aggregate, and a significant portion of our vessels were chartered in under short-term leases of three months and less. As our chartered-in vessels are chartered by us under relatively short term leases, we must consistently renew or source new charters which makes us vulnerable to fluctuations in market charter rates. Although we have generally tried to secure business from customers shortly before chartering-in suitable vessels when we expect market charter rates to decline so as to mitigate against any sudden declines in market charter rates, we cannot assure you that future declines in charter

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## RISK FACTORS

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hire rates will enable us to operate our chartered-in vessels profitably. On the contrary, should there be any increase in charter rates in the vessel charter market, we may incur higher costs compared to our competitors with more owned vessels or those enter into charter with longer terms. See the section headed “Business — Our fleet of vessels — Chartered-in vessel fleet” for further details as to our chartered-in vessels. In addition to our chartered-in vessels, we also provided shipping services to our customers through our controlled vessels. As fixed overheads represent a significant portion of our costs in operating our controlled vessels, there is no assurance that our charter hire received from customers would be able to cover our costs and allow us to operate our controlled vessels profitably. If we are unable to operate our vessels profitably, our cash flows and our ability to meet our capital commitments efficiently may be adversely impacted, thereby affecting our financial condition and results of operations.

### **We face risks associated with obtaining suitable shipping capacity such as chartered-in vessels and purchasing vessels**

During the Track Record Period, we provided shipping services through our fleet of controlled vessels and chartered-in vessels. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we entered into over 60, 160, 200 and 55 chartered-in vessel engagements in aggregate, respectively. We intend to continue chartering in suitable chartered-in vessels to ensure we have adequate shipping capacity. In addition, we purchased second-hand vessels to expand our controlled vessel fleet during the Track Record Period. Second-hand vessels may have latent defects of which we are not aware at the time of purchase. These defects may subsequently result in significant repair expenses or disruption of voyages. Furthermore, a second-hand vessel may not have all features we would be able to have from chartering in a new vessel.

If we are unable to charter suitable chartered-in vessels on a timely basis, we may not have sufficient shipping capacity to meet the needs of our customers. Additionally, if the second-hand vessels which we purchased are defective and/or performing at a level below our expectations, we may require a substantial period of time as well as spend significant resources to replace or upgrade such vessels. Upon the occurrence of any of these events, our shipping volume, results of operations and financial condition may be materially and adversely affected.

### **An increase in bunker fuel prices may reduce our profitability and adversely affect our business operations**

Bunker fuel fees are generally borne by our customers under period-based time charters and trip-based time charters, whereas such costs are generally borne by us under voyage charters and COAs. As we provided shipping services to our customers under voyage charters and COAs during the Track Record Period, we are exposed to market fluctuations in bunker fuel prices. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recorded bunker charges of approximately USD16.2 million, USD28.7 million, USD36.5 million and USD24.0 million, respectively and accounted for approximately 13.5%, 17.3%, 11.6% and 16.3% of our total cost of sales for the corresponding periods.

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## RISK FACTORS

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The cost of bunker fuel which is denominated in USD fluctuates according to the prevailing global crude oil prices. Global crude oil prices are affected by various factors beyond our control such as changes in global demand and supply conditions, geopolitical events affecting major oil producing countries, government policies and the level of global economic activities. Any changes in these factors may cause material increases in the bunker fuel oil prices and this may lead to an increase in our costs. If we are unable to pass on cost increases to our customers and are unsuccessful in managing our exposure to the bunker fuel price fluctuations, our financial condition, result of operations and prospects could be materially and adversely affected.

### **We require a substantial amount of working capital and financial resources to sustain our business operations and our expansion plans**

We require a substantial level of working capital to run our daily business operations from time to time to cover, among other things, our charter hire costs, bunker costs, labor costs, the purchase costs of newly acquired vessels and other costs. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our cash and cash equivalents amounted to approximately USD1.9 million, USD4.4 million, USD25.0 million and USD19.7 million, respectively. If we fail to maintain a sufficient level of financial resources to sustain our business operations, our financial condition and results of operations could be adversely affected.

Further, in addition to meeting our high working capital requirements and funding our business operations, we may require additional funds to support our expansion plans and to respond to business challenges from time to time in the future. Our ability to obtain financing from external sources is dependent upon several factors, including general economic and capital market conditions, credit availability from our banks or other lenders and investors’ confidence in us, many of which are beyond our control. We cannot assure you that we will be able to obtain additional financing or on terms that are acceptable to us or at all. In the event that external financing is not available on terms which are not favourable to us, our business development, results of operations and financial condition may be adversely affected.

### **We may be unable to retain existing customers or attract new customers**

Our continued success requires us to maintain our existing customers and develop new relationships. We cannot guarantee that our customers will continue to use our services in the future or at the current level. We may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis due to intense competition in the highly volatile maritime shipping industry. Upon the expiration of our existing contracts, we cannot assure you that our customers will be able to renew the contracts on favourable terms, or if at all, or that we will be able to attract new customers. Any adverse effect would be exacerbated if we lose one or more of our significant customers.



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## RISK FACTORS

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For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we derived USD28.3 million, USD33.5 million, USD95.4 million and USD36.0 million from our five largest customers, respectively which represented approximately 20.9%, 18.7%, 25.6% and 20.1%, respectively of our total revenue for the corresponding periods. Although our Directors believe that we currently have a wide and diversified customer base, there is no assurance that we may not become dependent upon a few key customers in the future such that we would generate a significant portion of our revenue from a relatively small number of customers. Any inability to retain or replace our major customers may have a material adverse effect on our business, financial condition and results of operations.

**We outsourced the procurement of crew members to crew manning agencies for our service offerings and we may not have full control over them**

During the Track Record Period, we outsourced the procurement of crew members to crew manning agencies. See “Business — Outsourcing arrangements” for further details. While these arrangements may lower our operation costs, they also reduce our direct control over service quality. We may experience operational difficulties with our crew manning agencies such as their ability to provide experienced and quality crew members that meet our customers’ needs. Moreover, such crew manning agencies may also experience disruption in their own operation due to labor strikes or shortages, natural disasters, cost increases or other issues outside of their control. Any failure of our crew manning agencies to perform their responsibilities or to operate in compliance with all applicable laws and regulations may have a negative impact on crew supply or result in disruptions to our operations. Any removal or termination of unsatisfactory crew manning agencies would require us to seek new providers, which would create delays and adversely affect our operations as we may not be able to identify suitable crew manning agencies on a timely basis. In the event of fraud or misconduct by a crew manning agency, we could also be exposed to material liability and be held responsible for damages, fines, or penalties which in turn may adversely affect our business, results of operations, financial condition, and reputation.

**A shortage of qualified sailors and crew members could have an adverse effect on our business and financial condition**

We require qualified and experienced sailors and crew members in the provision of our shipping services and ship management services. In crewing our vessels, we outsourced this function to crew manning agencies who provide us with professional and technically skilled crew members with specialized training who can perform demanding work on board our vessels. See “Business — Outsourcing arrangements” for further details. As the global maritime shipping industry continues to grow, the demand for skilled personnel has been increasing, which has led to a shortfall of such personnel. Furthermore, due to the COVID-19 pandemic, the shipping industry as a whole is experiencing difficulties in carrying out crew changes, which could impede our ability to employ qualified personnel. An inability to secure qualified personnel as needed could materially impair our ability to operate, or increase our costs of operations, which could adversely affect our business, financial condition and results of operations.

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**The information provided to us by shipbrokers on potential customers and supplies may not be accurate**

We utilized shipbrokers to identify and secure potential customers and suitable vessels from vessel suppliers during the Track Record Period. Such shipbrokers were also a source of information for us to assess counterparty risks when selecting our customers and suppliers. See “Business — Suppliers — Shipbrokers” for further details. There is no assurance that the customers and suppliers introduced by the shipbrokers are of good credit or trading record, or that the information provided by the shipbrokers of such potential customers and suppliers are accurate and up-to-date, and the customers and suppliers introduced by the shipbrokers may breach or repudiate the charter agreements with us. In the event that the customers introduced to us by the shipbrokers default on or repudiate the charter agreements with us, or otherwise fail to fully and timely pay charter hire to us and perform its obligations under the charter agreements, or where the suppliers introduced to us by the shipbrokers fail to deliver vessels to us on a timely basis or at all, our business, financial position and results of operations may be adversely affected.

**We generated a substantial amount of revenue from ship management services on a lump sum basis, and we may be subject to losses if we fail to estimate or control our costs in performing our ship management services**

We generated a substantial amount of revenue from the provision of ship management services on a lump sum basis during the Track Record Period. Our revenue generated from ship management services contracts on a lump sum basis represented approximately 85.7%, 87.9%, 87.4% and 81.6%, respectively, of the total revenue from our ship management services segment for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022.

During the Track Record Period, we charged ship management fees at a pre-determined fixed lump sum price for some of our vessels under our management, representing “all-inclusive” fees for the ship management services provided. These ship management fees do not change with the actual amount of ship management costs we incur. We recognize as revenue the full amount of ship management fees we charge to our customers, and recognize as our cost of sales the actual costs we incur in connection with rendering our services. Our profitability depends on our ability to estimate or control our costs in performing our ship management services. In the event that the amount of ship management fees that we charge is insufficient to cover all the costs for ship management service we incur, we are not entitled to collect the shortfall from our customers. As a result, we may not be able to maintain our profitability as expected or may even suffer losses. If we are unable to raise ship management fees to fully cover the ship management costs we incur, we may seek to cut costs with a view to reducing the loss. However, our ability to mitigate against such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may negatively affect the quality of our ship management services, which in turn would further reduce our customers’ willingness to continue procurement of our ship management services.

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## RISK FACTORS

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### **We recorded net current liabilities during the Track Record Period**

As at December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recorded net current liabilities of approximately USD43.2 million, USD35.0 million, USD21.3 million and USD3.6 million, respectively, primarily due to our substantial capital expenditures on long-term assets such as our controlled vessels in connection with business expansion plans which were financed by short-term borrowings and lease financing during the Track Record Period. Our net current liabilities position may expose us to liquidity risks and there is no assurance that our net current liabilities positions can be improved in the future. In the event that we continue to record net current liabilities, our working capital for business operations may be constrained. If we fail to generate sufficient revenue from our operations or if we fail to maintain sufficient cash and financing resources, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business and financial position may be adversely affected.

### **We are exposed to credit risk arising from our trade and other receivables and prepayments classified as other non-current assets. Failure to collect our trade and other receivables or recover in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects**

Our cash flows and profitability are subject to the timely settlement of payments by our customers for freight, charter hire and ship management fees. In respect of our shipping services business segment, for vessels chartered to our customers under period-based time charters, we generally require our customers to make monthly prepayments of charter hire for the following term during the charter period. For vessels chartered to our customers under voyage charters and COA, we generally require our customers to make payment of substantial or all freight charges a few days after the cargo has been loaded onto the vessel at the originating port. Our management fees for long-term ship management contracts are payable by our customers on a monthly, quarterly or annual basis. We generally do not grant any credit terms to our customers. During the Track Record Period, our customers mainly included (i) shipowners, (ii) finance and leasing companies, (iii) shipbuilders, (iv) dry bulk goods traders, and (v) shipping and logistics companies. We reviewed the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts and made provisions of USD84,000, USD156,000, USD107,000 and USD198,000 respectively, for impairment of trade and other receivables as at December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. Our trade receivable turnover days were approximately 16, 25, 16 and 18 for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. See “Financial Information — Description of selected items of consolidated balance sheets — Trade and other receivables” for further details. Our prepayments that are classified as non-current assets primarily of (i) prepayment for dry-docking and equipment purchased, (ii) prepayment for vessels purchased, and (iii) prepayment for right-of-use assets in relation to the vessels that we bareboat chartered in. As at December 31, 2019, 2020 and 2021 and May 31, 2022, respectively, the balance of our non-current prepayments was approximately USD1.8 million, USD3.2 million, USD13.5 million and USD21.4 million, respectively.

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We cannot assure you that we will be able to collect all or any of our trade and other receivables on time, or at all, after the completion of loading or after completion of discharge and the finalisation of the voyage-related charges if our customers delay or even default in their payment obligation and we cannot assure you that we will be able to request the refund of prepayments if relevant parties delay or default in performing their obligations. As a result, we may not be able to receive such customers’ or relevant parties’ payment in full, or at all, and we may need to make provision for impairment of trade and other receivables or provision for prepayments and other receivables. Although we have continuously reviewed and identified any long outstanding trade receivables and have initiated proactive and periodic communications with our customers for payments, such measures may not be adequate to safeguard against material credit risks nor to guarantee that our customers will settle payment when it comes due. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

**Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position**

Our contract liabilities refer to the advance receipts corresponding to the unfinished voyage charters and time charters or unprovided ship management services at the end of the year/period. As at December 31, 2019, 2020, 2021, and May 31, 2022, our advances and contract liabilities balance amounted to approximately USD1.6 million, USD4.6 million, USD4.4 million and USD5.2 million, respectively. There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the completion of voyage charters, time charters or the provision of ship management services may be subject to various factors, such as accidents, severe weather, unintended delays, or piracy incidents. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

**We may grant share incentives to key personnel in the future, which may result in increased share-based compensation expenses and negatively impact our financial performance**

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel. Mr. Guo transferred 2% and 1% of shareholding interests in the Company to Mr. Zhao and Mr. He in November 2021 without any consideration or service restriction, which led to share-based compensation of approximately USD5.6 million being recognized as an expense and reserves for the year ended December 31, 2021. To further incentivize the key personnel to contribute to our operations, we may grant additional share-based compensations in the future. Our expenses associated with share-based compensation may also increase substantially, which may have an adverse effect on our financial performance.

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### **Our controlled vessels and business operations are subject to environmental laws and regulations, which may adversely affect our business**

Our controlled vessels are subject to environmental laws and regulations of countries where they operate in. See “Regulatory Overview” for further details. These environmental laws and regulations relate to, amongst others, the use and handling of hazardous materials, air emissions and environmental contamination clean-up, especially those with respect to air pollution, oil pollution and marine pollution, have evolved rapidly and are expected to continue to evolve in ways that may require the termination of use of certain vessels if they do not conform to the regulations. These requirements may impose substantial ongoing compliance costs and operational restrictions on our controlled vessels, particularly as new vessels brought into service will have to meet the environmental requirements during their entire service life. Compliance with relevant environmental laws and regulations may increase our expenses and limit our ability to continue or expand our business scale, which may, in turn, adversely affect our business and results of operations. In the event that there are more stringent environmental regulations, we may have to incur additional costs to fulfil such requirements or replace our controlled vessels, which may adversely affect our business operations and financial performance.

If our business operations fail to comply with any environmental requirements applicable to us, we could be exposed to, among other things, significant environmental liability damages, administrative and civil penalties, criminal charges or sanctions, and even termination or suspension of our operations, which may lead to substantial harm to our results of operations and reputation. Additionally, environmental laws often impose strict, joint and several liability for remediation of spills or releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including remediation costs and natural resource damages, as well as third-party damages, personal injury and property damage claims in the event that there is a release of petroleum or other hazardous substances from our vessels. We did not receive any material claims for failing to comply with the relevant environmental requirements during the Track Record Period and as at the Latest Practicable Date. However, if we are unable to operate our facilities adequately and effectively in compliance with the relevant environmental laws and regulations, we may be subject to penalties or liabilities, and our reputation may be negatively affected. If we cannot manage our environmental compliance risks efficiently, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **Our business operations may be affected if we fail to renew or maintain licenses or certifications required to operate and manage our vessel fleet**

We are required to obtain a variety of licenses and certifications as required under the jurisdiction which our vessels operate in. See “Regulatory Overview” and “Business — Licenses, permits and approvals” for further details. There can be no assurance that we will not be subject to suspension, revocation or termination of our major licences, permits or approvals in the event of non-compliance with any terms or conditions thereof, or pursuant

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to any regulatory action. While we have not in the past encountered any difficulties in renewing or obtaining our major licences, permits and approvals for our business operations, there can be no assurance that we will be able to renew such licences, permits and approvals in a timely manner or at all in the future. We also cannot assure that there will not be variation, modification or imposition of additional conditions attached to the licences, permits and approvals which may adversely affect our business, financial condition, results of operations and prospects. Any failure to renew or maintain our major licences, permits and approvals in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, vessels are generally required to be classed by a reputable international classification society. To ensure our controlled vessels are properly classed by an international classification society, we are obliged to pass the annual, intermediate and renewal surveys in accordance with specific criteria required by each classification society. These surveys are essential for the maintenance and renewal of classification status of our controlled vessels. Our controlled vessels may be also subject to inspections upon every arrival and departure at ports. Failure to pass any of these inspections may lead to suspension of our controlled vessels’ certificates. During the Track Record Period, we successfully passed every survey and inspection of all our controlled vessels conducted by classification societies, flag state controls and various port state controls. However, there is no assurance that the operation of our controlled vessels will pass these surveys and inspections in the future. Any failure to pass such surveys and inspections will lead to the suspension of the certificate, which in return may lead to a breach of our relevant charter agreement and in turn may have adversely affect our business, results of operations and financial condition.

### **Our insurance coverage may not be sufficient to cover the risks related to our business operations**

We are exposed to inherent risks and external factors which are out of our control in operating our vessel fleet such as collisions and other marine disasters or accidents, environmental pollution incidents, oil spills, grounding, fire, explosions, cargo and property loss or damage, piracy, or terrorist attacks. Our operations may also be disrupted by mechanical failure, human error, political action, labor strikes, adverse weather conditions and other circumstances or events that are out of our control such as the recent obstruction of the Suez Canal, a major waterway connecting the Mediterranean Sea to the Red Sea, owing to the grounding of the containership Ever Given in March 2021. The materialisation or occurrence of any such circumstances or events can result in loss of revenue or increased costs.

We maintain hull and machinery insurance and protection and indemnity insurance for all of our controlled vessels. See “Business — Insurance” for further details. However, there can be no assurance that all risks are insured or adequately insured against, or that any claim will be paid or that we will be able to procure adequate insurance coverage of any of these risks at commercially viable rates in the future. The insurance policies that we have currently obtained do not cover, for instance, risks arising from the cancellation of a charterparty or other engagement of our controlled vessels, damages to vessels caused by

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wear and tear, loss or damage from terrorist attacks, and radioactive and chemical contamination, acts of wilful or gross misconduct of the shipowners and/or crew of our vessels etc. We have also not obtained insurance coverage against loss or revenue derived from shipping services of our controlled vessels arising out of trading risks such as delays, political unrest, labor strikes, ship arrest, crew desertion, crew illness, infectious diseases, stowaways, drug seizure etc. If we were to suffer a loss from shipping services of our controlled vessels that is not insured or is not adequately covered by insurance, our business, financial condition, results of operations and prospects could be adversely affected.

The imposition of stricter environmental laws and regulations may also result in increased costs for, or the unavailability of, insurance against the risks of environmental damage or pollution. Our insurance policies contain certain standard deductibles, limitations, and exclusions, including limitations and exclusions with respect to certain losses arising from acts of war, terrorist attacks, malicious acts, nuclear forces and wilful misconduct or fraud. If claims are asserted against us, our controlled vessels could be subject to arrest or other judicial proceedings.

### **We are exposed to risks in relation to work safety and occurrence of accidents**

Work injuries and accidents may occur during the course of our business. Our employees and crew members often have to operate heavy machinery such as cranes during the loading and offloading of cargo in respect of our controlled vessels and therefore, are subject to risks of work injuries or accidents. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position, and results of operations. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to our employees or crew members, will not occur in the future. In such events, these occurrences could result in damage to, or destruction of, property, personal injury or death, and legal liability and we may be held liable for the losses. In addition, we are exposed to claims that may arise due to our employees’ or our crew members’ negligence or recklessness when performing our services. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position, and results of operations.

### **We may experience inventories obsolescence if we fail to effectively manage increase in inventories for our business operations**

Our inventories primarily consisted of lubricating oil, spare parts and bunker fuel to be consumed during the provision of shipping services to our customers. As at December 31, 2019, 2020, 2021, and May 31, 2022, the balance of our inventories amounted to approximately USD4.9 million, USD5.7 million, USD4.7 million, and USD13.0 million, respectively. See “Financial Information — Description of selected items of consolidated balance sheets — Inventories” for further details. We aim to maintain our inventory levels

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based on our forecasted amount of usage for providing shipping services to our customers. We cannot assure you that we will be able to maintain proper inventory levels for our business at all times. The failure to manage our inventory levels or to accurately forecast the amount of usage may result in obsolescence of our inventories and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

### **Our controlled vessels depreciate over time and become more expensive to operate as they age**

As our controlled vessels age, their value depreciates and, typically, they generate lower revenues and cash flows and their value may be more susceptible to risk of impairment. As at May 31, 2022, our fleet of controlled vessels consists of 22 vessels, having a combined weight carrying capacity of approximately 1.1 million dwt, and an average vessel age of approximately 7.6 years. As our controlled fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to, among others, improvements in engine technology. Insurance rates generally tend to increase with the age of a vessel, making older vessels less desirable to charterers. International codes and conventions related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our controlled vessels and may restrict the type of activities in which our controlled vessels may engage. There is no assurance that as our controlled vessels age, their conditions will justify those expenditures or enable us to operate our controlled vessels profitably during the remainder of their useful lives.

Our existing controlled vessels and those under construction have exposure to obsolescence, particularly if unanticipated events occur that shorten the life cycle of the vessel, which may trigger impairment charges or increase depreciation expense. These events include, but are not limited to, changes in the regulatory environment, changes in our customers’ preferences, new technology, and vessel technical, safety or environmental problems. If we are unable to replace older controlled vessels with newer vessels, our ability to maintain or increase our revenues and cash flows will decline. Any of the foregoing could adversely affect our business, financial condition, and results of operations.

### **We have a limited operating history in the shipping services business**

We began to provide shipping services in 2017. As we have a short operating history in the shipping services business, you should consider our prospects in light of the risks, expenses and challenges that we may face as a company with limited years of experience operating such business in a competitive market. We may encounter risks and difficulties frequently experienced by early-stage businesses, and such risks and difficulties may be heightened in a highly competitive and technical market. For example, we may encounter, including, among others, risks and difficulties regarding our ability to:

- retain customers;
- retain qualified employees;



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- maintain effective control of our development as well as operating costs and expenses;
- develop and maintain internal personnel, systems, controls and procedures to comply with the extensive regulatory requirements applicable to the shipping industry; and
- respond to changes in the regulatory environment.

Our failure to achieve any of the above may jeopardize our ability to provide our shipping services in the manner we contemplate, which in turn may have an adverse effect on our business and prospects, financial position, results of operations and liquidity.

### **Our business operations may be adversely affected by the COVID-19 pandemic**

An outbreak of respiratory illness caused by COVID-19 was first reported in late 2019 and has continued to expand globally. On 11 March 2020, the World Health Organisation (“WHO”) declared COVID-19 as a pandemic. The WHO has been closely monitoring the situation as the new strain of coronavirus is considered highly contagious and is posing a serious public health threat on a global scale. As at the Latest Practicable Date, according to the WHO, COVID-19 had spread to over 220 countries, areas, and territories globally, with the death toll and number of infected cases on the rise.

Since the outbreak, draconian measures have been imposed within the PRC and globally to contain COVID-19, including the closing of national borders in various countries, lockdowns of a vast number of cities across the world, travel restrictions and extensive suspension of business operations and mandatory quarantine requirements on infected individuals and anyone deemed potentially infected. The COVID-19 pandemic is likely to have an adverse impact on the livelihood of the people all over the world and the global economy. Any economic downturn or slowdown and/or negative business sentiment could have an indirect potential impact on the maritime shipping industry, and as a result, our business operations and financial performance may be adversely affected. Furthermore, the maritime shipping industry is subject to uncertainties under the COVID-19 pandemic due to, among other things, the slowdown in the global economy and decline in demand for certain dry bulk goods, the disruption of global supply chains and uncertain consumer sentiments, and mandatory quarantine controls on vessels upon arrival at ports. See “Industry Overview” for further details on the impact of COVID-19 pandemic on the maritime shipping industry.

Government-mandated shutdowns in various countries have also decreased consumption of goods, negatively affecting trade volumes and the shipping industry globally. Moreover, because our vessels travel to ports in countries in which cases of COVID-19 have been reported, we face risks to our personnel and operations. Such risks include delays in the loading and discharging of cargo on or from our vessels, difficulties in carrying out crew shift changes, off-hire time due to quarantine regulations, delays and expenses in finding substitute crew members if any of our vessels’ crew members become infected and delays in drydocking if insufficient shipyard personnel are working due to quarantines or travel restrictions. If any of our employees or crew workers are affected by

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the spread of COVID-19 and are unable to duly execute their duties in the provision of any of our services to our customers, this may have a material adverse impact on our operations and financial performance. Additionally, if the operations of any of our vessel suppliers are adversely affected or disrupted by the COVID-19 pandemic to a material extent, they may not be able to supply vessels to us in a timely manner or at all, which may affect our ability to meet the demands of our customers and may result in a material adverse impact on our operations and financial condition.

We are uncertain as to when the COVID-19 pandemic will be contained, and we also cannot predict whether its impact will be short-lived or long-lasting. If the COVID-19 pandemic is not effectively controlled, both globally and locally, our business operations and financial condition may be adversely affected as a result of the changes in the outlook of the maritime shipping industry, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

**Our financial condition and results of operations in future may be adversely affected by our relationship with our business partners as well as the capital requirements and financial performances of our associate companies and joint ventures**

We have established joint ventures with our business partners and invested in minority shareholding interests in our associate companies and we may continue to do so in the future. For example, we operate, in conjunction with our business partner Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), certain of our controlled vessel fleet which are held by associate companies. The performance of these associate companies and our joint ventures has affected, and will continue to affect, our results of operations and financial position. The success of our associate companies and joint ventures depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realise the anticipated economic and other benefits from our associate companies and joint ventures.

Since we do not have full control over the business and operations of our associate companies and joint ventures, we cannot assure that they have been, or will be in strict compliance with all applicable laws and regulations. We cannot assure you that we will not encounter problems with respect to our associate companies or our joint ventures and that they will not violate any applicable laws and regulations. Upon occurrence of any of such situations, our business, financial position, and results of operation could be adversely affected.

**Our financial condition and results of operations in future may be adversely affected by the capital requirements and financial performances of our associate companies and joint ventures**

We have established joint ventures with our business partners and invested in minority shareholding interests in our associate companies and we may continue to do so in the future. The performance of these associate companies and our joint ventures has affected, and will continue to affect, our results of operations and financial position. The success of our associate companies and joint ventures depends on factors which are beyond our control. As a result, we may not be able to realise the anticipated economic and other benefits from our associate companies and joint ventures.

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Our investment in associate companies and joint ventures are subject to liquidity risk. Our investments in associate companies and joint ventures are not as liquid as our other investments as there is no cash inflow until dividends are received even if our associate companies and joint ventures reported profits under the equity accounting. Our ability to promptly sell one or more of our interests in the associate companies or joint ventures in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our interests in the associate companies or joint ventures at the price and with terms acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment in associate companies or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associate companies and joint ventures. In addition, if there is no share of results or dividends from our associate companies or joint ventures, regardless of their profitability, we will also be subjected to liquidity risk and our financial condition or results of operation could be materially affected.

### **We are exposed to foreign exchange risk**

We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies used in our business operations. Our revenue is denominated in USD and the primary functional currencies used in our business operations include USD and RMB. Our cost of sales, operating expenses and capital expenditures are predominantly incurred in USD while some of our primary payment commitments and expenditures are denominated in RMB. However, our reporting currency is in USD and therefore our revenue, cost of sales and other accounting items are all translated into USD on our consolidated financial statements. As a result, our results of operations and financial position presented in USD are significantly affected by the exchange rate between RMB and the USD.

We recorded net losses from foreign exchange in the amount of approximately USD0.2 million, USD0.5 million and USD0.2 million for the years ended December 31, 2019, 2020 and 2021, respectively, and a net gain of approximately USD29,000 for the five months ended May 31, 2022, primarily as a result of fluctuations of RMB against USD during the Track Record Period. As a result, our financial results can be influenced significantly by the fluctuations in the exchange rate of our functional currencies against USD. If we face significant volatility in these foreign exchange rates and we cannot procure any specific foreign exchange control measures to mitigate such risks, our results of operations and financial performance may be adversely affected.

### **We are exposed to interest rate risks such as interest rate hikes by the U.S. Federal Reserve in respect of our controlled vessels under finance lease arrangements and under bank loans**

As at May 31, 2022, eight of our controlled vessels were under finance lease arrangements and three of our controlled vessels were financed by way of bank loans. See “Business — Our fleet of vessels — Financing arrangement for our controlled vessels” for further details. The finance lease arrangements and bank loans generally bore interest at floating rates based on LIBOR which may be impacted by a variety of macroeconomic

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## RISK FACTORS

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influences including but not limited to any increase in the interest rates by the U.S. Federal Reserve. Fluctuations in LIBOR can affect the amount of interest generally payable on our indebtedness, which, in turn, could have an adverse effect on our profitability, earnings and cash flows. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our lease liabilities were approximately USD42.4 million, USD32.5 million, USD86.7 million and USD100.2 million, respectively. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our total borrowings amounted to approximately USD58.8 million, USD50.0 million, USD32.8 million and USD76.2 million, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our finance costs amounted to approximately USD2.8 million, USD3.9 million, USD3.5 million and USD2.4 million, respectively. Any increase in interest rates could cause our finance costs to increase, which could adversely affect our result of operations. As we relied on finance lease arrangements as well as bank borrowings to finance the expansion of our fleet of controlled vessels, any rise in the interest rate will constrain our competitiveness by increasing our finance cost and our results of operations can be adversely affected. There is no assurance that we will be able to obtain external financings from banks or finance leasing companies at competitive interest rates to facilitate the implementation of our controlled vessel fleet expansion plan in the future. If the implementation of our fleet expansion is constrained by the increase in interest rates and the finance costs, our competitiveness and our results of operations could be adversely affected.

### **Failure in our information technology systems and software used in the course of our business operations could adversely affect our business operations and prospects**

To ensure smooth and efficient operation of our shipping services and ship management services which generally relies on the availability of real-time statistics and the ability to track and monitor our vessels effectively, we utilise and have in place various information technology systems and software to facilitate our business operations. In the course of our business operations, we employ various systems and software such as Hifleet and PMS repair and maintenance system to ensure efficient, effective and responsive business operations. See “Business — Information technology” for further information on the information technology systems and software used in our daily business operations. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not experience any malfunctioning of or failure in our information technology systems and software which had a material adverse impact on our business operations. Nevertheless, we are susceptible to risks relating to technical failure or improper performance of information technology systems and software and our business operations could be adversely affected if we fail to respond to such failure in a timely and prompt manner.

We believe that the effectiveness of our operational management lies in our ability to keep abreast of the latest technological developments in terms of the available upgrades to our information technology systems and software. However, since such systems and software are designed and maintained by our third-party service provider, there is no assurance that we will be able to make prompt and cost-effective enhancements to our information technology systems and software or at all or that such systems and software will be comparable to those operated or maintained by our peers in the maritime shipping

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industry, which may render our services less competitive and adversely affect our business prospects. There is also no assurance that our service provider will respond to us and provide assistance promptly in the event of technical failure. We are also susceptible to risks of cyber-attacks such as hacking or other technical disruptions, which may adversely affect our business, financial condition, and results of operations.

### **Our controlled vessels could be arrested by maritime claimants, which could result in a significant loss of revenue and cash flow**

Crew members, suppliers of goods and services to a vessel, shippers of cargos and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by either arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our controlled vessels could require us to pay a substantial amount of money to have the arrest or attachment lifted, and could also result in a significant loss of earnings and cash flow for the related off-hire period. While we have not encountered such incidents in the past, there can be no assurance that such occasions will not occur in the future.

### **Acts of piracy could adversely affect our business and results of operations**

Piracy is an inherent risk in the operation of seafaring vessels. While we did not experience any piracy incidents during the Track Record Period and up to the Latest Practicable Date, the frequency of piracy incidents against commercial shipping vessels has increased in recent years. As we expand our business operations and the network of shipping routes, our vessels may in the future travel in regions that have higher frequencies of piracy incidents. Although we generally tried to staff our vessels with security guards where our vessels are traversing areas known for piracy activities, we cannot assure you that we will not experience any piracy incidents or that such measures will be sufficient to mitigate against pirate attacks. Pirate attacks on any of our vessels could result in loss of life, the kidnapping of our crew or the theft, damage or destruction of our vessels or of cargos being transported thereon. We may not be adequately insured to cover losses from these incidents, which could have a material and adverse effect on our business and results of operations.

### **We may not be able to detect and prevent fraud or other misconduct committed by our employees, crew members or third parties**

We are exposed to fraud or other misconduct committed by our employees, crew members, customers, vessel suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, fraudulent acts and forgery by our employees, agents, customers, suppliers or other third parties may cause us to be responsible to compensate liabilities and will also cause us to suffer financial losses and harm our business operations and reputation.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance and/or suspicious transactions in a timely manner. There is no assurance

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that we will be able to detect, deter and prevent all such actions of our employees or other third parties. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position, and results of operations.

### **Deterioration in our brand image or any infringement of our intellectual property rights may adversely affect our business**

We rely, to a significant extent, on our “洲際之星” and “Seacon” brand names and image to attract potential customers. Any negative incident or negative publicity concerning us may adversely affect our reputation, financial position and business, results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumers’ trust. Consumer demand for our services and our brand value could diminish significantly if we fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in brand value may have an adverse effect on our business, financial position, and results of operations. In addition, any unauthorised use or infringement of our brand name may impair our brand value, damage our reputation, and adversely affect our business and results of operations.

Our measures to protect our intellectual property rights may afford limited protection and policing unauthorised use of proprietary information and can be difficult and expensive. If we were unable to detect unauthorised use of, or failed to take appropriate steps to enforce, our intellectual property rights, it could have an adverse effect on our business, financial position, and results of operations. We are also exposed to the risk that a third party successfully challenges the licensor’s ownership of, or our right to use, the relevant trademarks, or if a third party uses such trademarks without authorisation.

### **Our historical growth rate, revenue and profit margin, in particular, our revenues generated from shipping services due to surge in demand as a result of COVID-19 outbreak, may not be indicative of future growth rate, revenue, and profit margin**

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue was approximately USD135.6 million, USD178.9 million, USD372.7 million and USD179.0 million, respectively, and our gross profit was approximately USD16.1 million, USD12.7 million, USD57.7 million and USD31.9 million, respectively, representing a profit margin of approximately 11.8%, 7.1%, 15.5% and 17.8%, respectively. See “Financial Information” for discussions of our results of operations during the Track Record Period.

There is an inherent risk in using our historical financial information to project or estimate our financial performance in the future as such information only reflects our past performance under particular conditions. We may not be able to sustain our historical growth rate because of a range of factors, such as macro-economical factors or natural disasters that are out of our control as well as increasing operating costs for our controlled

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vessels such as our bunker fuel costs and labor costs, which may reduce our income and profit margin. There is no assurance that we will be able to achieve our past performance during the Track Record Period.

Additionally, subsequent to the easing of lockdown during the outbreak of COVID-19 pandemic, the demand for shipping services across has rebounded significantly in the latter half of 2020. Our revenues from shipping services amounted to approximately USD142.4 million and approximately USD323.7 million in 2020 and 2021, respectively. Although we have experienced 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 the initial impact of the COVID-19 pandemic in 2020, which has had a positive impact on the demand on our shipping services, the surge in trading volume, the duration and level of the demand for our shipping services may not be sustainable. The circumstances that have accelerated the growth of our shipping services caused by the effects of the COVID-19 pandemic may not continue in the future once the impact of the COVID-19 pandemic diminishes. With the restoration of the global supply chain networks, there might be a decline in the growth rate of the revenue of our shipping services in future periods. In the event of any prolonged decline in the demand for shipping services, our revenue may be materially impacted and our business, results of operations and prospects would be adversely affected. As the response by world governments and global markets to the COVID-19 pandemic is a continuously evolving process, there is no assurance that the positive impacts brought by the COVID-19 pandemic on our financial performance will continue to persist. Accordingly, there is also no assurance that our financial performance will continue to increase or grow at the same heightened pace during the year ended December 31, 2021. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

### **Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of our newbuilding contracts**

We may enter into newbuilding contracts for dry bulk carriers and/or other types of other vessels in the future to supplement our controlled vessel fleet. Construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. Significant cost overruns or delays could have a material adverse effect on our business, financial condition, cash flows and results of operations. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel, which in turn, could have an adverse effect on profitability and financial condition.

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### **Our inability to attract, retain or secure key management and qualified personnel for our operations could hinder our continuing growth and success**

Our success depends on the services and efforts of our Directors, senior management and other employees and our ability to continue to attract, retain and motivate qualified personnel to a significant extent. We compete with other shipping service providers for experienced management and other qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified employees essential for our growth. The loss of services of any employee holding an important position or possessing industry expertise or experience could have an adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. See “Directors and Senior Management” for further details.

### **We could be adversely affected as a result of any our sales to or purchases from certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdom, the United Nations, Australia and other relevant sanctions authorities**

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we entered into certain transactions with customers and suppliers involving the Relevant Regions. We were engaged in the provision of shipping services and ship management services to customers in Hong Kong. We also procured supplies and materials from suppliers in the Relevant Regions. The Relevant Regions were subject to various sanctions during the Track Record Period but none of them was subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of a Relevant Jurisdiction (i.e., none of them was a Comprehensively Sanctioned Country). However, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Kingdom, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

### **We may not be able to successfully implement our strategies, or achieve our business objectives**

Our business objectives as set out in this document are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the expected future prospect of relevant industries, global macroeconomic conditions, and also governmental regulations of jurisdiction which we currently operate in currently known to our Directors and the continuation of our competitive advantages and other factors



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considered relevant. Some of our future business strategies are based on certain assumptions, as discussed in the section headed “Business — Our business strategies and future plans”. The successful implementation of our business plans may be affected by a number of factors including the availability of sufficient funds, governmental policies, and regulations relevant to our industry, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our customers, the threat of substitutes and new market entrants as well as other risk factors disclosed elsewhere in this section. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Should there be any material adverse change in our operating environment which results in our failure to implement our business plan or any part thereof, our business and financial position and prospect may be adversely affected.

### **We may be involved in legal and other disputes and claims from time to time arising from our operations**

As the industry which we operate in has inherent risks of maritime accidents involving loss or damage of property or even death or injury to persons, we may, from time to time, be involved in disputes with and subject to claims by our employees and service providers. Disputes may also arise if our customers are dissatisfied with our services. Claims may include claims for compensation due to the provision of substandard services, disputes relating to late or insufficient payment and claims in respect of personal injuries and labor compensation. Any of these proceedings is inherently unpredictable, and awards of excessive damages or compensation to other parties may occur. As at the Latest Practicable Date, we had certain ongoing legal proceedings. Please refer to the section headed “Business — Legal proceedings” in this document for further details. Although we plan to defend our interests in any legal proceedings that may arise in the ordinary course of our business, we may incur judgments or enter into settlements of claims that could have an adverse effect on our business, financial position, and results of operations.

Additionally, if we are involved in any legal proceedings, our management’s time and efforts could be diverted from the operation of our business to pursue or defend the legal proceedings, and our insurers may also increase our insurance premiums. Furthermore, any litigation, arbitration, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business contracts. In addition, negative publicity arising from litigation, arbitration, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands. These may adversely affect our operations and financial performance. If we fail to claim or defend any legal proceedings on a timely basis, or fail to settle such legal proceedings on commercially reasonable terms, or the damages that we may be held liable to pay in respect of such legal proceedings are not adequately covered by our insurance policies, our business and results of operations may be adversely affected.

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### RISKS RELATING TO THE INDUSTRY WE OPERATE IN

#### **Global or regional economic, political, trade or other factors may affect our business**

The demand for maritime shipping services is influenced by global and regional macroeconomic and political conditions, fluctuation in the levels of international and regional trade, change in maritime and other transportation patterns, fluctuation in foreign exchange rates and other factors. Demand for transportation of dry bulk cargoes, being the service in which we are specialised in, may also be affected by the demand and supply for the relevant commodities that we transport (such as coal, iron ore and grain), their prices, competition, and availability of alternative sources of supply of these commodities, seasonal cycle for agricultural products and seasonality of demands for fossil fuel such as coal, and other factors relating to these commodities. As such, changes in the demand of maritime shipping services are difficult to predict.

Further, political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, sanctions, boycotts, or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume and, in turn, could have an adverse effect on our business, financial condition and results of operations as well as affecting our future expansion strategies. For example, if major political disputes persists and as a result the global economic environment deteriorates, the demand for dry bulks and petrochemical products could be affected, which may in turn have an adverse impact on our business, financial condition, and results of operations. In the event that the global economy fails to improve or further suffers a recession, the demand for our chartering services would decrease accordingly which in turn may adversely affect our operating results and financial performance.

Additionally, the availability of vessels on the market are affected by factors which are beyond our control and are of unpredictable nature. If demand fails to match the increased number of vessels or should there be any decrease in demand for maritime shipping services, it could have significant negative impact on the demand for our services and/or the rates of our charter hires, and may thereby adversely affect our business, profitability, and financial condition.

#### **Our business and financial results may be adversely affected by the geopolitical factors arising in connection with the Russia-Ukraine conflict and heightened tensions in cross-strait relations in 2022**

Our ability to adapt to the change in cost and availability of bunker fuel, the change in global supply chains and shipping routes, and the physical threats to shipping in and around the Black Sea and the Taiwan strait may be adversely affected by the geopolitical factors arising in connection with the Russia-Ukraine conflict in 2022 and heightened tensions in cross-strait relations.

The Russia-Ukraine conflict is likely to have broad implications for geopolitical relations, which is actively evolving, and may reshape the landscape of global trade in energy and other commodities and shipping industries. The conflict has also reshaped trade

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patterns and shipping routes around the Black Sea owing to heightened tensions in the area arising from blockades of Ukrainian ports, trapping vessels in ports in or around March 2022. The continued blockade of Ukrainian ports may severely impact the export of goods, including dry bulk goods such as grains, steel and coal. Militarized action in the Black Sea may also deter shipowners and shipping companies from operating their vessels in the Black Sea owing to greater physical risks such as naval mines and missile attacks. A prolonged conflict is also likely to have deeper economic and political consequences, potentially reshaping global trade in energy and other commodities. An expanded ban on Russian oil could push up the cost and availability of bunker fuel and potentially push shipowners to use alternative fuels.

Recently there have been heightened tensions in cross-strait relations as a result of the visit by Nancy Pelosi, the speaker of the United States House of Representatives to Taiwan in August 2022. In response to the visit, from August 4, 2022 to August 10, 2022, the PRC government conducted a series of military exercises around the ocean surrounding Taiwan including the Taiwan Strait which is a major gateway for vessels to pass between Southeast and Northeast Asia. The military exercises may result in blockades in shipping routes or ports, delays or disrupt shipping to and from Southeast and Northeast Asia, physical threats to shipping in and around the Chinese military drill zones and further disrupt the global supply chain and cause fluctuations in market charter rates. Our shipping services and ship management services may be adversely affected if vessels are forced or failed to take alternative shipping routes to avoid the areas, adding transit time, disrupting schedules and causing further delays and costs. It remains unclear what additional actions, if any, will be taken by China, Taiwan, the U.S. or other governments with respect to tensions in cross-strait relations.

We are unable to predict how international relations between countries or regions will develop. If these conflicts continue, increase, or expand, or lead to continued political or economic instability, terrorist activity, or give rise to further government actions such as sanctions or increased economic or political tensions or act of war or an armed conflict, our business and financial results may be adversely impacted.

**Changes in international trade policies, or the escalation of tensions in international relations, particularly with regard to China, may adversely impact our business and operating results**

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the global supply chain, global financial and economic conditions. There have been political matters that resulted in increased tensions between the U.S. and China. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. Such measures may further escalate the tensions between the countries or even lead to a trade war. Any further escalation in trade tensions between the United States and China or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. We cannot predict how the bilateral relationship between the U.S. and

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China will further evolve, or anticipate the potential impact that any subsequent development in such relationship may have on our business. We cannot assure you that we can cope with any unfavorable government policies on international trade, such as capital controls or tariffs, or the U.S. dollar payment and settlement system that may affect the demand for our shipping services, impact the competitive position of our shipping services, prevent us from operating in certain countries, or even our participation in the U.S. dollar payment and settlement system. As a result, our business, results of operations and prospects would be adversely affected.

### **We operate in a competitive industry**

The maritime shipping industry is highly competitive, capital intensive and highly fragmented. The competition in the market is based primarily on supply and demand and we compete for charters on the basis of price, vessel location, size, age, the condition of the vessel, our reputation etc. There is also a comprehensive network of supporting services in the market so that new investors may subcontract most business functions and operations of vessels to these service providers, such as ship management companies, chartering brokers, classification societies and shipping agencies. These financing and other supporting services make it easier for newcomers to enter into the industry, and for existing players to expand their maritime shipping capacities.

We face strong competitions in the international and regional markets from both big and small participants in the industry, and our Directors expect that the current competitive pressures in the industry will continue. Our competitors may have more resources than us and may operate vessels that are newer, and therefore more attractive to charterers, than our vessels. Ownership and control of dry bulk carriers is highly fragmented and is divided among a large number of market players. Competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than what we are able to offer. Extensive competition in the industry may adversely affect our market share. If competitive pressure intensifies, it may force us to reduce our charter hire rates resulting in us result in us having a lower profit margin, which could adversely affect our business, financial condition, and operating results.

### **We are faced with increasingly intense competition with the major market players within the maritime shipping industry in the PRC.**

The maritime shipping industry in China is relatively concentrated in a small group of leading players with strong market reputation and brand awareness, with the top five large players headquartered in the PRC in aggregate accounting for approximately 51.4% of the market share in terms of weight carrying capacity for international shipping routes in 2021. The largest player in China’s maritime shipping industry enjoyed a market share of approximately 33.7%, whilst the second and third largest third market players enjoyed a market share of approximately 13.5% and 3.1%, respectively. The fourth largest market player had a market share of approximately 0.6%. We ranked the fifth with a market share of approximately 0.4%.

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As the leading players continue to increase their market shares, we are faced with increasingly intense competition with other leading players, and particularly the largest player, in various aspects of our business, including shipping capacity as well as customer acquisition and retention. Since the largest player currently enjoys a more established market position than us, we may fail to effectively compete against, or may be out-competed by it. For example, if we are unable to maintain the quality of our service offerings, offer a wider selection of vessels that address our customers’ evolving demands, continuously optimize our customer experience, or continue to enhance brand awareness, among other things, customers may choose to switch from using our services to those provided by the larger players, which may have a material adverse impact on our results of operation, financial condition and business prospects. In addition, even if we are able to remain competitive against the larger players, a significant amount of additional costs may incur, which could result in a reduced level of profitability for our business.

**We operate in a highly regulated industry and significant compliance costs and efforts may adversely affect our business and profitability**

The ownership, operation and management of vessels is highly regulated. Our operations are subject to compliance of extensive international conventions, treaties, international and local laws, and regulations in force from time to time in the countries and ports where our vessel visit, the jurisdictions in which our vessels are registered, and the international conventions and regulations adopted by the IMO, including the ISM Code, the SOLAS Convention, the MLC Convention and the MARPOL Convention. See “Regulatory Overview” and “Business — Licenses, permits and approvals” for further details.

In addition, our vessels are also subject to compliance of the rules and regulations of the relevant recognised classification societies by which our vessels were classified. In order to maintain their classification status, they are subject to regular and ad hoc surveys by qualified ship surveyors designated by the relevant classification societies to ensure their continuing compliance of these rules and regulations. The classification status is essential for the continued operations of our vessels as most of our insurances are conditional upon such classification status.

We may have to incur extra cost for ship improvements or modifications, maintenance, and inspection for the purpose of compliance with such regulations. There is no assurance that we will be able to comply with the applicable international conventions, treaties, international and local laws, and regulations, or to efficiently control the costs involved. Failure to comply with applicable international conventions, treaties, international and local laws, and regulations may subject us to increased liability, decreased insurance coverage for our vessels, and may result in denial of access to, or detention in, certain ports. Certain jurisdictions may also pass legislation to regulate practices adopted in the maritime shipping industry such as the recent U.S. Ocean Shipping Reform Act approved on March 22, 2022 by the U.S. Senate Commerce Committee which was introduced with the intention of cracking down on international ocean shipping costs and ease supply chain backlogs that are raising prices for consumers and making it harder for U.S. farmers and exporters to transport their goods to the global market. Any future development of international

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conventions, treaties, codes, international or regional laws and regulations may also increase our compliance costs and efforts, and may result in temporary suspension of operations of the affected vessels pending compliance with the new requirements, which could have an adverse effect on our business and profitability.

### **Climate change, decarbonisation initiatives, and greenhouse gas restrictions may adversely affect our business**

Many governmental bodies have adopted, or are considering the adoption of, international, treaties, national, state and local laws, regulations and frameworks to reduce greenhouse gas emissions due to the concern about climate change. These measures in various jurisdictions include the adoption of carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy.

For instance, in November 2016, the Paris Agreement, which resulted in commitments by 197 countries to reduce their greenhouse gas emissions with firm target reduction goals, came into force and could result in additional regulation on the shipping industry. In addition, several non-governmental organizations and institutional investors have undertaken campaigns with respect to climate change, with goals to minimize or eliminate greenhouse gas emissions through a transition to a low or zero-net carbon economy. Further, in October 2018, IMO adopted an initial strategy on the reduction of greenhouse gas emissions from ships with a view to reducing the carbon intensity of international shipping, by at least 40% by 2030, and 70% by 2050; and the total annual greenhouse gas emissions to be reduced by at least 50% by 2050. Under the energy-efficiency regulations rolled out by IMO, it is mandatory for existing ships to have an energy efficiency management plan in place, with factors taken into considerations such as improved voyage planning, cleaning underwater parts of the ship and the propeller more often, introducing technical measures such as waste heat recovery systems and fitting a new propeller.

Compliance with laws, regulations and obligations relating to climate change, including as a result of such international negotiations, as well as the efforts by non-governmental organizations and investors, could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. Accordingly, our strategic growth opportunities, results of operations profitability and financial condition may be adversely affected.

### **Natural disasters, epidemics, pandemics, acts of war, terrorist attacks and other events could adversely affect the maritime shipping industry**

Natural disasters, epidemics, pandemics, acts of war, terrorist attacks, political unrest, strikes and other events which are beyond our control, may lead to global or regional economic instability, which may in turn adversely affect local economies, international trade and terminal or port facilities. These events may also lead to closure of terminal or

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ports or transportation stoppage and disrupt cargo flows, thereby results in material interruptions in our provision of shipping services and adversely affect our business, financial condition, and results of operations.

In addition, an outbreak of epidemic or pandemic, such as that of COVID-19, could cause general consumption or the demands for specific products to decline, which could result in a corresponding decline in the demands for our shipping services. Owing to the COVID-19 pandemic, measures including the closing of national borders in various countries, lockdowns of a vast number of cities across the world, travel restrictions and extensive suspension of business operations have been imposed from time to time globally since early 2020. Any negative downturn in the maritime shipping industry could adversely affect our business, financial condition, and results of operations.

Further, owing to the threats of terrorist attacks such as suicide bombings and mass shootings in major cities around the world, there has been in place tightened security procedures and requirements at major ports globally. Frequent terrorist attacks have negative impacts on the maritime shipping industry, including but not limited to increased security and insurance costs and port delays. Any threats of future terrorist attack may increase our cost of operations and reduce demands for our services, which may result in adverse impacts on our financial condition and results of operations.

### **RISKS RELATING TO THE [REDACTED]**

#### **There was no public market for our Shares prior to the [REDACTED] and an active [REDACTED] for our Shares may not develop or sustain**

Prior to the [REDACTED], there was no [REDACTED] for our Shares. Follow the completion of the [REDACTED], the Stock Exchange will be the only market whereby our Shares are [REDACTED]. We cannot assure you that (i) there will be an active [REDACTED] for our Shares; or (ii) if an active trading market does develop, it will be sustainable following the completion of the [REDACTED].

Prospective investors should also note that the initial range of the [REDACTED] was determined as a result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) and may differ significantly from the market price of our Shares following the completion of the [REDACTED]. If an active [REDACTED] for our Shares does not develop or is not sustainable after the [REDACTED], the [REDACTED] and the [REDACTED] of our Shares could be materially and adversely affected.

#### **The trading price of the Shares may be volatile, which could result in substantial losses to you**

The [REDACTED] of our [REDACTED] may be volatile, which could result in substantial losses to you. The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including the general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the trading price performance of other companies offering services related to ours, such as transport, logistics, shipping, or freight companies, may affect the [REDACTED] of our Shares. In

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addition to market and industry factors, the price and [REDACTED] volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the trading volume and price of our Shares, and may result in losses on your investment in our Shares.

**There will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, and the price of our Shares when [REDACTED] begins could be lower than the [REDACTED]**

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be over seven Business Days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

**Any [REDACTED] of a substantial amount of our Shares in the [REDACTED], or the perception that such [REDACTED] may occur in the near future, could materially and adversely affect the [REDACTED] of the Shares**

We cannot assure you that, after the expiry of the restrictions in respect of their lock-up undertakings, our Controlling Shareholders will not dispose of any Shares that they may own now or in the future. See “[REDACTED] — [REDACTED] and Expenses — [REDACTED]” for further details as to the lock-up periods. Any [REDACTED] of a substantial amount of our Shares in the [REDACTED] market after the completion of the [REDACTED], or the perception that these [REDACTED] may occur in the near future, could negatively affect the [REDACTED] of our Shares. Such sale or perception could also materially impair our ability to [REDACTED] through [REDACTED] of additional Shares in the future.

**Prior dividends declaration may not be indicative of our future 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. Any declaration of final dividend by our Company will also be subject to the approval of our Shareholders in a Shareholders’ meeting. See “Financial Information — Dividend policy” for details of our Company’s dividend policy and dividend payments during and after the Track Record Period. The declaration and distribution of dividends during the Track Record Period should not be regarded as an indication that we will declare and distribute dividends in such manner or at such time in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of any dividend to be declared and distributed in the future will be at the discretion of our Directors and will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and future prospects, and our constitutional documents and the laws of the Cayman Islands.



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**We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders may be more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights**

Our corporate affairs are governed by our Memorandum, our Articles, the Cayman Companies Act and common law of the Cayman Islands. The rights of shareholders to take legal action against our Directors and/or us, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority shareholders may be located. See “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law” for a summary of the applicable Cayman Islands Company Law. As a result, remedies available to minority shareholders of our Company may be different from those they would have under the laws of other jurisdictions.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry reports, contained in this document**

This document contains certain facts, statistics and data that have been derived from official government sources and publications and other sources. Our Company believes the sources of these facts and statistics are reliable and appropriate, and has no reason to believe that such information is false or misleading or is rendered so by any omission of facts. Our Company has taken reasonable care in extracting and reproducing such statistics and facts. However, there is no guarantee as to the quality or reliability of such information. The statistics and facts from these sources have not been prepared nor have they been independently verified by our Company, our Directors, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] or any of their respective affiliates or advisers or any other party involved in the [REDACTED] and therefore, our Company makes no representation as to the accuracy or completeness of such facts, statistics, and data. Prospective investors should not place undue reliance on these facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics contained in this document may not be accurate or comparable to statistics produced in other publications or for other economies. There is no guarantee that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be elsewhere. In any event, prospective investors should consider how much weight they should attach to such information when making their investment decisions in relation to our Shares.

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## RISK FACTORS

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**You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the [REDACTED]**

You should not place any reliance on any information contained in press articles, reports of research analysts or other media regarding us and the [REDACTED]. There has been prior to the date of this document, and there may be, after the date of this document, press, media and research analyst coverage regarding us and the [REDACTED] which cited certain financial information, financial projections, valuations, and other information about us that do not appear in this document. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage, any research report or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, you should not rely on any such information.

**Forward-looking statements contained in this document may not be accurate and hence prospective investors should not place undue reliance on such statements**

This document contains certain forward-looking statements relating to our Company that are based on the beliefs of our Directors as well as assumptions based on the information currently available to them. When used in this document, the words “anticipate”, “believe”, “forecast”, “estimate”, “intend”, “plan”, “potential” and similar expressions, as they relate to our Directors, our Company, or our Group, are intended to identify forward-looking statements. Such statements reflect the current views of our Directors regarding future events, operations, liquidity, and capital resources. These statements are subject to certain known and unknown risks, uncertainties, and assumptions, including the other risk factors as described in this document, and may not materialise or may change. Prospective investors should not unduly rely on such forward-looking statements.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### **WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG**

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in the PRC. We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

Since our headquarters and our business operations are not principally located, managed or conducted in Hong Kong, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong. Further, it would be impractical and commercially unnecessary for us to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate our existing PRC-based executive Directors to Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] to us, a waiver from compliance with Rule 8.12 of the Listing Rules on the basis that the following measures have been adopted by us:

- (i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. He Gang and Ms. Chan Sze Ting, to act as our principal channel of communication with the Stock Exchange. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange;
- (ii) each of the authorized representatives has access to all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter. We will implement a policy whereby (a) each Director will provide his/her mobile phone number, office phone number, facsimile number and email address to the authorized representatives; (b) in the event that a Director expects to travel, he/she will provide the telephone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (c) all our Directors and authorized representatives will provide their respective mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange;
- (iii) our Directors who are not ordinarily resident in Hong Kong can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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- (iv) we have appointed Zhongtai International Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;
- (v) meetings between the Stock Exchange and our Directors can be arranged through our authorized representatives or the compliance adviser, or directly with our Directors within a reasonable time frame; and
- (vi) we will only change our authorized representatives after notifying the Stock Exchange of such change, the reasons and having made an appropriate replacement.

### **WAIVER IN RELATION TO JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and the Guidance on experience and qualification requirements of a company secretary (HKEx-GL108-20), the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (1) a Member of The Hong Kong Chartered Governance Institute;
- (2) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (3) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (1) length of employment with the issuer and other issuers and the roles he or she played;
- (2) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (3) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (4) professional qualifications in other jurisdictions.

Our Company appointed Ms. Sun Yufeng and Ms. Chan Sze Ting as our joint company secretaries on March 21, 2022. Ms. Chan is an Associate of The Hong Kong Chartered Governance Institute, therefore, she meets the qualification requirements under Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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Ms. Sun joined our Group in April 2013 and has since been manager of the general operations department of Seacon Ships Qingdao. She has also been the general manager of the operations management centre of our Group since March 2022. Our Company believes that Ms. Sun, by virtue of her knowledge and experience in handling operational matters, is capable of discharging her functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Ms. Sun who possesses the relevant experience in our Group’s operational matters.

Accordingly, while Ms. Sun does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has agreed to grant], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Sun may be appointed as a joint company secretary of our Company. Pursuant to HKEx-GL108-20, the waiver [has been granted] on two conditions: (i) Ms. Sun will be assisted by Ms. Chan, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (ii) the waiver is valid for a period of three years from the [REDACTED] and will be revoked immediately if and when Ms. Chan ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company. In addition, Ms. Sun will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. We will further ensure that Ms. Sun has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. At the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Ms. Sun, having had the benefit of Ms. Chan’s assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to “Directors and Senior Management” for further information regarding the qualifications of Ms. Sun and Ms. Chan.

### **WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions which will constitute non-exempt continuing connected transactions for our Company under the Listing Rules after the [REDACTED]. Pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for and the Stock Exchange has granted a waiver to our Company from compliance with the relevant requirements under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. For further details in this respect, see “Connected Transactions”.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Guo Jinkui (郭金魁)	Unit 4, Building 3 Weiming Mountain Villa Xijiang Village West, Shazikou Laoshan District, Qingdao City Shandong Province the PRC	Chinese
Mr. Chen Zekai (陳澤凱)	Room 1201, Unit 1, Building 2 No. 84 Jiangxi Road Qingdao City Shandong Province the PRC	Chinese
Mr. He Gang (賀罡)	Room 101, Unit 1, Building 4 No. 97 Hong Kong East Road Laoshan District, Qingdao City Shandong Province the PRC	Chinese
Mr. Zhao Yong (趙勇)	Room 1402, Unit 1, Building 7 No. 712 Tongxing Road Laoshan District, Qingdao City Shandong Province the PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Fu Junyuan (傅俊元)	Unit 1-501, 21/F Tangquan Villa No. 125 West 4th Ring Road North Haidian District, Beijing the PRC	Chinese
Ms. Zhang Xuemei (張雪梅)	Unit B8-602 Fulicheng, Chaoyang District Beijing the PRC	Chinese
Mr. Zhuang Wei (莊煒)	Room 102, No. 10 1999 Lane, Langu Road Gaoxing Town Pudong, Shanghai the PRC	Chinese

For further details about our Directors and senior management members, see “Directors and Senior Management”.

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---

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

---

**PARTIES INVOLVED IN THE [REDACTED]**

<b>Sole Sponsor</b>	<b>Zhongtai International Capital Limited</b> 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong <i>(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)</i>
<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>[REDACTED]</b>	<b>[REDACTED]</b>
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law:</i> <b>Grandall Zimmern Law Firm</b> 14/F, The Hong Kong Club Building 3A Chater Road Central Hong Kong  <b>Ms. Queenie W.S. Ng</b> <i>Barrister-at-law in Hong Kong</i> Rooms 2203 A&B Fairmont House 8 Cotton Tree Drive Central Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to Cayman Islands law:*

**Appleby**  
Suites 4201–03 & 12  
42/F, One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

*As to PRC law:*

**AllBright Law Offices**  
12/F, Shanghai Tower  
No. 501, Yincheng Middle Road  
Pudong New Area  
Shanghai  
the PRC

*As to Singaporean law:*

**Avant Law LLC**  
#10–02 International Plaza  
10 Anson Road  
Singapore 079903

*As to Japanese law:*

**Soga Law Office**  
4/F Kojimachi MK Building  
4-3-30 Kojimachi Chiyoda-ku  
Tokyo 102-0083  
Japan

*As to Marshall Islands law:*

**Norton Rose Fulbright US LLP**  
1301 Avenue of the Americas  
New York  
New York 10019-6022  
United States

*As to Liberian law:*

**Pierre, Tweh & Associates, Inc.**  
3rd Floor  
Blue Plaza Building  
Benson Streets  
P.O. Box 10–2536  
1000 Monrovia 10  
Liberia

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to English law:*

**Ince & Co.**

Suites 4404–10  
44th Floor, One Island East  
18 Westlands Road  
Taikoo Place  
Hong Kong

*As to Panamanian Law:*

**Morgan & Morgan**

23rd Floor  
MMG Tower  
Ave. Paseo del Mar  
Costa del Este  
Panama City  
Republic of Panama

*As to International Sanctions laws:*

**Hogan Lovells**

11th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Legal advisers to the Sole Sponsor**

*As to Hong Kong law:*

**Miao & Co. (In Association with Han Kun  
Law Offices)**

Rooms 3901–05  
39/F., Edinburgh Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong

*As to PRC law:*

**Han Kun Law Offices**

20/F, Kerry Plaza Tower 3  
1–1 Zhongxinsi Road  
Futian District  
Shenzhen  
Guangdong Province  
the PRC

**Auditor and reporting accountant**

**PricewaterhouseCoopers**

*Certified Public Accountants  
Registered Public Interest Entity Auditor*  
22/F, Prince’s Building  
Central, Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Industry consultant**

**Frost & Sullivan International Limited**  
Room 1706  
One Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Compliance adviser**

**Zhongtai International Capital Limited**  
19/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Central  
Hong Kong  
*(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)*

[REDACTED]

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Third Floor, Century Yard Cricket Square P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
<b>Headquarters and principal place of business in the PRC</b>	Rooms 01 and 04 23/F, Block B, Building 3 No. 20 Zhuzhou Road Laoshan District, Qingdao City Shandong Province the PRC
<b>Principal place of business in Hong Kong under Part 16 of the Companies Ordinance</b>	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Website of our Company</b>	<u><a href="http://www.seacon.com">www.seacon.com</a></u> <i>(the contents of the website does not form part of this document)</i>
<b>Joint company secretaries</b>	Ms. Sun Yufeng (孫玉峰) Unit 304 No. 47 Xuanhua Road Shibei District, Qingdao City Shandong Province the PRC  Ms. Chan Sze Ting (陳詩婷) (ACG, HKACG) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
<b>Authorized representatives</b>	Mr. He Gang (賀罡) Room 101, Unit 1, Building 4 No. 97 Hong Kong East Road Laoshan District, Qingdao City Shandong Province the PRC  Ms. Chan Sze Ting (陳詩婷) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong



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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Mr. Fu Junyuan (傅俊元) ( <i>Chairperson</i> ) Ms. Zhang Xuemei (張雪梅) Mr. Zhuang Wei (莊煒)
<b>Remuneration Committee</b>	Ms. Zhang Xuemei (張雪梅) ( <i>Chairperson</i> ) Mr. Chen Zekai (陳澤凱) Mr. Zhuang Wei (莊煒)
<b>Nomination Committee</b>	Mr. Guo Jinkui (郭金魁) ( <i>Chairperson</i> ) Mr. Chen Zekai (陳澤凱) Mr. Fu Junyuan (傅俊元) Ms. Zhang Xuemei (張雪梅) Mr. Zhuang Wei (莊煒)
<b>Risk Management Committee</b>	Mr. Guo Jinkui (郭金魁) ( <i>Chairperson</i> ) Mr. He Gang (賀罡) Mr. Fu Junyuan (傅俊元) Ms. Zhang Xuemei (張雪梅) Mr. Zhuang Wei (莊煒)
<b>ESG Committee</b>	Mr. Guo Jinkui (郭金魁) ( <i>Chairperson</i> ) Mr. Zhao Yong (趙勇) Mr. Zhuang Wei (莊煒)
<b>Principal bankers</b>	<b>Citibank N.A.</b> Singapore Branch 8 Marina View #21-00 Asia Square Tower 1 Singapore 018960  <b>Bank of China</b> Ningbo Xingning Sub-Branch No. 91, Xingning Rd. Yinzhou District Ningbo, Zhejiang, 315100 PRC  <b>Mizuho Bank, Ltd.</b> 1-3-3, Marunouchi Chiyoda-ku Tokyo 100-8241 Japan

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**CORPORATE INFORMATION**

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[REDACTED]

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## INDUSTRY OVERVIEW

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*The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information derived from official government publications has not been independently verified by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] (except Frost & Sullivan) and no representation is given as to its accuracy. As such, you should not unduly rely upon such information in making, or refraining from making, any investment decision.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the global and the PRC maritime shipping market. The report prepared by Frost & Sullivan for us is referred to in this document as Frost & Sullivan Report or F&S Report. We agreed to pay Frost & Sullivan a fee of HK\$750,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included and quoted certain information from the F&S Report as well as other economic data in this document because we believe this information facilitates an understanding of the global and the PRC maritime shipping market for prospective investors. Frost & Sullivan’s independent research consists of both primary and secondary research obtained from various sources in respect of the global and the PRC maritime shipping market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of the global and the PRC maritime shipping market.

### OVERVIEW OF THE GLOBAL AND THE PRC MARITIME SHIPPING INDUSTRY

#### Definition and classification

According to Organisation for Economic Co-operation and Development (OECD), maritime shipping refers to any movement of goods and/or passengers using seagoing vessels on voyages which are undertaken wholly or partly at sea. During the Track Record Period, we are primarily engaged in the provision of maritime shipping services with a focus on dry bulk carriers as well as the provision of ship management services.

#### Major vessel types in the maritime shipping industry

- *Bulk carrier:* A ship primarily used to transport dry bulk cargoes, which are shipped in large quantities. The principal dry bulk cargoes include coal, iron ore, bauxite, phosphate, nitrate and grains such as wheat.
- *Oil tanker:* A ship designed for the bulk transport of oil or oil products.
- *Chemical tanker:* A vessel designed to transport chemical products in bulk.

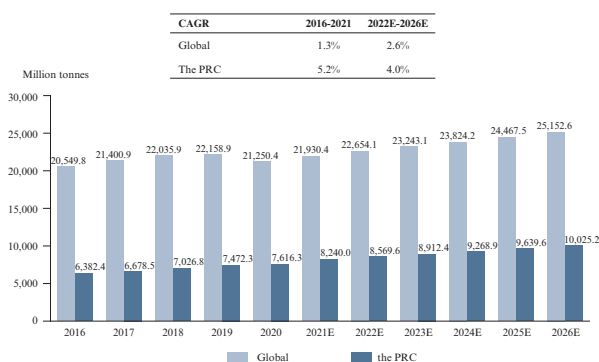
## INDUSTRY OVERVIEW

- **Containership:** A cargo ship that carries all of its load in truck-size shipping containers, in a technique called containerization.

### Global and the PRC seaborne trade volume

The global seaborne trade volume increased from 20,549.8 million tonnes in 2016 to 21,930.4 million tonnes in 2021, representing a CAGR of 5.2% during the period. The global seaborne trade volume is expected to increase at a CAGR of 2.6% during 2022 to 2026. The spread of Omicron coronavirus variant in March 2022 has led to movement controls across the PRC, including key manufacturing hubs in Shenzhen and Dongguan. While the PRC’s main ports remain open and vessels are continuing to dock, congestion is building up and some ships are re-routing to avoid expected delays. The PRC seaborne trade volume increased from 6,382.4 million tonnes in 2016 to 8,240.0 million tonnes in 2021, representing a CAGR of 5.2% during the period. Driven by the recovery of global trade after the COVID-19 outbreak, the PRC seaborne trade volume is expected to reach 10,025.2 million tonnes by 2026, at a CAGR of 4.0% during 2022 to 2026.

### Global and the PRC Seaborne Trade Volume, 2016-2026E



Source: UNCTAD, National Bureau of Statistics of China, Frost & Sullivan

Notes:

1. The global and the PRC seaborne trade volume refers to the volume of total goods loaded and discharged in world and the PRC seaborne trade, respectively.
2. The global seaborne trade volume in 2020 is the latest available data as of the Latest Applicable Date.

The Guiding Opinions on the Promotion of High-Quality Development of the Maritime Shipping Industry\* (《關於大力推進海運業高質量發展的指導意見》) was introduced by the PRC government in 2020. The guiding opinions put forward phased goals to enhance the competitiveness of the PRC maritime shipping industry in terms of safety, green initiatives, and technological aspects, with an ultimate goal of establishing the PRC maritime shipping industry as a global leader in these aspects by 2050. The maritime shipping industry in the PRC is expected to benefit from supportive government policies such as the aforesaid guiding opinions and grow accordingly in the near future.

### ClarkSea Index and Baltic Dry Index

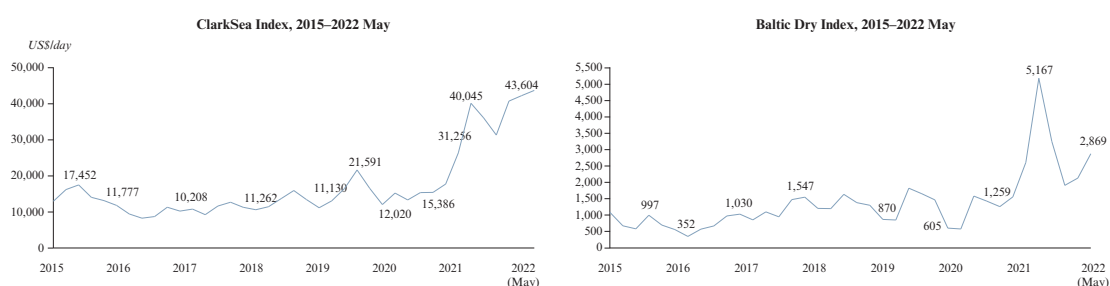
The Baltic Dry Index and ClarkSea Index are the major indicators of the demand and supply of the maritime shipping industry, and they are positively correlated to the charter rates charged by shipping companies.

The ClarkSea Index is often seen as a key shipping barometer which shows the weighted average earnings of all major types of vessels including tankers, bulk carriers, containerships and gas carriers. It is a cross-sector index managed by Clarkson Research. The ClarkSea Index was relatively stable during 2015 to 2019. However, since the advent of the COVID-19 pandemic in early 2020, the ClarkSea Index has experienced fluctuations, in particular, it first dropped in early 2020 due to the pricing pressures caused by lowering of oil prices and worldwide lockdown measures, but it then rebounded and increased significantly as demand surged for maritime trade owing to the re-opening of economy and growing demand for container transportation.

The Baltic Dry Index is a shipping and trade index that measures the average prices paid for the transport of dry bulk materials such as coal and steel. Historically, the index fluctuated at around 1,000 points during 2015 to 2019. Similar to the ClarkSea Index, the

## INDUSTRY OVERVIEW

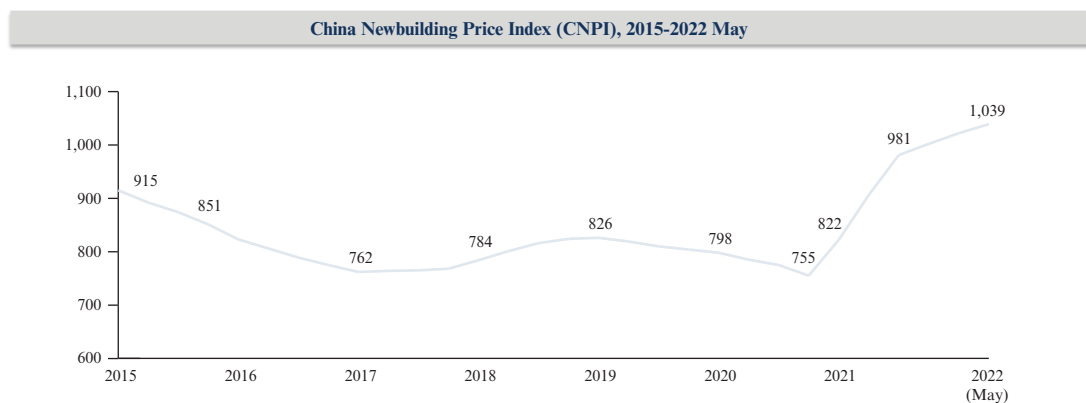
Baltic Dry Index declined in early 2020 due to lockdowns and restrictions introduced during the COVID-19 pandemic but quickly rebounded due to rising demand for industrial commodities as well as the broader economic recovery. The restocking of products and raw materials with volumes above pre-pandemic levels by various industries have further boosted the demand for global shipping, resulting in a surge in the Baltic Dry Index in the first half of 2021. The spread of the Omicron coronavirus variant impacted the maritime shipping industry in the second half of 2021. In Europe, pre-Christmas lockdowns and more restrictions in social distancing have shaken the demand for maritime shipping. The PRC continues to adopt a ‘zero-COVID’ policy and included mass lockdowns in several cities, mandatory quarantines and stringent controls at ports in the past. Following a national zero-COVID-19 policy, more stringent quarantines measures were carried out in the PRC, which affected the operations of container ports in the PRC. As a result, ClarkSea Index and Baltic Dry Index recorded a moderate decline in the second half of 2021.



Source: Baltic Exchange, Frost & Sullivan

### China Newbuilding Price Index

China Newbuilding Price Index is a renowned industry index in China that assesses the shipbuilding price developments of 20 member companies which in sum, accounted for approximately 70% market share of the Chinese shipbuilding industry. The index provides an indication of the overall price developments of the shipbuilding industry in China. New shipbuilding price may be associated with a number of factors, including construction cost, raw material cost, the outlook of shipping industry and contract lead times. The China Newbuilding Price Index increased significantly in 2021 mainly due to the continued increased in raw material cost. For instance, crude oil price increased from approximately US\$49 per barrel at the beginning of 2021 to approximately US\$75 per barrel by the end of 2021. The shipbuilding price essentially reflects the supply-demand dynamics of the shipping industry, when there is low demand for the shipping industry, shipbuilding slows and more vessels become idle, and vice versa. As such, rising shipbuilding price may indicate an increase in demand for ships and thus a prosperous outlook for the shipping industry.

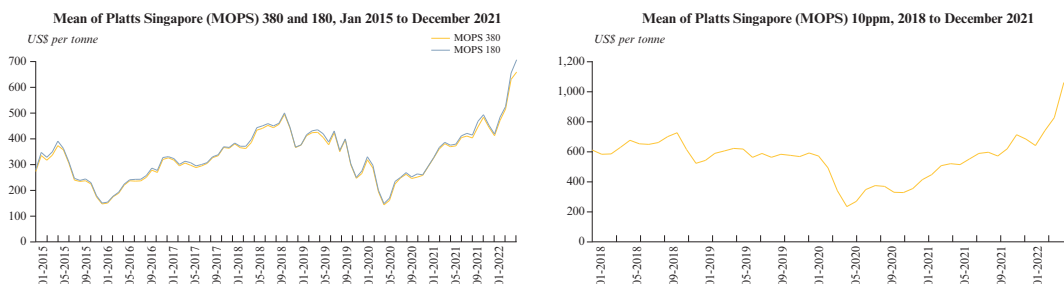


Source: China Newbuilding Price Index Co., Ltd., Frost & Sullivan

## INDUSTRY OVERVIEW

### Historical Price Trend of Bunker Fuel

MOPS 380 and 180 generally represents the price of heavy sulphur fuel oil (HSFO) and MOPS 10ppm generally represents the price of very low sulphur fuel oil (VLSFO). Owing to the crisis between Russia and Ukraine in early 2022, the international crude oil price has surged as significant numbers of traders refused to purchase crude oil originated from Russia, resulting in a shortage of supply around the globe.



Source: Frost & Sullivan

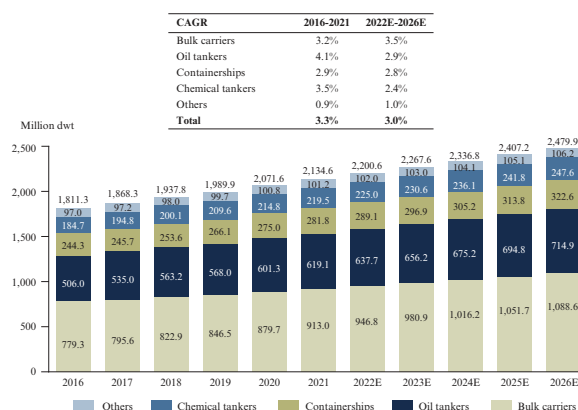
## OVERVIEW OF THE GLOBAL AND THE PRC MARITIME SHIPPING SERVICES INDUSTRY

### Market size of the maritime shipping services industry

#### Globally

The global maritime shipping services industry has experienced considerable growth over recent years in all segments in terms of the total carrying capacity, mainly due to the increasing maritime trade volume and corresponding demand for marine transportation. The total market size increased from 1,811.3 million dwt in 2016 to 2,134.6 million dwt in 2021, representing a CAGR of 3.3% during the period. As global maritime trade activities recovers from the COVID-19 pandemic and continues to grow, the market size of the global maritime shipping services industry is forecasted to increase to 2,479.9 million dwt in 2026, representing a CAGR of 3.0% from 2022 to 2026. The demand for the transportation of cargo through waterways is growing owing to factors such as cost-efficiency and secured way of moving goods as compared to other means of transportation. An economic reopening after COVID-19 outbreak has also spurred surging demand for goods and raw materials.

### Market size of Global Maritime Shipping Services Industry by Vessel Type, 2016-2026E



Note: Deadweight tonnage (dwt) is a measurement of weight carrying capacity of a ship and excludes the weight of the ship itself. The market size excludes ships with below 100 gross tonnage.

Source: UNTCAD, Frost & Sullivan

### The PRC

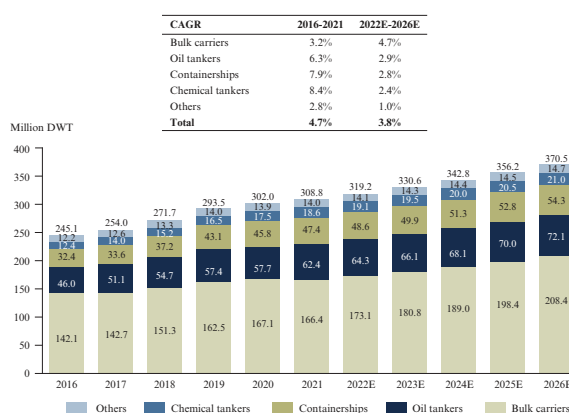
Owing to the growth in seaborne trade volume, the maritime shipping services industry in the PRC displayed a steady growth during 2016 to 2021 with market size having increased from 245.1 million dwt in 2016 to 308.8 million dwt in 2021, representing a CAGR

## INDUSTRY OVERVIEW

of 4.7%. Going forward, as the growth in seaborne trade activity continues, the market size of maritime shipping services industry in the PRC is expected to grow at a CAGR of 3.8% from 319.2 million dwt in 2022 to 370.5 million dwt in 2026.

The COVID-19 outbreak in 2020 caused disruption in global supply chains, choking up ports and delaying vessels. The maritime shipping industry in the PRC has been resumed since the second half of 2020 as the outbreak of COVID-19 is under control in the PRC while other countries were affected by border control and other quarantine measures. The growth in 2020 was particularly strong due to the rapid increase in global shipping cost as a result of insufficient shipping capacity caused by disrupted global supply chains during the COVID-19 pandemic and the stagnation of maritime shipping services in other countries. With the gradual recovery of foreign trade and global economy, the growth of maritime shipping services market in the PRC is likely to continue.

### Market Size of Maritime Shipping Services Industry in the PRC by Vessel Type, 2016-2026E



Source: UNTCAD, Frost & Sullivan

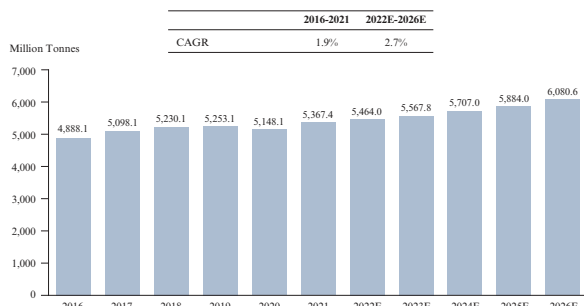
### Trading volume of bulk carriers globally and in the PRC

The bulk carriers market is mainly comprised of major bulks and minor bulks. Iron ore, coal and grain are classified as major bulks, which is responsible for the larger portion of the dry bulk trade, accounting for approximately 61.2% of the global total bulk carriers trading volume in 2021. In general, the global trading volume of bulk carriers has increased from 4,888.1 million tons in 2016 to 5,367.4 million tons in 2021, representing a CAGR of 1.9%. Going forward, consumables such as grain and agricultural products are expected to maintain the stable growth momentum, while commodities in relation to construction industry and manufacturing industry, such as iron ore and cement are expected to grow continuously at a CAGR of approximately 4.3% and 3.8%, respectively in light of the continuous rollout of infrastructural and industrial development plans across the globe.

The PRC is accountable for approximately 43.3% of the trading volume of bulk goods globally in 2021. The increased demand for related construction materials within the country in view of the rollout of major construction projects in the PRC has driven the demand for iron ore and cement in the past few years. Overall, the total trading volume of bulk carriers in the PRC has increased from 1,808.6 million tons to 2,326.6 million tons during 2016 to 2021, representing a CAGR of 5.17%. Attributed to the prompt containment of the outbreak of COVID-19, the export and trading activities in the PRC has regained the growth momentum and the trading volume in 2020 has surged by a year-on-year growth of 8.1%, contributing to the robust CAGR during 2016 to 2021. Along with the normalisation of the economic activities around the globe, the growth of the trading volume of bulk carrier in the PRC is expected to be milder during 2016 to 2021 compared to the historical period. Going forward, the trading volume is expected to attain 2,773.9 million tons in 2026 at a CAGR of 3.6% from 2022 to 2026, attributable to the continuous demand for pivotal commodities such as agricultural products, ores and minerals.

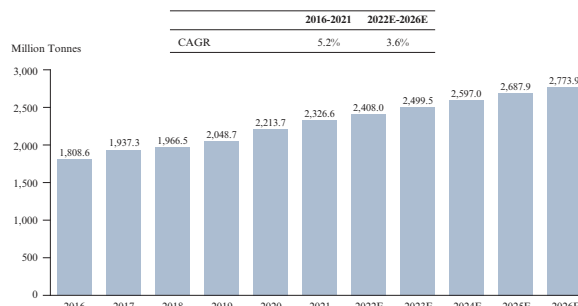
## INDUSTRY OVERVIEW

**Total Trading Volume of Global Bulk Carriers, 2016–2026E**



Source: Frost & Sullivan

**Total Trading Volume of Bulk Carriers in the PRC, 2016–2026E**



Source: Frost & Sullivan

### Export destination of commodities through bulk carriers in the PRC

In 2021, iron ore, coal and related products, steel products and cement were the four main categories transported through bulk carriers in terms of export volume. Among the selected commodities, iron ore, coal and related products and steel products are mostly exported to foreign countries and are dispatched along coastal ports in the cities along the southeastern coast of the PRC, such as Shanghai, Yangshan, Tsingtao and Zhoushan.

Major foreign export locations of iron ore, coal and related products are comparatively more consolidated, with Japan, South Korea, Taiwan and Indonesia being the major destinations. The export destinations of steel products and cement are fairly fragmented, with the top five locations accounting for approximately 35.9% and 47.1%, respectively.

The bulk carriers market is underpinned by the expedited urban development around the globe, which entails demand for various commodities. Expedited economic development in developing countries and infrastructural overhaul projects in developed countries contributed to the considerable demand for transportation of respective construction materials. As the world’s leading export country of major construction materials such as steel, wood, cement and sand, the PRC shall continue to benefit from continual urbanisation and industrialisation around the globe.

In view of technological developments such as the increasing adoption of light-metal alternative fuel vehicle, advanced energy management system, and other related application in aerospace industry, the demand for various ores and minerals adopted in metallurgy in extracting metals and formulating alloys, chemical industry and electric module packaging is propelled.

### The import of major commodities in the PRC

**The Import Volume of Major Commodities in the PRC, 2015–2025E**

(Unit: million tonnes)	2015	2020	2021E	2025E	CAGR (2015-2020)	CAGR (2021E-2025E)
Coal and related product	592.4	800.4	856.3	1,157.9	6.2%	7.8%
Petroleum, natural gas and related product	517.0	860.8	923.8	1,313.4	10.7%	9.2%
Metal ore	1,094.4	1,354.9	1,472.6	1,870.6	4.4%	6.2%
Steel	92.8	136.9	93.2	119.2	8.1%	6.4%
Mining construction materials	371.4	471.8	504.9	617.6	4.9%	5.2%
Cement	48.3	59.5	64.4	73.7	4.2%	3.4%
Wood	42.0	55.6	59.3	73.6	5.8%	5.6%
Non-metal ore	80.6	200.9	213.3	284.0	20.0%	7.4%
Fertilizers and pesticides	10.1	18.0	25.2	35.7	12.2%	9.1%
Salt	7.8	9.3	10.8	14.5	3.7%	7.6%
Food	126.9	144.4	157.5	228.6	2.6%	9.8%
Others	1,447.9	1,290.2	1,479.1	1,672.9	-2.3%	3.1%
<b>Total</b>	<b>4,431.5</b>	<b>5,402.7</b>	<b>5,860.3</b>	<b>7,461.6</b>	<b>4.0%</b>	<b>6.2%</b>

Source: National Bureau of Statistics of China, Frost & Sullivan



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## INDUSTRY OVERVIEW

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The import volume of commodities in the PRC has increased from approximately 4,431.5 million tonnes to approximately 5,402.7 million tonnes during 2015 to 2020, representing a CAGR of approximately 4.0%. With the rapid economic and industrial development as well as burgeoning population, energy and manufacturing related commodities including metal ore, coal and related product and petroleum, natural gas and related product have been major import categories, growing at CAGRs of approximately 4.4%, 6.2% and 10.7%, respectively during 2015 to 2020 and collectively accounting for approximately 55.8% of the total volume recorded in 2020. Principally, these unpackaged major bulk products are transported through bulk carrier, the stably growing throughput of these commodities shall contribute to the continuous development of the bulk carrier industry in the PRC. Going forward the import volume of commodities in the PRC is expected to grow at a CAGR of approximately 6.2% during 2021 to 2025, attaining approximately 7,461.6 million tonnes in 2025.

### **Impact of key events to the bulk carriers market**

The bulk carriers industry is highly associated with macroeconomic environments, international policies and maritime regulations. Key events namely international trade protectionism, outbreak of COVID-19 and U.S. infrastructure bill, have collectively impacted the bulk carriers industry both positively and adversely to respective extents during the recent years.

Since the trade conflict between the U.S. and the PRC in or around 2018 where tariffs were imposed on various commodities transferred through bulk carriers, significant tariff imposed has led to a plummet on trading volume between the two major economies, thereby dampening the demand for bulk carriers. The emergence of similar protectionism, such as Brexit, has also impacted global maritime markets in terms of, including foreign exchange rate and securities markets tariffs, treaties and other regulatory matters that in turn created uncertainties on the associated cost and risk in the bulk carriers industry.

Further, the outbreak of the COVID-19 in 2020 has negatively impacted the global economy and disrupted global supply chains. The implementation of quarantine, lockdown and travel restrictions measures to limit human interaction, have led to temporary closures of factories and other facilities such as port terminals, which has resulted in temporary decline in supply of goods in warehouses and terminals. The volatility and slackened turnaround of vessels voyage have led to the plummet of bulk carriers trading volume in 2020 at a year-on-year decline of 2.0%. The bulk carriers trading volume in 2021 has regained growth momentum, with a year-on-year growth of approximately 4.3%.

Recently, a series of conflicts have escalated between Russia and Ukraine in February 2022 which had led to sanctions from a number of countries towards Russia targeting businesses, monetary exchanges, bank transfers, and imports and exports. The economic impact is significant to the globe and particularly to the bulk carriers market in the following aspects (i) Russia or Ukraine has been one of the largest exporters of commodities such as grains, wheats, natural gas, crude oil, while the conflict has led to stagnation of commodities production in the relevant areas and sanctions; (ii) the conflict has caused disruption to the supply chain and consequential inflation on commodities price level and subsequently unexpected influence to the shipping schedules and supply chain; (iii) shipping rates have risen on higher war premium and demand has increased in the short term, which has resulted in a more volatile spot earnings for bulk carriers, and some notable bulk carrier corporates registered considerable gains in view of the rising shipping rates; and (iv) commercial vessels including bulk carriers have been trapped in territorial waters around the conflict zone including the Black Sea, which poses considerable impact to the supply chain regionally around the area.

Nevertheless, the bulk carriers market is underpinned by a suite of alleviating factors and market opportunities including (i) the alleviation of trade war between the U.S. and the PRC as no new measures or tariffs had been issued or imposed as of late; (ii) the containment of the outbreak of the COVID-19 is on positive progress subsequent to the rollout of mass vaccination, and the easing of lockdown protocols and the gradual recovery of the economy since 2021, which has resulted in a booming demand for bulk carrier transportation; and (iii) accelerated global infrastructural development, especially consequential to the introduction of the US infrastructure bills, where the U.S. government is committed to investing \$1.2 trillion over the next 8 years on improving

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## INDUSTRY OVERVIEW

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infrastructure across the U.S., hence driving the trading volume of considerable amount of construction materials from countries including the PRC. Further, the crisis between Russia and Ukraine has led to a surge in worldwide crude oil price as significant numbers of traders refused to purchase crude oil originated from Russia. It is estimated that approximately 70% of Russian crude oil exports do not have a matched buyer, such issue being further exacerbated by supply chain and payment difficulties arising from economic sanctions imposed on Russia. As a result, market rates for oil tankers have surged owing to the increase in fuel prices as well as the flourishing demand for fuel amidst the shortage in supply resulting from the crisis, which in turn is expected to benefit shipping companies with oil tankers in their vessel fleets. While concurrently, influx in oil price has led to increasing operating cost of bunkering, which has escalated the operating burden of shipping companies.

### **Market drivers and trends**

#### **1. *Digital transformation***

The maritime shipping industry is known to rely on paperwork for daily operation and has been relatively slow for transition to technology. However, as a result of the COVID-19 pandemic, many shipping companies were forced to adopt technology to solve restriction-related issues. Such digital transformation was embraced by the stakeholders and general public as it benefits the overall development of the industry. The prevailing trend of digitalization is likely to continue, for instance, industry leaders have been using digital-technology to streamline freight booking and utilized AI-based technology to automate manual processes and manage shipping demand. Data analytics, including the mining, collection and prediction of data, are increasingly used in the maritime shipping industry. This may include data regarding cargo types, weights and destinations, or data about the ship itself such as trim, stability, engine performance and communication. Data analytics sorts, arranges and attempts to correlate the multitude of information to draw useful conclusions. For example, data analytics could yield results about historic cargo trends, ocean conditions and ship response to various changing weather conditions. The use of data analytics enable companies to analyze various performance parameters that they can use to better efficiency and planning. On the other hand, the Internet of Things (IoT) allows vessel operations and charterers to remotely direct and/or operate a vessel without their physical presence aboard the vessel. For instance, on the vessels, individual cabins could be remotely accessed with the help of an app or remote controllers that crews would be provided with.

#### **2. *Increased focus on sustainable development***

Studies have shown that the maritime shipping industry accounted for approximately 3% of all global greenhouse gas emissions. As the general public becomes increasingly environmentally-conscious and with the introduction of global initiatives to reduce climate change effects, the shipping industry is pursuing effort towards reducing greenhouse gas emissions. For example, on 1 January 2020, a new limit on the sulphur content in the fuel oil used on board ships introduced by International Maritime Organization came into force, with an aim to improve air quality, preserve the environment and protect human health. Known as “IMO 2020”, the rule limits the sulphur in the fuel oil used on board ships operating outside designated emission control areas from 3.5% to 0.5% m/m (mass by mass). Further, in response to the Paris Climate Change Agreement, 173 member nations of the International Maritime Organization have adopted an initial strategy to reduce the carbon emissions of global shipping by at least 50% by 2050.

### **Market opportunities**

#### **1. *Increasing seaborne trade volume***

Over the past years, increasing seaborne trade volume has led to the growth of the maritime shipping industry. While the outbreak of COVID-19 has caused disruptions in supply chain initially during the first half of 2020, the easing of restriction and lockdown measures in the latter half of 2020 have led to a surge in the demand for manufactured consumer goods and therefore the demand for shipping services and freight rates. In light of the positive market outlook, the shipbuilding industry has experienced a resurgence in orders since early-2021. However, due to the fact that new ship order takes approximately 3

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## INDUSTRY OVERVIEW

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years to be delivered, the short-term rising demand of seaborne trade will provide further opportunity for existing shipping services providers to capitalise on increased freight rates charged for shipping goods.

### **2. Demand arising from global infrastructure projects**

The bulk carrier industry is closely related to global infrastructure and economic development as a majority of the transported goods are raw materials and commodities such as steel, coal, cement, wood and other construction materials. With growing infrastructure renewal and basic infrastructure development for developed and developing countries, respectively, the demand for the logistics of raw materials will provide opportunities for growth in the bulk carrier industry. For instance, the US government has rolled out a USD\$1.2 trillion plan to renew the country’s infrastructure. In addition, the One Belt One Road initiative by the PRC government has brought along major opportunities for infrastructure development in foreign countries, stimulating foreign trade growth and therefore demanding the shipping of raw materials and supporting the industry’s expansion.

### **Market challenges**

#### **1. Changing trade and geopolitical climates**

The overall development of the maritime shipping industry largely depends on the global maritime trade, which in turn is affected by geopolitical, economic, and trade policies. For instance, inward-looking policies and rising protectionist sentiment in recent years could undermine global economic growth and restrict or shift trade flows. The recent trade dispute between China and Australia has caused disruption in the supply of raw materials and affected the shipping arrangement especially for bulk carriers.

#### **2. Labor shortage**

One of the major challenges for the maritime shipping industry is labor shortage and aging workforce. Due to the tough condition onboard and other wellbeing concerns, it is difficult to recruit and retain workers in the maritime shipping industry. Local governments, industry leaders and educators are working to encourage more young people to join the industry, for example, the PRC government has established guidelines and frameworks on the training and education of sailors and optimise the onboard environment.

### **Entry barriers**

#### **1. Capital investment**

Establishment of shipping business is capital intensive in nature. In particular, the investment in fixed assets such as different types of vessels and marine fuel, as well as working capital for daily operation pose a high financial barrier for new market entrants.

#### **2. Economies of scale**

Benefitting from the large scale of business and operation, established and sizable shipping companies can enjoy higher bargaining power to negotiate with suppliers and cost synergies to provide comprehensive and value-added services to customers from different industries. Therefore, economies of scale can be a major setback for the new entrants with limited scale of operation, product and service offerings.

#### **3. Market know-how and experience**

With the increasing demand for a variety of shipping services and stricter regulations on environmental protection, customers usually prefer shipping companies with in-depth understanding and abundant experience in the industry. In addition, it takes time for market participants to establish business network in order to provide flexible and effective shipping solutions to customers.

#### **4. Track record and stable business relationships**

Established and reputable shipping company generally secure a stable relationship with customers and have a shipping network with an expansive geographic coverage. New entrants without a proven track record are unlikely to compete with existing market participants given the high switching cost for customers to change their shipping services provider to a new market entrant. Without industry connections, new entrants often face difficulties in building up relationships with both customers and suppliers.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF THE MARITIME SHIPPING SERVICES MARKET

#### Ranking and market share of maritime shipping companies for international routes headquartered in the PRC

The maritime shipping services market in the PRC is relatively concentrated in a small group of leading players with strong market reputation and brand awareness, with the top five large players in aggregate accounting for approximately 51.4% of the market share in terms of weight carrying capacity for international shipping routes in 2021. The remainder of the market is highly competitive, with more than 20,000 market participants globally in 2021 having shipped goods to and from the PRC via international shipping routes. We are the fifth largest maritime shipping company headquartered in the PRC in 2021 in terms of weight carrying capacity for international shipping routes involving the shipping of goods to and from the PRC, recording approximately 1.26 million dwt which accounts for 0.4% of the total market.

#### Leading Maritime Shipping Companies of International Routes by Weight Carrying Capacity Headquartered in the PRC, 2021

Market Participants	Weight Carrying Capacity (Million DWT)	Market Share
China COSCO Shipping Corporation Limited <sup>(1)</sup>	97.67	33.7%
China Merchants Group <sup>(2)</sup>	39.2	13.5%
Shandong Shipping Corporation <sup>(3)</sup>	9.02	3.1%
Shanghai Leading Energy Shipping Limited <sup>(4)</sup>	1.84	0.6%
Our Group	1.26	0.4%
Subtotal	148.99	51.4%
Total	290.00	100.0%

Source: Ministry of Transport of the PRC, Frost & Sullivan

Notes:

- China COSCO Shipping Corporation Limited (中國遠洋海運有限公司) is an international corporation focused on maritime shipping services, covering the core industries of shipping, ports and logistics, shipping finance, equipment manufacturing, value-added service, etc. It operates globally, and provides shipping services principally through container liners and carries all types of goods transported through containers such as electronics, textiles, consumer goods etc. In addition to its fleet of container liners, it also operates a sizeable fleet of dry bulk carriers and general and specialized cargo vessels. It is a private company.
- China Merchants Group (招商局集團) is focused on three core industries, namely integrated transportation, specialty finance, and integrated urban and industrial park development and operation. It operates across the globe through its sizeable fleet of oil tankers, ore carriers, dry bulk carriers, and chemical carriers. It also operates in the container liner business. It is involved in the transportation of oil, ore, dry bulk commodities, liquified natural gas and containerized goods. It is a private company.
- Shandong Shipping Corporation (山東海運股份有限公司) is specialised in marine transportation of bulk cargo including mineral products, grain, energy resources, chemicals and general cargo. The voyage routes of company cover most of main ports around the world. It operates across the globe and its vessel fleet is principally comprised of dry bulk carriers, liquid bulk carriers and oil tankers. It is a private company.
- Shanghai Leading Energy Shipping Limited (上海瑞寧航運有限公司) is engaged in general cargo transportation along coastal China and Yangtze River, international general cargo transportation, international ship management, goods and technology import and export, freight forwarding, shipping agency, ship equipment maintenance, coal trade and business consultancy, etc. Its vessel fleet is principally comprised of dry bulk carriers with a focus on transporting bulk commodities. It is a private company.
- The shipping companies included in this ranking principally generates revenue from international shipping routes to and from the PRC.

## INDUSTRY OVERVIEW

### Leading Dry Bulk Shipping Companies by Weight Carrying Capacity in the Globe, 2021

Market Participants	Fleet Size (Number of Vessels)	Weight Carrying Capacity (Million DWT)	Market Share by Weight Carrying Capacity
China COSCO Shipping Corporation Limited	500	43.4	4.8%
Euronav Limited <sup>(2)</sup>	74	18.8	2.1%
China Merchants Group	250	16.3	1.8%
Golden Ocean Group Ltd <sup>(3)</sup>	77	13.3	1.5%
Star Bulk Carriers Corporation <sup>(4)</sup>	128	12.8	1.4%
Subtotal	1,029	104.6	11.5%
Total	13,000	913.0	100.0%

Source: Frost & Sullivan

Notes:

1. The fleet size for the purposes of preparing the ranking includes chartered-in and self-owned vessels.
2. Euronav Limited is an international shipping enterprise which focuses on oil transport by sea. It provides shipping solutions on major shipping routes primarily comprising of Trans-Pacific routes, Euro-Asia routes, Intra-Asia routes and Trans-Atlantic routes. It primarily owns oil tankers and transports mainly oil products. It is listed on New York Stock Exchange.
3. Golden Ocean Group Ltd is a Bermuda registered, Norway based dry bulk shipping company. It operates across the globe and provides shipping services primarily through dry bulk carriers. It manages the transportation of a broad range of major and minor bulk commodities, including ores, coal, grains and fertilizers. It is listed on Nasdaq Stock Exchange.
4. Star Bulk Carriers Corporation is a Greece-based shipping company and operates a fleet of dry bulk carrier vessels. It operates across the globe and provides shipping services primarily through dry bulk carriers. It transports major bulks which include iron ore, minerals and grain, and minor bulks such as bauxite, fertilizers and steel products. It is listed on Nasdaq Stock Exchange.

We accounted for 0.1% of the total market share in the global dry bulk shipping companies in 2021 with 1.15 million dwt. We are also the fifth largest dry bulk shipping company headquartered in the PRC in 2021 in terms of weight carrying capacity for international shipping routes involving the shipping of dry bulks to and from the PRC.

### Leading Dry Bulk Shipping Companies of International Routes by Weight Carrying Capacity Headquartered in the PRC, 2021

Market Participants	Fleet Size (Number of Vessels)	Weight Carrying Capacity (Million DWT)	Market Share by Weight Carrying Capacity
China COSCO Shipping Corporation Limited	500	34.8	22.2%
China Merchants Group	250	14.5	9.2%
Shandong Shipping Corporation	53	8.1	5.2%
Shanghai Leading Energy Shipping Limited	22	1.65	1.1%
Our Group	23	1.15	0.7%
Subtotal	848	60.20	38.3%
Total	2,235	157.00	100.0%

Source: Ministry of Transport of the PRC, Frost & Sullivan

Notes:

1. The shipping companies of this ranking principally generates revenue from international shipping routes to and from the PRC.
2. The fleet size includes the vessels chartered-in and self-owned.

## OVERVIEW OF GLOBAL AND THE PRC THIRD-PARTY SHIP MANAGEMENT SERVICES MARKET

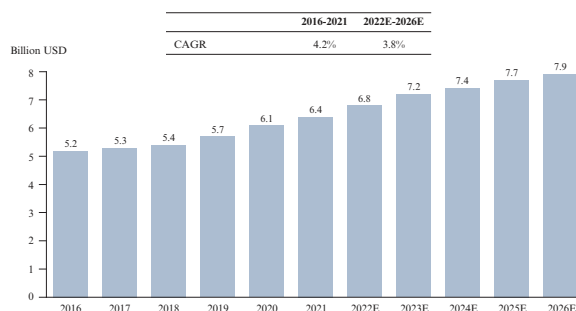
Third-party ship management services refer to the daily operation of vessels, technical management, crew management, repair and maintenance services, and the management of certificates and system documents required under maritime regulations as well as conventions for third-party owned vessels. Vessel owners with small and medium scale fleets often deploy shipping services through third-party ship management services providers in order to manage cost effectively. The stable growth in maritime shipping industry over the past years has brought along with demands for cost-effective, regulated and standardized ship management services. Ship owners that do not necessarily have the experience to manage ships will engage third-party ship management services providers.

## INDUSTRY OVERVIEW

### Market size of global third-party ship management services industry by revenue

The global market size of third-party ship management increased from USD5.2 billion in 2016 to USD6.4 billion in 2021, representing a CAGR of 4.2%, driven by increasing compliance requirements and the demand for high value-added services. Riding on the growth of the maritime shipping services, the global market size of third-party ship management is expected to grow at a CAGR of 3.8% from 2022 to 2026.

#### Market Size of Global Third-party Ship Management Services Industry by Revenue, 2016-2026E

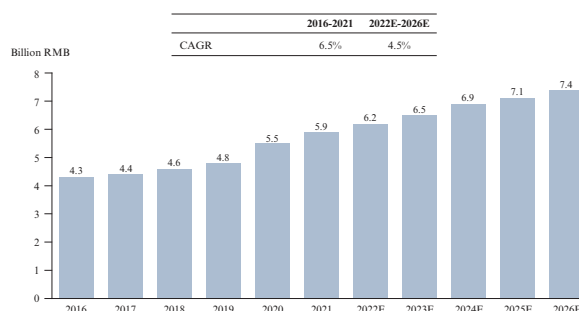


Source: Frost & Sullivan

### Market size of third-party ship management services industry in the PRC

The market size of third-party ship management in the PRC increased from RMB4.3 billion in 2016 to RMB5.9 billion in 2021, representing a CAGR of 6.5%. In particular, the market increased sharply in 2020 as a result of rising demand in midst of disrupted supply chain due to the COVID-19 pandemic. With the recovery of port operations in other countries, the growth in third-party ship management services in the PRC is expected to be not as strong in the near future when compared to the dramatic increase in demand following containment of the COVID-19 outbreak in the second half of 2020. It is expected that the demand for third-party ship management services to continue to grow post-pandemic at a CAGR of 4.5% from 2022 to 2026.

#### Market Size of Third-party Ship Management Services Industry in the PRC by Revenue, 2016-2026E



Source: Frost & Sullivan

### Market drivers and trends in the global market

#### 1. Increasing compliance requirements

In the face of increasing compliance requirements, many shipping companies are opting to adopt an integrated fleet management system to remain competitive within the market. In order to comply with increasingly stringent regulations such as the new limit on the sulphur content for marine fuel introduced by the IMO which came into force as at 1 January 2020, shipowners are more inclined to seek and take advice from professional third-party ship managers. This advice could relate to matters such as the correct marine fuels and ship engines or the transition timetable for related investment to achieve the maximum cost savings.

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## INDUSTRY OVERVIEW

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### **2. *High value-added services***

In view of the rising demand for sophisticated ship management services, the need to hire a third-party ship management services providers becomes prevalent. The third-party ship management services essentially include crewing, dry-docking, supplies organization, regulation compliance, and maintenance. Third-party ship management services providers also offer services in daily operations of vessels, crew management, and repair and maintenance services for third-party owned vessels as well as shipbuilding supervision services. Traditionally the ships are managed by the ship owner himself. Now almost all the organizations involved in the industry are humongous and owns many ships, which in turn drive the needs for professional management of their business and fleet.

### **3. *A new breed of shipowners***

A new and increasingly important source of new business for third-party ship management service providers has arisen from a new group of investors in the shipping market, including finance leasing companies, private equity funds, and export credit agencies. As the expertise of those investors is not in shipping industry, they are more likely to join force with third-party ship management services providers, relying on the latter’s professional knowledge and economies of scale in order to meet fleet management requirements. Indeed, the rise of such non-traditional shipowners, particularly in Asia, serves as the driver to the third-party ship management services.

### **Market drivers and trends in the PRC**

#### **1. *Economies of scale***

Ship management has become an increasingly specialised and technical business segment in the PRC. An increasing number of shipping companies who previously ran their own in-house management team have chosen to outsource their regular operational functions to third-party shipping services providers. They usually offer a range of different management packages, from crewing only, to full commercial and technical management. Use of a third-party shipping services provider generates cost savings through economies of scale.

#### **2. *Increasing mergers and acquisitions activities***

With increasing complexity of ship management, third-party ship management services providers are extending their services scope to fulfill client’s rising expectations. As the market develops into a mature stage, large market participants are seeking expansion opportunities through horizontal or vertical integration and business portfolio diversification which leads to an increase in mergers and acquisitions activities in the PRC third-party ship management services market. Some leading third-party ship management services providers in the PRC have been consistently seeking opportunities that can further expand its business scale and diversify its revenue stream through mergers and acquisitions.

### **Entry barriers**

#### **1. *Brand reputation and awareness***

Existing third-party ship management services providers often have a proven track record of ship successful management projects, and have established a market reputation and brand awareness in the industry. Leading ship management services providers are often included on lists of qualified service providers by major stakeholders in the shipping industry. As such, new entrants to the ship management services market may face difficulties in this regard. Moreover, leading existing market participants with good brand reputation and established client portfolio are more attractive for new clients, in addition to being able to retain their existing clients. Hence new entrants may need extra efforts and time to acquire business from prospective clients. Therefore, existing market players are more competitive in terms of expansion of business network and exploration of new clients.

#### **2. *Experienced management team***

The competency of strategic planning and technical expertise is the cornerstone for developing third-party ship management business. Larger scale third-party ship management is very technical and often requires a wide scope of services, including daily operations of vessels, technical management, crew management, and repair and maintenance services for third-party owned vessels as well as shipbuilding supervision

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services. Owing to the technical nature of provision of ship management services, recruiting and retaining skilled talents with industry expertise in managing various types of ships become critical for market participants. With excellent strategic ability, existing market participants possess professional knowledge and industry experience in providing efficient and comprehensive third-party ship management services, as well as the ability to continuously lower costs. Additionally, leading existing market participants usually have the ability to provide better remuneration package and career opportunities, thereby standing a better chance of recruiting experienced talents. Comparatively, new entrants without experienced management team may face difficulties when making strategic decisions and recruiting skilled employees.

### COMPETITIVE LANDSCAPE OF THE PRC THIRD-PARTY SHIP MANAGEMENT SERVICES MARKET

#### Leading Third-party Ship Management Services Provider by Fleet Size Managed in the Globe, 2021

Market Participants	Fleet Size (No. of Vessels)	Market Share
V Group <sup>(1)</sup>	940	6.7%
Anglo-Eastern Group <sup>(2)</sup>	831	5.9%
Bernhard Schulte GmbH & Co. KG <sup>(3)</sup>	650	4.6%
Fleet Management Limited <sup>(4)</sup>	463	3.3%
OSM Group <sup>(5)</sup>	430	3.1%
Subtotal	3,314	23.7%
Total	14,000	100.0%

Source: Frost & Sullivan

Notes:

1. V Group provides a full range of ship management and marine support services to ship owners and operators around the globe. It operates globally and provides ship management and marine support services to various types of ships, including tankers, bulk carriers, container vessels and leisure ships. It is a private company.
2. Anglo-Eastern Group is an international ship management group. It provides technical ship management for a wide range of different ship types, including dry bulk carriers, container ships, tankers (oil, gas and chemical), roll-on/roll-off carriers, offshore vessels and semi-submersibles, around the globe. It is a private company.
3. Bernhard Schulte GmbH & Co. KG is a family-owned ship owner and ship manager that is well-established in the maritime industry. It provides shipping management services to container vessels, liquified natural gas carriers, liquified petroleum gas carriers, tankers, bulk carriers, offshore vessels and cruise vessels across the globe. It is a private company.
4. Fleet Management Limited provides a comprehensive range of ship management services to cargo ship owners worldwide. It manages a range of vessels including bulk carriers, container vessels, car carriers, oil tankers, gas carriers, and chemical tankers across the globe. It is a private company.
5. OSM Group is an international ship management and maritime services provider company. It engages in shipping management services for various types of vessels, including tankers, bulk carriers, offshore ships, cruise vessels, ferries, and yachts across the globe. It is a private company.

#### Market share of third-party ship management services providers headquartered in the PRC

PRC-based ship management services providers are able to leverage their extensive market know-how and access to the vast network of shipping companies in the PRC to build up a wide base of suppliers and clients. We are the largest third-party ship management services provider headquartered in the PRC in 2021 in terms of the number of third-party owned vessels under management, with 176 third-party owned vessels managed, accounting for approximately 0.9% of the total global market share, respectively.



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### Leading Third-party Ship Management Services Provider by Fleet Size Managed Headquartered in the PRC, 2021

Market Participants	Fleet Size (No. of Vessels)	Market Share
Our Group	176	6.0%
Shanghai Fujian Guohang Ocean Ship Management Co., Ltd.	50	2.5%
Zhongqishi Huayang (Tianjin) Ship Management Co., Ltd.	45	2.3%
V-Ship (Shanghai) Ship Management Co., Ltd.	40	2.0%
Shanghai Dongdu Shipping Management Limited Company	35	1.8%
Subtotal	290	14.5%
Total	2,000	100.0%

Source: Frost & Sullivan

Notes:

1. Shanghai Fujian Guohang Ocean Ship Management Co., Ltd. (上海福建國航遠洋船舶管理有限公司) is a ship management company based in Shanghai. It manages tankers and bulk carriers mainly in the PRC. It is a private company.
2. Zhongqishi Huayang (Tianjin) Ship Management Co., Ltd. (中企世華洋(天津)船舶管理有限公司) is a ship management company based in Tianjin. It manages tankers and bulk carriers mainly in the PRC. It is a private company.
3. V-Ship (Shanghai) Ship Management Co., Ltd. is based in Shanghai and a subsidiary of an international ship management company. It manages tankers and bulk carriers mainly in the PRC. It is a private company.
4. Shanghai Dongdu Shipping Management Limited Company (上海東渡船舶管理有限公司) is a ship management company based in Shanghai. It manages tankers and bulk carriers mainly in the PRC. It is a private company.

### DIRECTORS' CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information therein.

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### APPLICABLE PRC LAWS AND REGULATIONS

The following is an overview of major PRC laws and regulations that are particularly relevant to our Group’s business.

#### Company Law

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. In accordance with the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies, unless otherwise provided by other relevant laws regarding foreign investment, which shall prevail.

The latest amendments to the PRC Company Law, which became effective on October 26, 2018, apply to the current situation where companies diversify their demands for share repurchase by increasing the repurchase of their shares, appropriately simplifying the decision-making procedures for share repurchase, increasing the maximum number of shares held by such companies, and extending the period during which these companies can hold the repurchased shares.

#### Foreign Investment

The Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), which was promulgated in April 12, 1986 and amended on October 31, 2000 and September 3, 2016, respectively, and subsequently repealed and replaced by the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”), forms the fundamental legal basis for the PRC government to regulate wholly foreign-owned enterprises. In accordance with the Foreign Investment Law, which took effect on January 1, 2020, the government shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. Any sector not included on the negative list shall be administered under the principle of equal treatment of domestic and foreign investment. Foreign investors in the industries and sectors that require permission according to the law to invest shall apply for the relevant permission procedures. The form of organization, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the PRC Company Law or the Partnership Enterprise Law of the PRC\* (《中華人民共和國合夥企業法》).

The Rules for the Implementation of the Wholly Foreign-owned Enterprise Law of the People’s Republic of China\* (《中華人民共和國外資企業法實施細則》) was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, which was subsequently repealed and replaced by the Implementation Regulations of the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法實施條例》). The Implementation Regulations of the Foreign Investment Law of the People’s Republic of China took effect on January 1, 2020, pursuant to which the governments and their appropriate departments shall, in accordance with the law, equally treat foreign-funded enterprises and wholly Chinese-funded enterprises in such aspects as policies governing government funding arrangements, land supply, tax reduction and exemption, qualification licensing, formulation of standards, project application, and human resources. Drafting of any laws, regulations, rules and normative documents relating to foreign investment should be subject to the opinions and suggestions from foreign-invested enterprises and relevant chambers of commerce and associations. Feedback on the adoption of opinions and suggestions that reflect issues concentrating on or involving significant rights and obligations of foreign-invested enterprises should be provided through appropriate means. The PRC government has formulated an Encouraging Foreign Investment Industries Catalogue (《鼓勵外商投資產業目錄》) in accordance with the requirements for national economic and social development, which took effect on January 27, 2021 and sets out the specific industries, sectors, and regions where foreign investors are encouraged and guided to invest.

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### **Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》)**

Special Administrative Measures (Negative List) for Foreign Investment Access (“**Negative List**”) was promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on June 28, 2018 and became effective on July 28, 2018, which was subsequently amended on June 30, 2019, June 23, 2020 and December 27, 2021. The Negative List has listed special administrative measures for foreign investment access in a unified manner, including requirements on equity and senior executives. Any sector that is not included on Negative List should be administered under the principle of equal treatment domestic and foreign investment. In the course of discharging their duties in accordance with the law, the relevant competent authorities shall not process the matters in relation to licensing and business registration of foreign investors who intend to invest in such sectors which are included in the Negative List but do not meet the requirements of the Negative List, nor are such competent authorities permitted to approve projects involving investments in fixed assets. No foreign-invested partnerships are permitted to be established in sectors where there is an equity requirement for investments. Where domestic companies, enterprises or natural persons merge or acquire their domestic companies through a company legally established or controlled overseas thereby, they shall proceed with the relevant requirements set for foreign investments, offshore investments, and foreign exchange control. As advised by the PRC Legal Advisers, according to the Negative List 2021 edition issued by the National Development and Reform Commission and the Ministry of Commerce on December 27, 2021 and effective on January 1, 2022, there are no special administrative measures for foreign investment access under the Negative List in respect of ship management business with regard to Chinese flag vessels. In other words, the regulations and rules for the ship management business of Chinese flag vessels equally apply to domestic and foreign investors.

### **Merger and Acquisition of Domestic Enterprises by Foreign Investors**

The Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), promulgated by six PRC ministries including the Ministry of Commerce (“**MOFCOM**”), the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission, the State Taxation Administration, the State Administration for Industry and Commerce, and the State Administration of Foreign Exchange on August 8, 2006, effective from September 8, 2006, amended and became effective on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic enterprise or subscribe the increased capital of a domestic enterprise, and thus changing of the nature of the domestic enterprise into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic enterprise and operate the asset; or when the foreign investors purchase the assets of a domestic non-foreign invested enterprise by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or PRC citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC citizens, such acquisition must be submitted to the MOFCOM for approval.

### **Labor and Employment**

The Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on July 5, 1994 and came into effect on January 1, 1995, and was amended on August 27, 2009, and December 29, 2018, prescribes rights and obligations under the labor contract system, the circumstances under which the employment relationship is terminated, and economic compensation for rescission and termination of the labor contract and its calculation methods under different employment systems and labor contract systems.

The Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012 came into effect on July 1, 2013, which is applicable where employers establish employment

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relationships with employees by concluding, performing, modifying, rescinding or terminating labor contracts. Labor contracts shall be executed in writing to establish the employment relationship between employees and employers, and the labor contracts consist of fixed-term labor contracts, open-ended labor contracts, and labor contracts that expire upon completion of certain tasks. Where the employer fails to conclude a written labor contract with an employee for more than a month but less than a year from the date of employment, the employer shall pay the employee twice his/her salary for each month. In addition, the conditions of concluding open-ended labor contracts and the compensation paid by employers are prescribed by this law.

### **Social Insurance**

According to the Labor Law of the of the People’s Republic of China (《中華人民共和國勞動法》), the Decisions of the State Council for The Establishment of a Unified Basic Pension Plan for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated on July 16, 1997, the Decisions of the State Council on Establishment of a Basic Medical Insurance System for Urban Employees (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Regulation on Work-related Injury Insurance (《工傷保險條例》) promulgated on April 27, 2003 and amended on December 20, 2010, the Regulation on Unemployment Insurance (《失業保險條例》) promulgated on January 22, 1999, the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》) promulgated on December 14, 1994, the Provision Regulations for The Collection And Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》) promulgated on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers and employees have to participate in social insurance and contribute housing provident funds in accordance with the law. The employers responsible for contributing premiums shall establish and complete registration of social insurance and housing fund, and contribute premiums based on basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing fund for employees.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on October 28, 2010, which came into effect on July 1, 2011 and amended on December 29, 2018, the PRC government establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens to receive physical assistance from the government and society in accordance with the law in terms of retirement, sickness, work-related injuries, unemployment, and maternity, and emphasizes the legal obligations and responsibilities for employers to contribute social insurance premiums for employees.

According to the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, an employer shall complete registration of contribution to the housing provident fund with the housing fund management centre. A newly established employer shall complete the registration of contribution to the housing provident fund within 30 days from the date of its establishment with the housing fund management centre, and go through the formalities of opening housing provident fund accounts on behalf of the employees within 20 days from the date of the registration. When employing new employees, an employer shall complete the registration of contribution to the housing provident fund at a housing fund management centre within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing provident fund accounts of employees. Where any employer that violates these regulations fails to complete registration of contribution to the housing fund or go through the formalities of opening housing fund accounts for its employees and workers, the housing provident fund management centre shall order rectification within a prescribed time limit in which case, a fine of more than RMB10,000 and less than RMB50,000 shall be imposed when rectification is overdue. If the employer violates these regulations and fails to pay or underpays the housing provident

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fund within the prescribed time limit, the housing provident fund management center shall order the employer to pay within a prescribed time limit. When the contribution to the housing provident fund has not been made after the expiration of the time limit, an application may be made to a people’s court for mandatory enforcement.

### **Regulations on Intellectual Property Rights**

#### ***Patent Law***

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and currently effective from June 1, 2021, the State Intellectual Property Office is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The protection period is twenty years for an invention patent and ten years for a utility model patent and fifteen years for a design patent, commencing from their respective application dates.

#### ***Trademark Law***

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was adopted on August 23, 1982 and latest amended in 2019, as well as by the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002 and as most recently amended on April 29, 2014. The Trademark Office under the State Administration for Industry and Commerce, handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

#### ***Regulations on Domain Names***

The Ministry of Industry and Information Technology of the PRC (the “MIIT”) promulgated the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) (the “**Domain Name Measures**”), on August 24, 2017, which took effect on November 1, 2017 and replaced the Administrative Measures on China Internet Domain Name (《中國互聯網絡域名管理辦法》) promulgated by the MIIT on November 5, 2004. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

#### ***Regulations Relating to Leasing***

Pursuant to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and effective on January 1, 2020 and the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on December 1, 2010 with

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effect from February 1, 2011, the lessor and lessee shall complete property leasing registration and filling formalities within 30 days from execution of the property lease contract with the competent construction department where the leased property is located.

### **Foreign Exchange Control**

Pursuant to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and came into effect on April 1, 1996, and subsequently amended on August 5, 2008, payments, including the trade balance, interests and dividends incurred, in foreign exchange and transfer of foreign exchange for current international transactions shall not be restricted, provided that such payments shall be based on truthful and legal transactions. If foreign exchange receipts for capital account transactions are to be retained at or sold to financial institutions engaged in settlement or sales of foreign exchange, retention or sales of foreign exchange shall be subject to approval of foreign exchange control organisations, except for those not subject to approval as specified by the PRC government. Domestic institutions or individuals that make direct investment abroad or are engaged in distribution or deal of overseas valuable securities or derivative products or borrowing external debts or providing external guarantee or any other capital account transactions shall be subject to filing application or approval in accordance with the relevant provisions of the Foreign Exchange Control Department of the State Council.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式通知》), promulgated by SAFE on March 30, 2015 and came into effect on June 1, 2015 (which is partially annulled by the Notice of State Administration of Foreign Exchange on Repeal or Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), which was issued on December 30, 2019 and implemented on December 30, 2019 and the rule “the foreign exchange capital remitted to the dedicated security deposit account from overseas and domestically shall not be used for exchange settlement” in Article 6 of the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式通知》 was annulled), a foreign-invested enterprise shall use capital under the authentic and self-use principles within its business scope. The capital of a foreign-invested enterprise and the RMB funds obtained from the exchange settlement thereof shall not be used for the following purposes: (1) for expenditures, directly or indirectly, beyond the enterprise’s business scope or those prohibited by the laws and regulations of the PRC; (2) for investment, directly or indirectly, in securities, unless otherwise provided by laws and regulations; (3) for the issuance, directly or indirectly, of entrusted RMB loans (excluding those that are permitted within the business scope), repayment of inter-enterprise loans (including third party advances) and the repayment of banks’ RMB loans relented to the third parties; and (4) for the payment of relevant fees for the purchase of real estate property not for own use, except for foreign-invested real estate enterprises.

### **SAFE Circular No. 37**

According to SAFE Circular No. 37 which was promulgated and came into effect on July 4, 2014 by the SAFE, domestic resident natural persons or domestic resident legal persons shall, before contributing domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the competent local branch of the SAFE for going through the procedures for foreign exchange registration of overseas investments. Pursuant to SAFE Circular No. 37, domestic resident natural persons include individuals who hold PRC citizenship and overseas individuals who do not hold a Chinese identity document but reside habitually in the PRC for the purpose of economic interests.

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According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 by the SAFE and came into effect on June 1, 2015 (which was partially annulled by the Notice of State Administration of Foreign Exchange on Repeal or Invalidation of Five Regulatory Documents on Foreign Exchange Administration and Some Clauses of Seven Regulatory Documents on Foreign Exchange Administration (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), which was issued on December 30, 2019 and implemented on December 30, 2019), the banks shall directly review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

### Regulations on Taxation

#### *Enterprise Income Tax*

On March 16, 2007, the SCNPC promulgated the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) which was amended on February 24, 2017 and December 29, 2018.

On December 6, 2007, the State Council enacted the Regulations for the Implementation of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) (collectively, the “EIT Law”). The EIT Law came into effect on January 1, 2008 and amended on April 23, 2019. Under the EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

#### *Value-added Tax*

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994 and were subsequently amended from time to time; and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) was promulgated by the Ministry of Finance of PRC (the “MOF”) on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the “VAT Law”). On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定》) (the “Order 691”). On March 20, 2019, the MOF, the State Taxation Administration and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-added Tax (《關於深化增值稅改革有關政策的公告》) (the “Announcement 39”). According to the VAT Law and the Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax (the “VAT”). According to the

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Announcement 39, the VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, which will become effective on April 1, 2019, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

### **Regulations on Dividend Distribution**

Wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the enterprise’s registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

Regulations governing abovementioned dividend distribution arrangements have been replaced by the Foreign Investment Law of PRC (《中華人民共和國外商投資法》) and its implantation rules, which do not provide specific dividend distribution rules for foreign invested enterprises. The Foreign Investment Law and its implementation rules also provide that after the conversion from a wholly foreign-owned enterprise or sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law, distribution method of gains agreed in the joint venture agreements may continue to apply.

### **Regulations on International Maritime Transportation of the PRC**

According to the Regulations of the PRC on International Maritime Transportation (《中華人民共和國國際海運條例》) (the “**International Maritime Regulations**”) promulgated by the State Council on December 11, 2001, effective as at January 1, 2002, and amended on July 18, 2013, February 6, 2016, and March 2, 2019, those engaged in the business operations of international maritime transportation both in and out of Chinese ports and the auxiliary activities relating thereto shall comply with the International Maritime Regulations. The auxiliary activities include international ship agency business, international ship management business, loading and unloading of international maritime cargo, storage of international maritime cargo, international maritime container freight stations and stacking yards business. According to the International Maritime Regulations, an enterprise shall obtain the International Shipping Transportation Operation License (《國際船舶運輸經營許可證》) for international shipping operation. Foreign investors may invest in international shipping business, international shipping agency business, international ship management business, international marine cargo handling business, international marine cargo warehousing business, and international maritime container freight station and container yard business in accordance with relevant laws.

The Implementing Rules of the Regulations of the PRC on International Maritime Transportation (《中華人民共和國國際海運條例實施細則》) (the “**Implementing Rules of the International Maritime Regulations**”) promulgated by the Ministry of Transport on January 20, 2003, and subsequently amended on August 29, 2013, March 7, 2017, June 21, 2019 and November 28, 2019, provide that the Ministry of Transport and the transport authorities of the relevant local people’s governments shall, pursuant to the provisions of the International Maritime Regulations and the Implementing Rules of the International Maritime Regulations, administer the business activities of international maritime transportation and the auxiliary business activities relating to international maritime transportation, and specify the definitions of international shipping business, non-vessel operating common carrier business and international shipping operator.

### **The Regulations for Administration of Maritime Transport of the PRC**

According to the Regulations for Administration of Maritime Transport of the PRC (《國內水路運輸管理條例》) promulgated by the State Council in October 2012 and came into effect in January 2013, and subsequently amended on February 6, 2016 and March 1, 2017, shipping agency, water passenger transportation agency and water freight transportation agency have been changed to a filing system with a dynamic supervision system and a market exit mechanism. The competent transportation department under the



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State Council and the department in charge of waterway transportation shall supervise and manage the waterway transport market in accordance with the law, impose penalties on illegal business activities in waterway transport and its ancillary businesses, and establish a system for managing the integrity of operators, which aims to announce to the public the status of supervision and inspection in a timely manner.

### **The Administrative Provisions on Auxiliary Services for Domestic Waterway Transport**

The Administrative Provisions on Auxiliary Services for Domestic Waterway Transport (《國內水路運輸輔助業管理規定》) promulgated by the Ministry of Transport on January 2, 2014, and came into force as of March 1, 2014, mainly regulate the operations of auxiliary services for domestic waterway transportation, including ship management, ship agency, water passenger transport agency, water goods transport agency and other auxiliary business operations for waterway transportation. The Ministry of Transport is in charge of the administration of auxiliary services for waterway transportation nationwide. The competent transport department of a people’s government at the county level or above takes charge of the administration of auxiliary businesses for water transport within the administrative region, and the waterway transport departments or agencies of which in charge of administration shall implement the specific administration of auxiliary businesses for water transport.

### **Regulation of the People’s Republic of China on Seamen**

According to the Regulation of the People’s Republic of China on Seamen (《中華人民共和國船員條例》) (the “**Seamen Regulation**”) promulgated by the State Council on April 14, 2007 and came into effect on September 1, 2007, and subsequently amended on July 29, 2014, March 1, 2017, March 2, 2019 and March 27, 2020, seamen shall obtain the corresponding certificate of competence for seamen in accordance with the provisions of the Seamen Regulation. Seamen participating in navigation and engineering shall receive corresponding training on competency for seamen and special training, obtained the corresponding qualifications for holding the seaman’s positions, and have good performance and safety records. A seaman of an international navigation vessel applying for the certificate of competency shall also pass the professional foreign language proficiency test for seamen. Seamen and their employers should participate in injuries insurance, medical insurance, pension insurance, unemployment insurance and other social insurance in accordance with the relevant national provisions, and pay the full amount of the insurance premiums in a timely manner according to the law. Except for the national holidays, seamen are also entitled to annual leave of not less than five days for every two months of work on a vessel. The seamen’s employers shall pay seamen the remuneration not less than their average wages earned at work on the vessel during the period of his annual leave.

### **Marine Environmental Protection**

The Marine Environmental Protection Law of the People’s Republic of China (《中華人民共和國海洋環境保護法》), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on August 23, 1982 and came into effect on March 1, 1983, and was amended on December 25, 1999, December 28, 2013, November 7, 2016 and November 4, 2017, prescribes that organisations and individuals discharging pollutants or dumping waste into the sea shall pay a pollutant discharge fee or dumping fee pursuant to the provisions of the State. Vessels and related operations shall comply with the relevant laws, regulations and standards, and adopt effective measures to prevent marine environment pollution. Non-compliance may lead to a series of penalties, including monetary penalties or being ordered to stop the illegal act and make correction, suspend business or close down.

The Administrative Regulation on the Prevention and Control of Marine Environmental Pollution Caused by Vessels (《防治船舶污染海洋環境管理條例》) promulgated by the State Council on September 9, 2009, and subsequently amended on December 7, 2013, July 29, 2014, February 6, 2016, March 1, 2017 and March 19, 2018, shall apply to the prevention and control of pollution caused by vessels and their related operational activities to the sea areas under the jurisdiction of the PRC. The prevention and

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control of marine environmental pollution caused by vessels and relevant operational activities shall follow the principle of putting prevention first and combining prevention and control.

The Administrative Provisions of the PRC on the Prevention and Control of Marine Environmental Pollution Caused by Vessels and Relevant Operational Activities (《中華人民共和國船舶及其有關作業活動污染海洋環境防治管理規定》) promulgated by the Ministry of Transport on 23 May 2017, and came into effect as of the same date, shall be applicable to the prevention and control of pollution caused by vessels and relevant operational activities to the sea areas under the jurisdiction of the PRC. Pursuant to the provisions, the relevant operational activities include loading, unloading, delivery over-side, hold cleaning, tank washing, oil receiving and supply, repairing, salvaging and disassembling of vessels, packing and canning of polluting and harmful goods, pollutant removal and other surface and underwater operational activities of vessels. The Transport Department under the State Council shall be in charge of the nationwide prevention and control of marine environmental pollution caused by vessels and relevant operational activities. The National Maritime Administration Authority shall be responsible for supervising and administering the nationwide prevention and control of marine environmental pollution caused by vessels and relevant operational activities. The competent maritime administration authorities at all levels shall, based on their duties and the extent of power, be responsible for supervising and administering the prevention and control of marine environmental pollution caused by vessels and relevant operational activities within their respective jurisdictions.

### **Personal Information Protection Law of the People’s Republic of China**

The Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated by the Standing Committee of the National People’s Congress on August 20, 2021, and took effect on November 1, 2021. The Personal Information Protection Law consolidates decentralized rules on personal information rights and privacy protection to provide a comprehensive personal information protection system. Personal information refers to all information concerning an identified or identifiable natural person, recorded electronically or otherwise, excluding information processed anonymously. The Personal Information Protection Law applies to personal information processing activities within the territory of the PRC and also applies to certain Personal Information processing activities outside the territory of the PRC, including those for providing products or services to natural persons within the territory of the PRC or analysing and evaluating behaviours of natural persons within the territory of the PRC.

The Personal Information Protection Law provides for circumstances in which a personal information processor may process personal information, including but not limited to circumstances where an individual’s consent is obtained and the circumstances are necessary to enter into or perform a contract to which the individual is a party. It also provides several specific rules governing the obligations of personal information processors, for example, the obligations of informing individuals of the purposes and methods of the processing, types of personal information processed, storage period and the obligations of any third party that may obtain the personal information in cooperative processing or entrustment. In accordance with the Personal Information Protection Law, processors shall take necessary measures to protect the security of personal information processed. It stipulates the rights of data subjects, including the right to know, the right to refuse or restrict processing, the right of access, the right of transfer, the right of correction, the right of deletion, the right to request interpretation of processing rules, and the rights of close relatives of the deceased.

The Personal Information Protection Law provides that processors and key information infrastructure operators shall store the personal information collected and generated within the territory of the PRC if the quantity of the personal information they process exceeds the upper limit prescribed by the relevant departments and key information infrastructure operators. Personal information processors that make automatic decision by use of personal information shall ensure the transparency of such automatic decision and

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the fairness and impartiality of the results thereof and shall not give unreasonably differential treatment to individuals in terms of transaction conditions such as transaction price. Relevant government departments shall organize assessments of the protection of personal information by mobile applications and publish the results. If a mobile application is found to fail to meet the protection requirements for personal information under the law, it may be required to suspend or terminate its services. The operator may also be subject to penalties such as confiscation of illegal income and fines. The Personal Information Protection Law also stipulates the rights of the natural persons whose personal information is processed. It particularly protects the personal information of children under 14 and sensitive personal information.

### **Data Security Law of the People’s Republic of China**

The Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was promulgated by the Standing Committee of the National People’s Congress on June 10, 2021, and entered into force on September 1, 2021. The Data Security Law regulates the data security and privacy obligations of entities and individuals carrying out data activities.

Based on the importance of data in economic and social development, and the degree of damage caused to national security, public interests, or the legitimate rights and interests of individuals or organisations when such data are altered, destroyed, leaked, illegally obtained or illegally used, the Data Security Law introduces a classified and graded data protection system and apply appropriate level of protection measures to each corresponding category of data. For example, important data processors shall designate a person responsible for data security and a management body to evaluate the risks of their data processing activities and submit the evaluation report to the competent authorities. In addition, the Data Security Law provides a national security review process for data activities that may have an impact on national security, and imposes export restrictions on certain data and information.

### **Administrative Provisions on Overseas Issuance and Listing of Securities by Domestic Enterprises and Administrative Measures for the Record-filing of Overseas Issuance and Listing of Securities by Domestic Enterprises**

On December 24, 2021, the China Securities Regulatory Commission (CSRC) promulgated the Administrative Provisions of the State Council on Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(徵求意見稿)》) (the “**Administrative Provisions**”) and the Administrative Measures for the Record-filing of Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Administrative Measures**”) (collectively referred to as the “**Drafts**”) to gather public comments by January 23, 2022.

According to the Drafts, domestic Chinese enterprises that directly or indirectly issue securities in offshore areas or list their securities for trading in offshore areas must file a record to the CSRC within 3 business days from the submission of their listing application documents to the relevant regulatory authorities where the enterprises plan to list its securities. Domestic enterprises’ direct overseas issuance of securities or trading of their securities on the overseas market refers to issuance of securities overseas or listing of their securities for trading overseas by companies limited by shares registered within the territory of the PRC. Domestic enterprises’ indirect overseas issuance of securities or trading of their securities on the overseas market refers to the overseas issuance or the overseas listing and trading of securities, in the name of an overseas enterprise, by an enterprise whose primary business and operating activities are within the territory of the PRC, based on the equity, assets, incomes, or other similar rights and interests of the domestic enterprise. The Drafts also stipulate several circumstances under which the overseas listing shall not be conducted. If a domestic enterprise fails to complete filing in accordance with the Administrative Provisions, it may be given a warning and imposed a fine of RMB1 million to RMB10 million. In a serious case, the domestic enterprise may be ordered to suspend relevant

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business or cease its business for internal rectification, or its relevant business qualification license or business license may be revoked or suspended. As at the Latest Practicable Date, the Drafts have not been formally adopted.

### APPLICABLE SINGAPORE LAWS AND REGULATIONS

Our business operation in Singapore is mainly regulated by the Maritime and Port Authority of Singapore (“MPA”), established under the Maritime and Port Authority of Singapore Act 1996 and its subsidiary legislation. This legislation sets out the legal requirements, certification and registration, monitoring and surveillance of the shipping industry in Singapore. Further, Singapore is a council member of the International Maritime Organization (“IMO”) which covers safety and security, marine pollution, legal matters, technical co-operation and maritime traffic rules. As such, Singapore has acceded to various international conventions made under the auspices of the IMO. Summaries of major Singapore laws and regulations which are relevant to our Group are set out below:

#### Maritime legislation in Singapore

The maritime legislation of Singapore includes Acts of Parliament in Singapore that affect the port of Singapore and ships registered under the Singapore flag.

##### *Merchant Shipping Act 1995*

The Merchant Shipping Act 1995 (“MSA”) sets out the procedures and requirements for the registration of ships under the Singapore flag, manning, crew matters as well as safety issues. Vessels registered in accordance with the MSA under the Singapore flag are subject to the provisions of the MSA. The MSA regulates the various aspects of merchant shipping including the following:

- (i) registration of ships;
- (ii) manning and certification of qualified persons;
- (iii) crew matters;
- (iv) survey and safety of ships;
- (v) inquiries and investigations of ship officers and shipping casualties;
- (vi) delivery of goods;
- (vii) liability of shipowners;
- (viii) wreck and salvage of ships; and
- (ix) legal proceedings governing ships subject to the MSA.

Vessels registered under the Singapore flag (the “Singaporean Vessels”) will be issued with certificates of registration by the MPA. These certificates are only issued to vessels which have met the requirements specified in the MSA for registration. In addition, the subsidiary regulations below set out the specific requirements in relation to registration of Singaporean Vessels.

As at the Latest Practicable Date, our Singapore subsidiaries did not own any ships, and there was no ship owned by the Singapore subsidiaries which are registered under the Singapore flag state.

##### *Merchant Shipping (Safety Conventions) Regulations (“MSSC”)*

Singapore maritime legislations adopts the **International Convention for the Safety of Life at Sea 1974 (“SOLAS”)** through MSSC Regulations which specified the minimum standards for the building, equipping and operations of vessels. Some standards include the requirement for the installation of the fire-fighting systems, machinery and electrical equipment on board a vessel which are essential for its safe operation under various emergency conditions.

##### *Merchant Shipping (Maritime Labor Convention) Act 2014 (“MSML”)*

MSML and its regulations incorporated the Maritime Labor Convention 2006 (“MLC”). Certain provisions of the MSML applies to all ships, not being Singapore ships, in Singapore, whether publicly or privately owned, ordinarily engaged in commercial activities; and all seafarers employed on such ships. Under Section 2 of the MSML, the MSML not only imposes strict liabilities on the ship-owner, but the same strict liabilities

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are also imposed on the ship manager or anyone “who has assumed the responsibility for the operation of the ship from the owner and who, on assuming such responsibility, has agreed to take over the duties and responsibilities imposed on the shipowners”.

Some key features of the MSML include specifying working hours, payment of wages, annual leave, minimum age requirements and provision for the repatriation of seafarers. The MSML also sets out requirements for working conditions on board ships, which includes the proper provision of food and water, medical care and other measures to ensure the health and safety of seafarers.

Under the MSML, ship owners are required to implement procedures to allow aggrieved seafarers to lodge complaints regarding breaches of employment conditions. Where a seafarer is dissatisfied with the result of the investigation, the ship’s master is obligated under the MSML to make adequate arrangements to enable the seafarer to escalate the matter to the MPA, or if the ship is not in Singapore, to a port State authority.

Under Section 58 of the MSML, any ship in Singapore, not being a Singapore ship, whether publicly or privately owned, that is ordinarily engaged in commercial activities, is subject to inspection limited to verifying that there are carried on board the ship (i) a valid Maritime Labor Certificate or a valid interim Maritime Labour Certificate; and (ii) a valid Declaration of Maritime Labor Compliance, or their equivalent issued under the national laws of the flag State of the ship. Further, under Section 59 of the MSML, if upon inspection a ship is found not to conform to the requirements of the MSML or other relevant written law, or of the MLC (as the case may be) and (i) the conditions on board are clearly hazardous to the safety, health or security of seafarers; or (ii) the non-conformity constitutes a serious or repeated breach of the requirements (inclusive of seafarers’ rights) of the MSML or other relevant written law, or of the MLC, as the case may be, the ship may be detained. In the event the ship goes to sea before it is released after service of the notice of detention, the ship owner and the shipowner and the master shall each be guilty of an offence and shall each be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

### ***International Safety Management Code (“ISM Code”)***

The ISM Code is made mandatory under SOLAS Chapter IX — Management for the safe operation of ships. The ISM Code required the establishment of procedures for the maintenance and safety of vessels and environmental protection, among others. From July 1, 1998 onwards, the ISM Code is applicable to passenger ships and high-speed craft passenger, and oil/chemical/gas tankers, bulk carriers and high-speed craft cargo ship of 500 tonnage and above. Companies are mandated to develop, implement and maintain a safety management system (“SMS”) in accordance with the provisions of the ISM Code. The SMS must be implemented in their shore-based organizations (main and branch offices), as well as on their ships. Any of the nine classification societies which has been authorized by the MPA may conduct company and ship board ISM audits and to issue Documents of Compliance (“DOC”) and Safety Management Certificates (“SMC”) to the companies and their Singapore ships.

Ship managers, charterers and operators are required to adhere to standards for the safe management and operation of ships and pollution prevention in certain situations. Under Chapter IX of the International Convention for the Safety of Life at Sea, for a cargo ship of not less than 500 tons gross tonnage under Regulation 3(ii) of Chapter I, SOLAS, an organization including a manager or charterer who has assumed responsibility for the operation of the ship from the owner, and who on assuming such responsibility has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention A.741(18), will require a DOC pursuant to Regulation 1(3) of Chapter IX of SOLAS. The DOC requires an audit to be carried out every year by the flag Administration or its recognized organizations, and the DOC must be renewed every (5) five years under Regulation 4(1) of Chapter IX of SOLAS. To obtain the DOC, the company is required to comply with the ISM Code, particularly Regulation 1.4 of the ISM Code, which requires the development of a Safety Management System. This comprises a safety and environmental protection policy; procedures to ensure safe operations of ships and protection of the environment; defined levels of authority and

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lines of communication between shipboard and shore personnel; procedures for reporting hazardous occurrences, accidents and non-conformities with the ISM Code; procedures to prepare for and respond to emergency situations; and procedures for internal audits and management reviews. Companies must also appoint designated persons ashore to monitor safety and pollution-prevention, and designated persons must have direct access to highest level of management in the company, as well as adequate resources and support to carry out their functions.

As at the Latest Practicable Date, our Singapore subsidiaries which engage in ship management services for the Group’s subsidiary had obtained the necessary DOC issued by the Bureau Veritas.

### ***Merchant Shipping (Civil Liability and Compensation for Oil Pollution) Act 1998 (“CLCOPA”)***

Any and all ships entering the territory of Singapore are subject to the CLCOPA which was enacted to bring into effect in Singapore the International Convention on Civil Liability for Oil Pollution Damage 1992 and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1992.

The CLCOPA provides that owners of ships that cause damage in the territory of Singapore by contamination resulting from the discharge or escape of oil shall be liable for such damage, the cost of any measures taken after such discharge or escape for the purpose of preventing or reducing such damage and for damage caused in the territory of Singapore by the measures so taken. The aforementioned applies to any ship constructed or adapted for carrying oil in bulk as cargo and where any ship so constructed or adapted is capable of carrying any other cargoes besides oil, applies only to any such ship (i) while it is carrying oil in bulk as cargo; and (ii) while it is on any voyage following the carriage of any such oil, unless it is proved that no residues from the carriage of any such oil remain in the ship.

Pursuant to Section 13 of the CLCOPA, any ship carrying in bulk as cargo more than 2,000 tons of oil must not enter or leave any port in Singapore or enter or leave any offshore terminal in the territorial sea of Singapore and must not, if it is a Singapore ship, enter or leave any port in any other country or any offshore terminal in the territorial sea of any other country, unless there is in force a Liability Convention Certificate (“LCC”) and showing that there is in force in respect of the ship a contract of insurance or other security satisfying the requirements of Article VII of the Liability Convention. If the ship is registered in a Liability Convention country other than Singapore the LLC must be issued by or under the authority of the government of that other Liability Convention country, and if the ship is registered in a country which is not a Liability Convention country, the LLC must be issued by the Director of Marine or by or under the authority of the government of any Liability Convention country other than Singapore.

If a ship enters or leaves, or attempts to enter or leave a port or the territorial sea without the said LLC, the master or the owner of the ship shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$1 million. If a ship fails to carry or fails to produce a LLC upon request of any officer of MPA, the master of the ship shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000.

### ***Merchant Shipping (Civil Liability and Compensation for Bunker Oil Pollution) Act 2008 (“CLCBOPA”)***

Similarly, under the CLCBOPA, owners of ships that cause damage in the territory of Singapore by contamination resulting from the discharge or escape of bunker oil shall be liable for such damage, the cost of any measures taken after such discharge or escape for the purpose of preventing or reducing such damage and for damage caused in the territory of Singapore by the measures so taken.

Pursuant to Section 12 of the CLCBOPA, any ship having a gross tonnage greater than 1,000, shall not enter or leave any port in Singapore unless there is in force (i) a contract of insurance or other security in respect of the ship satisfying the requirements of Article 7 of the Bunker Convention; and (ii) a Bunker Convention Certificate (“BCC”). If the ship is registered in a Bunker Convention country other than Singapore, the BCC must be issued by or under the authority of the government of that other Bunker Convention country, and

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if the ship is registered in a country which is not a Bunker Convention country, the BCC must be issued by the Director of Marine or by or under the authority of the government of any Bunker Convention country other than Singapore.

If a ship enters or leaves, or attempts to enter or leave a port or the territorial sea without the said BCC, the master or the owner of the ship shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$1 million. If a ship fails to carry or fails to produce a LLC upon request of any officer of MPA, the master of the ship shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000.

### ***Prevention of Pollution of the Sea Act 1990 (“PPSA”)***

The PPSA aims to prevent sea pollution, whether originating from land or from ships. Pollution from these sources may arise from accidents or even routine marine operations. The PPSA provides that vessels are to keep record of all discharges of oily mixtures and other discharges and to report any discharge of harmful substances. In the event of such a discharge in Singapore waters, the owners would be liable to pay the costs as prescribed by the MPA to remove or reduce the contamination caused.

PPSA also gives MPA the power to take preventive measures to prevent pollution, including denying entry or detaining ships.

Section 6 of the Act prohibits the discharge of refuse, garbage, wastes, effluents, plastics and dangerous pollutants from ships into Singapore waters and if this provision is contravened, the master, the owner and the agent of the ship shall each be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000 or to imprisonment for a term not exceeding 6 months or both.

### ***International Ship and Port Facility Security Code (“ISPS Code”)***

The ISPS Code provides for a set of measures to enhance the security on board of ships and port facilities, developed in response to threats that may be faced by ships on voyage. Compliance is mandatory for the 148 Contracting Parties to SOLAS AND contracting Parties are required to designate appropriate security officers and personnel on each ship in preparation against any potential security threats.

### ***International Convention on Load Line 1966 (“ICLL”)***

The ICLL aims to set out limitations on the draught to which a ship may be loaded, external weather tight and water tight integrity, so as to ensure safety of a vessel. Further to the Merchant Shipping (Load Line) Regulations of Singapore, no vessel which are engaged in international voyages shall proceed to sea on an international voyage unless it has been surveyed, marked and provided with an International Load Line Certificate, or Singapore Load Line Certificate or Singapore Load Line Exemption Certificate.

### **Employment law**

The Employment Act 1968 of Singapore (the “**Employment Act**”) is administered by the Ministry of Manpower and sets out the basic terms and conditions at work for employees covered under the Employment Act, such as payment of salary, paid public holidays, sick leave and maternity leave. The Employment Act covers, amongst others, every employee who is under a contract of service with an employer and includes a workman.

### ***Employment of foreign manpower***

The policies and regulations relating to the employment of foreign employees and manpower are set out, amongst others, under the Employment of Foreign Manpower Act 1990 of Singapore (“**EFMA**”) and relevant government gazettes to regulate the availability and cost of foreign employees.

The EFMA provides that no person shall employ a foreign employee unless the foreign employee has obtained a valid work pass from the Ministry of Manpower in accordance with EFMR, which allows the foreign employee to work for him.

### ***Central Provident Fund (“CPF”)***

The CPF system is a mandatory social security savings scheme funded by contributions from employers and employees. Pursuant to the Central Provident Fund Act, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore by an employer (save for employees

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who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception for non-exempted owners). CPF contributions are not applicable for foreigners who hold employment passes, S passes or work permits.

### **Company Laws and Regulations**

The Singaporean subsidiaries in our Group are private companies limited by shares, incorporated and governed under the provisions of the Companies Act 1967 of Singapore (the “**Companies Act**”) and its regulations.

Members of a company are also subject to and bound by the provisions in its constitution (refers to the memorandum and articles of association for companies which were incorporated before January 3, 2016).

### **Taxation**

#### ***Corporate Tax***

The prevailing corporate tax rate in Singapore is 17%, with partial tax exemption for normal chargeable income of up to S\$200,000. With effect from the year of assessment 2020, 75% of up to the first S\$10,000, and 50% of up to the next S\$190,000 of a company’s chargeable income (otherwise subject to normal taxation) is exempt from corporate tax. The remaining chargeable income that exceeds S\$200,000 will be fully taxable at the prevailing corporate tax rate. In addition, new start-up companies will, subject to certain conditions and exceptions, be eligible for 75% exemption on the first S\$100,000 of normal chargeable income and a further 50% exemption on the next S\$100,000 of normal chargeable income, for each of the company’s first three consecutive years of assessment.

For the year of assessment 2020, corporate taxpayers will be entitled to corporate income tax rebates of 25% of the corporate tax payable (which is capped at S\$15,000 for year of assessment 2020). The corporate income tax rebate will not apply to income derived by a non-resident company that is subject to final withholding tax. There is no corporate income tax rebate proposed for the year of assessment 2021.

#### ***Dividend distributions — One Tier Corporate Taxation System***

Singapore adopts the one-tier corporate taxation system (the “**One-Tier System**”). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

#### ***Withholding taxes***

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

#### ***Goods and Services Tax (“GST”)***

GST in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

## **APPLICABLE HONG KONG LAWS AND REGULATIONS**

The following is an overview of Hong Kong ordinances and subsidiary legislations that are particularly relevant to our Group’s business.

### **Merchant Shipping (Registration) Ordinance (Chapter 415 of the Laws of Hong Kong) (“MS(R)O”)**

Section 11 of the MS(R)O provides that a ship is registrable if a representative person is appointed in relation to that ship and either a majority interest in the ship is owned by one or more qualified persons or the ship is operated under a demise charter by a body corporate being a qualified person. As qualified persons include body corporates in Hong Kong, the MS(R)O applies to our Group.

Sections 19 and 20 of the MS(R)O state that a specified form, consent from the representative person and declarations by and on behalf of owners and demise charterers are required for an application for registration.



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## REGULATORY OVERVIEW

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Section 24 of the MS(R)O provides that upon the registration of a ship, the Registrar of Ships shall grant a certificate of registry, in the specified form, containing the particulars relating to the ship entered in the register.

The Registrar of Ships is responsible for keeping a register for ships registered or provisionally registered under the MS(R)O. The register shall contain particulars in respect of ships, owners and their respective interests in ships, demise charterers, mortgagees and representative persons as are prescribed.

### **Merchant Shipping (Safety) Ordinance (Chapter 369 of the Laws of Hong Kong) (“MS(S)O”) and Merchant Shipping (Prevention and Control of Pollution) Ordinance (Chapter 413 of the Laws of Hong Kong) (“MS(PC)O”)**

Hong Kong is an Associate Member of the International Maritime Organization (IMO) and has accepted the international conventions relating to safety and protection of the marine environment. These conventions are implemented through regulations made under the MS(S)O and MS(PC)O and regulates the safety and prevention and control of pollution issues of Hong Kong ships.

### **Bunker Oil Pollution (Liability and Compensation) Ordinance (Chapter 605 of the Laws of Hong Kong) (“BOP(LC)O”)**

The BOP(LC)O provides for the legislative framework in enforcing claims against the shipowners where any bunker oil carried by the ship is discharged or escaped from the ship resulting in pollution and damage.

### **Merchant Shipping (Collision Damage Liability and Salvage) Ordinance (Chapter 508 of the Laws of Hong Kong) (“MS(CDLS)O”)**

The MS(CDLS)O governs the law relating to collision damage and salvage operations. It incorporates the International Convention on Salvage 1989, thereby bringing this aspect of Hong Kong law in line with international laws. The Convention acts as the principal multilateral document governing marine salvage.

Under section 3 of the MS(CDLS)O, where by the fault of two or more vessels, damage or loss is caused to one or more of those vessels, to their cargoes or freight, or to any property on board, the liability to make good the damage or loss shall be in proportion to the degree in which each vessel was in fault.

### **Carriage of Goods by Sea Ordinance (Chapter 462 of the Laws of Hong Kong) (“CGSO”)**

The CGSO incorporates the Hague-Visby Rules which governs the rights and liabilities (and the limitation of such liabilities) of the parties (including the shipowners) relating to the transportation of goods by sea.

Whilst most of the member states to the international conventions simply adopt the requirements of the international conventions by incorporating the same in its national laws, the flag state requirements of some states may be different or extended to aspects which are not addressed in the international conventions.

## **APPLICABLE JAPANESE LAWS AND REGULATIONS**

Our business operations are mainly regulated by the Ministry of Land, Infrastructure, Transport and Tourism and its subordinate organization (“MLIT”). Summaries of major Japanese laws and regulations which are relevant to our business operations are as set out below.

### **Maritime Laws and Regulations**

#### ***Marine Transportation Act (Act No. 187 of 1949, as amended) (“MTA”)***

The MTA was enacted in 1949 to regulate the business of marine transportation in Japan. Under the MTA, the business of maritime transportation is generally classified as (i) ship operation business; (ii) ship lease business; (iii) marine brokerage business; and (iv) marine agency business.

Our business operation in Japan mainly consists of ship lease business and marine brokerage business. For these businesses, post notifications have to be submitted to relevant local department of the MLIT after the commencement of such businesses as required under the MTA.

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## REGULATORY OVERVIEW

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### ***Act on Limitation of Liability of Shipowner, etc. (Act No. 94 of 1975, as amended) (“ALS”)***

The ALS was enacted in accordance with the International Convention relating to the Limitation of the Liability of Owners of Sea-Going Ships, and Protocol of Signature, 1957. The ALS governs the limitation on, and procedures for, the liability of owner, lessee and charterer, etc. of ships, where such ships are registered in Japan or the ALS is otherwise applicable to such liability thereunder. Under the ALS, the owner, lessee and charterer, and employees of ships may apply for limitation of liability for damages directly caused by operation of ships, delay of transportation, prevention of further damages and so forth with limited exception such as damages caused by their reckless act.

### ***Act on Compensation for Damages of Oil Pollution by Ships (Act No. 95 of 1975, as amended) (“ADOP”)***

The ADOP was enacted in accordance with the International Convention on Civil Liability for Oil Pollution Damage, 1969. The ADOP governs oil pollution caused by any ship constructed or adapted for carrying oil in bulk as cargo, where the ADOP is applicable to such liability thereunder.

The ADOP provides that owners of vessels which cause damage in the territory of Japan by contamination resulting from the discharge or escape of oil shall be liable for such damage, the cost of any measures taken after such discharge or escape for the purpose of preventing or reducing such damage and for damage caused in the territory of Japan by the measures so taken.”

The ADOP also provides for the limitation of liability for damage caused by the discharge or escape of oil and for the availability of an international fund for compensation to the person suffering the damage caused. Such international fund is contributed to by importers as well as receivers of oil. The amount of limitation shall be calculated under the Article 7 of the ADOP mainly in accordance with tonnage of ship. Applicants for the limitation shall file the application for limitation to the relevant district court in Japan, and each creditor will receive all or a part of its claim in accordance with the court decision.

### **Company Laws and Regulations**

Seacon Shipping Japan and Seacon Logistics are indirect wholly-owned subsidiaries of our Company. Both are stock companies, under which the shareholder’s liability is limited, and governed by the Companies Act (Act No. 86 of 2005, as amended) and its subordinate regulations (collectively, the “**Companies Act**”).

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

Japanese companies are also subject to and bound by the provisions in their articles of incorporation, which provides for, *inter alia*, the purposes of the company, restrictions and procedures for transfers of shares, rights of shareholders, procedures and requirements for shareholders’ meeting and, if applicable, board meeting, payment of dividend, dissolution and liquidation and so forth.

### **APPLICABLE MARSHALL ISLANDS LAWS AND REGULATIONS**

In connection with the establishment of its ship registry, the Marshall Islands adopted a corporate law in 1990 which was modeled on the laws of the State of Delaware, named the Marshall Islands Business Corporations Act of 1990, as amended (the “**BCA**”). Section 13 of the BCA provides that “This Act shall be applied and construed to make the Laws of the Republic, with respect to the subject matter hereof, uniform with the laws of the State of Delaware and other states of the United States of America with substantially similar legislative provisions. Insofar as it does not conflict with any other provision of this Act, the non-statutory law of the State of Delaware and those other states of the United States of

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## REGULATORY OVERVIEW

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America with substantially similar legislative provisions is hereby declared to be and is hereby adopted as the law of the Republic, provided however, that this section shall not apply to resident domestic corporations.”

Since 1990, the Marshall Islands has offered an off-shore corporate registry which provides for resident domestic corporations and domestic non-resident corporations. The latter are defined in the BCA as corporations not doing business in the Marshall Islands. Each of the Marshall Islands companies in our Group (the “**Marshall Islands Corporations**”) are domestic non-resident corporations, therefore, the Marshall Islands Corporations are not doing business in the Marshall Islands.

Pursuant to the BCA, the Marshall Islands maintains a Registrar of Corporations which currently has its main offices in the United States. As domestic non-resident corporations, each of the Marshall Islands Corporations is required to pay annual fees and file their current Articles of Incorporation, however they are not required to maintain a share register or list of directors and officers with the Marshall Islands pursuant to the BCA.

Except for the BCA, local Marshall Islands law is generally not applicable to domestic non-resident corporations. For that reason, the application of Marshall Islands law to domestic non-resident corporations would rarely, if ever, be applicable. Along those lines, none of the Marshall Islands Corporations are subject to Marshall Islands income tax.

### APPLICABLE LIBERIAN LAWS AND REGULATIONS

The eight Liberian companies in our Group, namely, Seacon Brazil, Seacon Ningbo, Seacon Shanghai, Seacon Hamburg, Seacon Nola, Seacon Santos, Seacon Tokyo and Seacon Vancouver, are all non-resident Liberian corporations.

Although non-resident Liberian corporations are incorporated and registered in Liberia, they are legally prohibited from doing or transacting any business in Liberia and therefore they do not maintain a legal presence in Liberia. They are commonly referred to as “off-shore corporations”.

As a result of their non-resident status, our Group’s Liberian companies are:

- (a) not required to maintain corporate books and records in Liberia or file the names of directors, officers, shareholders or their individual shareholdings with the Registrar or any governmental entity in Liberia; and
- (b) prohibited from doing or transacting business in Liberia and because their income is not Liberian sourced, they are therefore not subject to Liberian taxation. Under Liberia tax law, only incomes from Liberian sources are subject to Liberian taxation.

With the exception of the Associations Law of Liberia (the “**Associations Law**”), laws that would normally apply to resident corporations, that is, corporations which are authorized to transact and conduct business in Liberia, are not applicable to the Liberian companies in our Group. The Associations Law is patterned on the Corporation and Business Entity Laws of the State of Delaware, the United States. The Delaware Corporation and Business Entity Laws have been adopted to make Liberian law harmonious with them when Liberian law is silent on a particular point of law in so far they do not conflict with any provisions of the Associations Law.

The Associations Law, Title 5 of the Liberian Code of Laws Revised, is divided into the following three sections:

Part I — Business Corporations and Limited Liability Companies, which deals with the formation and operation of the following entities in Liberia:

1. Corporations — the provisions include formation, purposes and powers, corporate finance, directors and management, shareholders, corporate records, amendment of articles of incorporation, merger, consolidation and dissolution.
2. Foreign Corporations
3. Foreign Maritime Entities
4. Limited Liability Companies

Part I is also referred to in the Association Law as the “Business Corporation Act”.

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Part II — Not-For-Profit Corporations, which deals with the formation, corporate financing and membership of domestic not-for-profit corporations.

Part III — Partnerships, which deals with the formation, rules of construction, partnership property of general and limited partnerships.

### APPLICABLE PANAMANIAN LAWS AND REGULATIONS

After ten years of the establishment of the Panama Maritime Authority (the “PMA”), Panama enacted the Law No. 57 of August 6, 2008 (the “Law No. 57”) commonly referred as the Law of the Merchant Marine. The purpose of Law No. 57 was to put together all the guidelines, rules, procedures and even customary law that had taken place around registration of vessels. As of today, Panama has the largest open registry in the world.

Panama has passed into law most of the international conventions enacted by the International Maritime Organization. The most important of these are the International Convention for the Safety of Life at Sea 1974, the International Regulations for Preventing Collisions at Sea of 1972 and the Maritime Labour Convention of 2006. Panama has also ratified the International Convention for the Prevention of Pollution from Ships 1973 as modified by the Protocol of 1978, which is the primary legislation regulating pollution from ships. All Panamanian vessels, therefore, are bound to comply with such international conventions and their implementation and enforcement are carried out by the PMA through its directorates that deal with merchant marine, seafarers and ports.

Panamanian maritime substantive law is included in the Law on Maritime Commerce (the “LMC”), passed in 2008. The LMC also regulates collisions and salvages. In general, if a salvor would like to collect a salvage award, the salvage must be at least partially successful. Panama has also a Code of Maritime Procedure (the “CMP”) which regulates the admiralty courts of Panama and establishes the procedural laws applicable to all maritime cases. The CMP incorporated the Convention on Limitation of Liability for Maritime Claims of 1976 (the “LLMC Convention 1976”) without the Protocol to amend the LLMC Convention 1996.

As per the LMC, ship mortgages over Panamanian vessels must be registered at the PMA for the mortgage to be binding on third parties. Such registrations are handled by PMA’s General Directorate of Public Registry of Ownership of Vessels. Registration of ship mortgages can be conducted on a preliminary basis either at the headquarters of the PMA or through any Merchant Marine Consulate around the World. Such preliminary registration will be valid for six months and within such period the ship mortgage must be registered on a definitive basis at PMA’s headquarters.

LMC also contains the list of 13 types of claims that give rise to maritime liens on ships or ‘preferred maritime credits’. Contract-of-carriage claims give rise to a maritime lien against the carrying ship as well as contract-of-carriage claims for unpaid freight and contributions to general average. A debt for “necessaries” furnished to a vessel gives rise to a maritime lien, even if the necessaries in question were requested by the vessel’s time charterers at the time.

### INTERNATIONAL LAWS AND REGULATIONS

Vessels used by us in our business operations are subject to various international laws, regulations and rules, which can be generally classified into (i) international conventions and codes, (ii) flag state regulations, (iii) port state regulations, and (iv) classification society rules and regulations.

#### International conventions and codes

Vessels used by us in our business operations must comply with various conventions, including: the SOLAS Convention, the MARPOL Convention, the STCW, the MLC, and the COLREGS. These conventions have been incorporated into or enacted as the national or local laws of most countries. Vessels registered in the member states or having entered the territorial waters of the member states must comply with such conventions, depending on the extent to which such conventions have been incorporated into the national or local laws of the respective countries. A vessel should also be in compliance with the rules and

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## REGULATORY OVERVIEW

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regulations adopted by various regulatory bodies such as International Maritime Organisation from time to time, for example the ISM Code and the ISPS Code. A summary of some key contents of certain conventions and codes is as follows:

- The SOLAS Convention is associated with the security of merchant vessels. It specifies the minimum standards for the construction, equipment and operation of vessels. A vessel can only obtain various required certificates after proving that it has satisfied relevant standards.
- The MARPOL Convention is associated with prevention of marine pollution due to operational or accidental incidents of vessels. It governs the discharge of various pollutants by vessels, including oil, sewage, waste and exhaust gas.
- The STCW Convention sets out standards on the training, certification and watchkeeping of seafarers working on vessels sailing on international routes. A vessel needs to have sufficient senior seafarers and seafarers, and the seafarers must have a specified level of sea time, and each must also receive appropriate training and certification in order to perform his/her respective duties on board the vessel.
- The MLC Convention defines and specifies the basic rights of seafarers, regardless of the level of development of individual member states.
- The COLREGS sets out rules regarding waterways for vessels sailing on high seas routes. It contains rules regarding vessel driving and sailing, operating under limited visibility and others.
- The ISM Code imposes greater responsibility to onshore management in respect of safe operation of vessels as well as the prevention of pollution.
- The ISPS Code is for the reduction of the vulnerability of a vessel being used in terroristic acts.

### **Flag state regulations**

A vessel must be registered in a state and sail under the flag of the registering state. This gives the vessel a nationality which follows that even in another state’s territorial waters, those on board are subject to the law of the flag state. The flag state has jurisdiction over and exercises regulatory control over the vessel that sails under its flag. Such jurisdiction and regulatory control involve the inspection, certification and issue of safety and pollution prevention documents in accordance with the applicable international conventions and national regulations.

### **Port state regulations**

As mentioned above, a vessel is required to comply with the laws of the state or jurisdiction which has sovereign rights in the waters where the vessel sails. When the vessel sails to and from a port, it is subject to the relevant local regulations that are applicable to the waters in which it is operating, including pollution, navigation, ballast and berthing/anchoring requirements.

### **Classification society rules and regulations**

A classification society is a non-governmental body that establishes and applies technical standards in relation to the design, construction and survey of marine related facilities including vessels and offshore structures. It also supervises and surveys vessels and structures to ensure that they comply with these standards.

There are a number of classification societies in the world and some of them are members of the International Association of Classification Societies (the “IACS”). Currently, every seagoing merchant vessel shall strictly comply with the rules and regulations of a recognised classification society. The classification society will assign a class designation to a new vessel which is designed, constructed, tested and operated in accordance with the classification society’s rules. A certificate of class will be issued upon satisfactory completion of the relevant surveys. For vessels in service, the classification society carries out relevant surveys to ensure that the vessel remains in compliance with those rules.

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## REGULATORY OVERVIEW

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Vessels are classified according to their structural integrity and design in light of the purpose of the vessels. The classification rules concern primarily the integrity and strength of the hull, machinery, control of engineering and electrical arrangements. A vessel being certified to have maintained its classification status by a recognised classification society is commonly a condition precedent for insurance.

### SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Kingdom, the United Nations and Australian sanctions in their entirety.

#### U.S.

##### *Treasury regulations*

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a Comprehensively Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine and the self-proclaimed Luhansk People’s Republic and Donetsk People’s Republic regions (comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the Specially Designated Nationals And Blocked Persons List maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons (the “SDN List”). Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

#### United Nations

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

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## REGULATORY OVERVIEW

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The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

### **European Union**

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a person or an entity listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

### **United Kingdom and United Kingdom overseas territories**

As at January 1, 2021, the United Kingdom is no longer an EU member state, EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

### **Australia**

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OUR HISTORY

Our Group’s history can be traced back to 2012 when Mr. Guo, chairman of our Board, one of our executive Directors and one of our Controlling Shareholders, together with Mr. Chen, one of our executive Directors and general manager, used Seacon Ships Management (HK), one of our main operating subsidiaries, as a starting point to commence our business of provision of ship management services. As the business grew, Mr. Guo and Mr. Chen saw great opportunities, and established Seacon Ships Qingdao in 2013 and incorporated Seacon Ships Management (SG) in 2019 to expand our ship management business. Mr. Guo and Mr. Chen incorporated Seacon Enterprise and Seacon Shipping in 2017 and 2020, respectively, to further expand our business to shipping services.

For the background and relevant industry experience of Mr. Guo and Mr. Chen, see “Directors and Senior Management”.

### OUR BUSINESS DEVELOPMENT

The following table illustrates the key milestones of our business development since inception:

<b>Year</b>	<b>Milestone</b>
2012	Seacon Ships Management (HK) was incorporated in Hong Kong and we commenced the provision of ship management services
2013	We expanded our ship management services and commenced provision of ship management of Chinese flag vessels through the establishment of Seacon Ships Qingdao
2016	Mr. Guo was first nominated as one of the “Top 100 Most Notable Chinese Individuals in Shipping Industry”* (最受航運界關注的100位中國人) by the China Shipping 100 Organizing Committee* (中國航運百人組委會)
2017	We commenced shipping services business through the incorporation of Seacon Enterprise in Singapore
2018	We were awarded the “Most Popular Ship Management Company” by China Zhenghe Sailing Awards Organizing Committee* (中國鄭和航海風雲榜組委會)
2019	We broadened our ship management service offerings to cover the provision of shipbuilding supervision services
2020	We entered into a shipbuilding supervision contract for Guoxin No.1, the world’s first 100,000 ton fish farming vessel
2021	Our controlled vessel “Seacon Victory” was awarded the “National Workers’ Pioneer”* (全國工人先鋒號) by the All-China Federation of Trade Unions* (中華全國總工會) We were awarded the 2021 Ship Management and Crew Service Excellence Award* (2021船舶管理和船員服務卓越獎) by the 2021 International Ship Management (Shanghai) Summit Organizing Committee* (2021國際船舶管理(上海)高峰論壇組委會)



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OUR COMPANY

On October 22, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, having an initial authorized share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. On the date of incorporation, one Share was allotted and issued as fully paid to the initial subscriber, an Independent Third Party, which in turn transferred such one Share to Jin Chun at par. On the same day, seven and two Shares were allotted and issued, credited as fully paid at par, to Jin Chun and CZK Holding, respectively. On November 25, 2021, 7,992 and 1,998 Shares were further allotted and issued, credited as fully paid at par, to Jin Chun and CZK Holding, respectively. After such allotment and issuance of Shares, Jin Chun and CZK Holding owned 8,000 and 2,000 Shares, representing 80% and 20% of the issued share capital of our Company, respectively.

On November 30, 2021, Jin Chun transferred 200 and 100 Shares, for cash at par, to Ruigao Holding and Passion Wealth, respectively. On December 20, 2021, Jin Chun transferred 6,600 Shares, for cash at par, to Jin Qiu and CZK Holding transferred 1,900 Shares, for cash at par, to Kaimei Holding. Pursuant to a Deed of Gift dated February 22, 2022, on the same day, Jin Chun transferred 800 Shares, for nil consideration, to Jovial Alliance. After such transfers of Shares, Jin Qiu, Jin Chun, Kaimei Holding, CZK Holding, Jovial Alliance, Ruigao Holding and Passion Wealth owned 6,600, 300, 1,900, 100, 800, 200 and 100 Shares, representing 66%, 3%, 19%, 1%, 8%, 2% and 1% of the issued share capital of our Company, respectively.

On [ • ], the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each to HK\$[7,000,000] divided into [700,000,000] Shares of par value of HK\$0.01 each by the creation of an additional [662,000,000] new Shares of par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

Our Company is an investment holding company. As a result of the Reorganization, our Company, through Seacon Ships Group (BVI), Seacon Ships Group (HK), Seacon Marine (BVI) and Seacon Marine (SG), indirectly holds all the interests in our subsidiaries in Hong Kong, Singapore, the PRC, Japan, the Marshall Islands and Liberia. For further details, see “Reorganization” in this section.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 24, 2022.

### OUR MAJOR OPERATING SUBSIDIARIES

We conduct our business through our major operating subsidiaries in Hong Kong, Singapore, the PRC and Japan.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Seacon Ships Management (HK)

Seacon Ships Management (HK) was incorporated in Hong Kong as a limited liability company on December 14, 2012 with an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon incorporation, 10,000 shares in Seacon Ships Management (HK) were allotted and issued to an Independent Third Party individual shareholder. On September 4, 2013, in consideration of HK\$10,000, the Independent Third Party individual shareholder transferred 10,000 shares in Seacon Ships Management (HK), representing 100% of the issued share capital of Seacon Ships Management (HK), to Seacon Star Group. On November 5, 2014, in consideration of HK\$10,000, Seacon Star Group transferred 10,000 shares in Seacon Ships Management (HK), representing 100% of the issued share capital of Seacon Ships Management (HK), to Seacon Ships Qingdao. On January 20, 2016, in consideration of HK\$8,000 and HK\$2,000, Seacon Ships Qingdao transferred 8,000 shares and 2,000 shares in Seacon Ships Management (HK), representing 80% and 20% of the issued share capital of Seacon Ships Management (HK), to Mr. Chen and Mr. Zhao Yong, respectively. On October 18, 2018, in consideration of HK\$8,000 and HK\$2,000, Mr. Chen and Mr. Zhao Yong transferred 8,000 shares and 2,000 shares in Seacon Ships Management (HK), representing 80% and 20% of the issued share capital of Seacon Ships Management (HK), to Seacon Shipping Group, respectively. Pursuant to the share transfers, Seacon Shipping Group held 10,000 shares, representing 100% of the issued share capital of Seacon Ships Management (HK). Given (i) Mr. Guo held 80% of the interests of the Seacon Shipping Group and (ii) Seacon Shipping Group was engaged in the core business of the Group, the assets, liabilities and results of operation of Seacon Shipping Group for the years ended December 31, 2019 and 2020, and the results of operations of Seacon Shipping Group for the year ended December 31, 2021 were consolidated into our Group’s financial statements on the basis of merger accounting.

At the beginning of the Track Record Period, Seacon Shipping Group held 10,000 shares in Seacon Ships Management (HK), representing 100% of the issued share capital of Seacon Ships Management (HK). On January 3, 2020, in consideration of HK\$10,000, Seacon Shipping Group transferred its entire shareholding interest in Seacon Ships Management (HK) to Seacon Ships Management Group.

On November 24, 2021, as part of the Reorganization, Seacon Ships Management (HK) has become a direct wholly-owned subsidiary of Seacon Ships Group (HK) and an indirect wholly-owned subsidiary of our Company. For details, see “Reorganization — 5. Transfer of Seacon Ships Management (SG), Seacon Marine Technical, Seacon Tankers, Seacon Ships Management (HK) and Ocean Fleet Shipmanage to Seacon Ships Group (HK)” in this section.

Seacon Ships Management (HK) is principally engaged in the provision of ship management services.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Seacon Ships Qingdao

Seacon Ships Qingdao was established in the PRC as a limited liability company on April 12, 2013 with an initial registered capital of RMB500,000. Upon establishment, Seacon Ships Qingdao was held as to 80% and 20% by Mr. Guo and Mr. Chen, respectively. On August 24, 2015, the registered capital of Seacon Ships Qingdao was increased from RMB500,000 to RMB5,000,000, which was duly registered on August 27, 2015. The registered capital of Seacon Ships Qingdao was subsequently increased from RMB5,000,000 to RMB10,000,000 on February 27, 2017, which was duly registered on March 2, 2017. At the beginning of the Track Record Period, Seacon Ships Qingdao remained held as to 80% and 20% by Mr. Guo and Mr. Chen, respectively. Pursuant to the [REDACTED] Investment Agreement dated October 6, 2021, Mr. Shi Yi acquired 3% equity interest in Seacon Ships Qingdao from Mr. Chen for cash consideration of RMB108,000 paid on December 6, 2021. The consideration was determined based on the net asset value of Seacon Ships Qingdao as assessed by an Independent Third Party valuer in August 2021. As a result, Seacon Ships Qingdao was held as to 80%, 17% and 3% by Mr. Guo, Mr. Chen and Mr. Shi Yi, respectively. See “The [REDACTED] Investment” in this section for details.

On January 11, 2022, as part of the Reorganization, Seacon Ships Qingdao has become a direct non-wholly owned subsidiary of Seacon Ships Shanghai and an indirect non-wholly owned subsidiary of our Company. For details, see “Reorganization — 18. Transfer of Seacon Ships Qingdao to Seacon Ships Shanghai” in this section.

Seacon Ships Qingdao is principally engaged in the provision of ship management services.

### Seacon Enterprise

On April 19, 2017, Seacon Enterprise was incorporated in Singapore as a private company limited by shares with an issued share capital of S\$100,000 divided into 100,000 shares of S\$1 each. At the beginning of the Track Record Period, Seacon Enterprise had an issued share capital of S\$800,000 divided into 800,000 shares of S\$1 each.

At the beginning of the Track Record Period, Seacon Enterprise was wholly-owned by Seacon Enterprise Ltd. (“SEL”). SEL was then owned as to 55%, 35% and 10% by Seacon Shipping Group, Mr. Wang Guangfu (王光福) (a director of Seacon Enterprise) and an Independent Third Party individual shareholder, respectively. On August 4, 2019, the Independent Third Party individual shareholder of SEL transferred 5% and 5% interest in SEL to Seacon Shipping Group and Mr. Wang Guangfu, respectively. Thereafter, SEL has been owned as to 60% and 40% by Seacon Shipping Group and Mr. Wang Guangfu, respectively.

On March 1, 2020, SEL transferred 480,000 and 320,000 shares in Seacon Enterprise, representing 60% and 40% of the issued share capital of Seacon Enterprise, to Seacon Marine (SG) and Wealthy & Glory Marine Pte. Ltd., at a consideration of S\$480,000 and S\$320,000, respectively. Wealthy & Glory Marine Pte. Ltd. is a company wholly-owned by Mr. Wang Guangfu.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On November 23, 2021, as part of the Reorganization, Seacon Enterprise has become an indirect non-wholly owned subsidiary of our Company. For details, see “Reorganization — 6. Transfer of Seacon Marine (SG) to Seacon Marine (BVI)” in this section.

Seacon Enterprise is principally engaged in shipping operation.

### **Seacon Shipping Japan**

Seacon Shipping Japan was incorporated in Japan on October 25, 2018 as a stock company with a stated share capital of JPY20,000,000 comprising 400 shares issued to Seacon Shipping Group. At the beginning of the Track Record Period, Seacon Shipping Group held the entire shareholding interest in Seacon Shipping Japan. On December 20, 2020, Seacon Shipping subscribed for 800 shares in Seacon Shipping Japan, increasing the total number of issued shares of Seacon Shipping Japan from 400 shares to 1,200 shares and increasing the stated share capital of Seacon Shipping Japan from JPY20,000,000 to JPY60,000,000, which was fully paid and settled.

On December 6, 2021, as part of the Reorganization, Seacon Shipping Japan has become a direct wholly-owned subsidiary of Seacon Marine (SG) and an indirect wholly-owned subsidiary of our Company. For details, see “Reorganization — 10. Transfer of Seacon Shipping Japan to Seacon Marine (SG)” in this section.

On December 25, 2021, Seacon Marine (SG) subscribed for 760 shares in Seacon Shipping Japan, increasing the total number of issued shares of Seacon Shipping Japan from 1,200 shares to 1,960 shares and increasing the stated share capital of Seacon Shipping Japan from JPY60,000,000 to JPY98,000,000, which was fully paid and settled.

Seacon Shipping Japan is principally engaged in shipping operation and investment holding. As at the Latest Practicable Date, Seacon Shipping Japan held the entire shareholding interests in Seacon Victory, Seacon Kobe, Seacon Osaka and Seacon Manila, which in turn owned or chartered vessels, and Seacon Logistics (Japan).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### **Seacon Ships Management (SG)**

On May 14, 2019, Seacon Ships Management (SG) was incorporated in Singapore as a private company limited by shares with an issued share capital of S\$50,000 divided into 50,000 shares of S\$1 each. On the date of incorporation, 45,000 and 5,000 ordinary shares of Seacon Ships Management (SG) were allotted and issued at a subscription price of S\$1 and S\$1, respectively, to Seacon Shipping Group and Mr. Guo, respectively. As a result, Seacon Shipping Group and Mr. Guo held 90% and 10% of the issued share capital of Seacon Ships Management (SG), respectively. On May 30, 2019, in consideration of S\$15,000, Seacon Shipping Group transferred 15,000 shares of Seacon Ships Management (SG) to Mr. Guo. As a result, Seacon Shipping Group and Mr. Guo held 60% and 40% of the issued share capital of Seacon Ships Management (SG), respectively. On December 30, 2019, in consideration of S\$30,000 and S\$20,000, Seacon Shipping Group and Mr. Guo transferred 30,000 and 20,000 shares in Seacon Ships Management (SG), representing 60% and 40% of the issued share capital of Seacon Ships Management (SG), to Seacon Ships Management Group, respectively. As a result, Seacon Ships Management Group held the entire shareholding interest in Seacon Ships Management (SG).

On November 23, 2021, as part of the Reorganization, Seacon Ships Management (SG) has become a direct wholly-owned subsidiary of Seacon Ships Group (HK) and an indirect wholly-owned subsidiary of our Company. For details, see “Reorganization — 5. Transfer of Seacon Ships Management (SG), Seacon Marine Technical, Seacon Tankers, Seacon Ships Management (HK) and Ocean Fleet Shipmanage to Seacon Ships Group (HK)” in this section.

Seacon Ships Management (SG) is principally engaged in the provision of ship management services.

### **Seacon Shipping**

On January 29, 2020, Seacon Shipping was incorporated in Singapore as a private company limited by shares with an issued share capital of S\$100,000 divided into 100,000 shares of S\$1 each. On the date of incorporation, 100,000 ordinary shares of Seacon Shipping were allotted and issued at a subscription price of S\$2 to Seacon Marine (SG).

On November 23, 2021, as part of the Reorganization, Seacon Shipping has become an indirect wholly-owned subsidiary of our Company. For details, see “Reorganization — 6. Transfer of Seacon Marine (SG) to Seacon Marine (BVI)” in this section. On December 23, 2021, in consideration of transfer of certain interests in Hongkong Xinyihai, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 to Seacon Shipping, Seacon Shipping allotted and issued five shares to Seacon Marine (SG). Thereafter, the issued share capital of Seacon Shipping was increased to S\$100,005 divided into 100,005 shares of S\$1 each. For details, see “Reorganization — 13. Transfer of 35% interest in Hongkong Xinyihai to Seacon Shipping” and “Reorganization — 14. Transfer of 49.5% interest in Seacon 6, Seacon 7, Seacon 8 and Seacon 9 to Seacon Shipping” in this section.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Seacon Shipping is principally engaged in shipping operation and investment holding. As at the Latest Practicable Date, it owned the entire shareholding interests in Golden Violet, Golden Lotus, Seacon Rizhao, Jasper Shipping, Seacon Ningbo, Seacon Shanghai, Seacon Brazil, Seacon Qingdao, Seacon Singapore, Golden Bridge, Golden River, Seacon Peru, Golden Orchid, Seacon Africa, Golden Camellia, Golden Dahlia, Golden Daisy, Golden Lavender, Seacon Hamburg, Seacon Nola, Seacon Santos, Seacon Tokyo and Seacon Vancouver, save for Golden Lotus, Seacon Ningbo, Seacon Brazil, Seacon Singapore, Seacon Hamburg, Seacon Nola, Seacon Santos, Seacon Tokyo and Seacon Vancouver which had no substantive business operation, the other named subsidiaries of Seacon Shipping in turn owned or chartered vessels. As at the Latest Practicable Date, Seacon Shipping also owned 35%, 49.5%, 49.5%, 49.5% and 49.5% shareholding interests in Hongkong Xinyihai, Seacon 6, Seacon 7, Seacon 8 and Seacon 9, respectively. Save for Seacon 6 and Hongkong Xinyihai which had no substantive business operation, Seacon 7, Seacon 8 and Seacon 9 owned or chartered vessels as at the Latest Practicable Date.

### ACQUISITIONS DURING THE TRACK RECORD PERIOD

#### Seacon Ships Zhejiang

Seacon Ships Zhejiang was established in the PRC as a limited liability company on June 27, 2018 with an initial registered capital of RMB20,000,000.

At the beginning of the Track Record Period, Seacon Ships Zhejiang was owned as to 75% and 25% by Seacon Ships Qingdao and an Independent Third Party individual shareholder, respectively. On April 8, 2019, Seacon Ships Qingdao acquired 25% equity interest in Seacon Ships Zhejiang from the Independent Third Party individual shareholder for nil consideration. The consideration was nil as Seacon Ships Zhejiang had no business operation at the relevant time. As a result, Seacon Ships Zhejiang has become a wholly-owned subsidiary of Seacon Ships Qingdao.

As at the Latest Practicable Date, Seacon Ships Zhejiang was principally engaged in provision of ship management service.

#### Seacon Tankers

Seacon Tankers was incorporated in Singapore on July 17, 2019 as a private company limited by shares with an issued share capital of USD10,000 divided into 10,000 shares of USD1 each.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Upon incorporation, an Independent Third Party corporate shareholder and Seacon Ships Management (SG) held 5,100 and 4,900 shares in Seacon Tankers, representing 51% and 49% of the issued share capital of Seacon Tankers. On January 7, 2020, the Independent Third Party corporate shareholder and Seacon Ships Management (SG) transferred 5,100 and 4,900 shares in Seacon Tankers, representing 51% and 49% of the issued share capital of Seacon Tankers, to Seacon Ships Management Group for USD5,100 and USD4,900, respectively, which was fully settled on January 31, 2020. The consideration was determined based on the issued share capital of Seacon Tankers. After the Reorganization, Seacon Tankers has become a wholly-owned subsidiary of Seacon Ships Group (HK).

As at the Latest Practicable Date, Seacon Tankers was principally engaged in provision of ship management service.

### **Golden Orchid**

Golden Orchid was incorporated in the Marshall Islands as a domestic non-resident corporation on April 6, 2017.

At the beginning of the Track Record Period, an Independent Third Party individual shareholder, an Independent Third Party corporate shareholder and Mr. Chen held 35,000, 10,000 and 5,000 shares in Golden Orchid, representing 70%, 20% and 10% of the issued share capital of Golden Orchid, respectively. On May 9, 2019, the Independent Third Party individual shareholder, the Independent Third Party corporate shareholder and Mr. Chen transferred 35,000 shares, 10,000 shares and 5,000 shares in Golden Orchid, representing 70%, 20% and 10% of the issued share capital of Golden Orchid, to Seacon Star Group for USD35,000, USD10,000 and USD5,000, respectively, which was fully settled on December 31, 2019. The consideration was determined based on the aggregate par value of the issued share capital of Golden Orchid. Subsequently, on March 30, 2020, Seacon Star Group transferred 50,000 shares in Golden Orchid, representing the entire issued share capital of Golden Orchid, to Seacon Shipping for USD50,000, which was fully settled on December 31, 2020. The consideration was determined based on the aggregate par value of the issued share capital of Golden Orchid. As a result, Golden Orchid has become a wholly-owned subsidiary of Seacon Shipping.

As at the Latest Practicable Date, Golden Orchid bareboat chartered a vessel.

### **Golden Bridge**

Golden Bridge was incorporated in Hong Kong as a limited liability company on October 22, 2018.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Pursuant to a share transfer agreement entered into between Mississippi Fortune Hong Kong Company Limited (密西西比鴻運香港有限公司) (“**Mississippi**”) (as seller) and Seacon Shipping Group (as buyer) dated May 19, 2019, Mississippi transferred 10,000 shares in Golden Bridge, representing the entire issued share capital of Golden Bridge, to Seacon Shipping Group for HK\$10,000 on June 10, 2019. The consideration was determined based on the issued share capital of Golden Bridge and was fully settled on December 31, 2019. Mississippi was beneficially owned by Mr. Guo Zongzheng (郭宗拯) (“**Mr. Guo Zongzheng**”) at the material time.

Subsequently, on April 6, 2020, Seacon Shipping Group transferred 10,000 shares in Golden Bridge, representing the entire issued share capital of Golden Bridge, to Seacon Shipping for HK\$10,000, which was fully settled on December 31, 2020. The consideration was determined based on the issued share capital of Golden Bridge. As a result, Golden Bridge has become a wholly-owned subsidiary of Seacon Shipping.

As the Latest Practicable Date, Golden Bridge chartered a vessel under finance lease arrangement.

### **Golden River**

Golden River was incorporated in Hong Kong as a limited liability company on October 22, 2018.

Pursuant to a share transfer agreement entered into between Mississippi (as seller) and Seacon Shipping Group (as buyer) dated May 19, 2019, Mississippi transferred 10,000 shares in Golden River, representing the entire issued share capital of Golden River, to Seacon Shipping Group for HK\$10,000 on June 10, 2019. The consideration was determined based on the issued share capital of Golden River and was fully settled on December 31, 2019. See “Acquisitions during the Track Record Period — Golden Bridge” in this section for information of Mississippi.

Subsequently, on April 6, 2020, Seacon Shipping Group transferred 10,000 shares in Golden River, representing the entire issued share capital of Golden River, to Seacon Shipping for HK\$10,000, which was fully settled on December 31, 2020. The consideration was determined based on the issued share capital of Golden River. As a result, Golden River has become a wholly-owned subsidiary of Seacon Shipping.

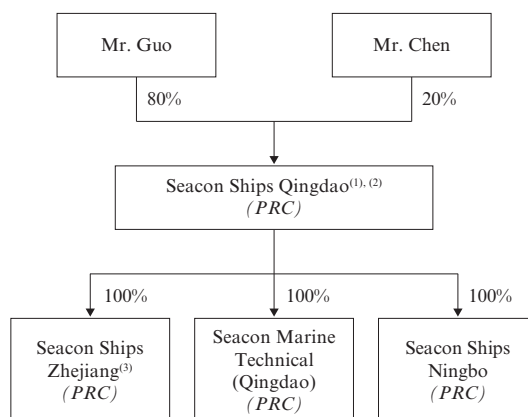
As the Latest Practicable Date, Golden River chartered a vessel under finance lease arrangement.

As confirmed by our Directors, each of the transfers made above was properly and legally completed and settled, and the relevant regulatory approvals for the transfers have been obtained.



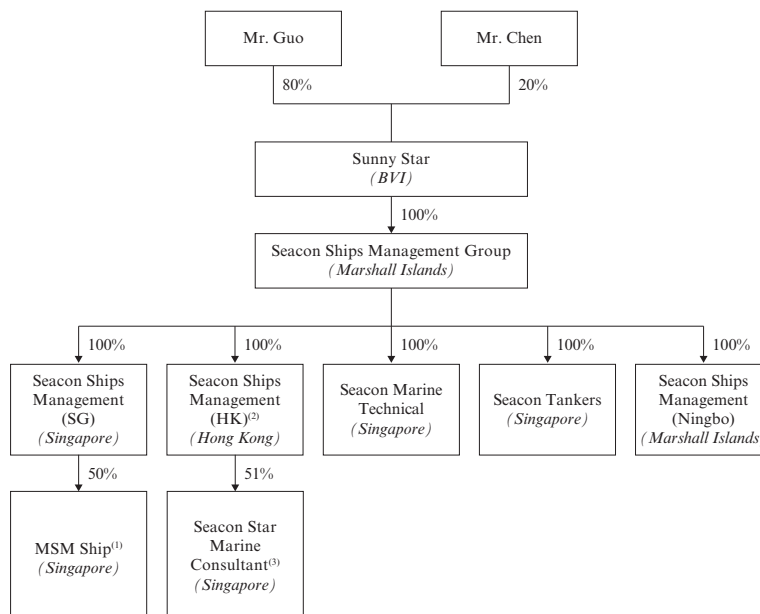
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE PRIOR TO THE REORGANIZATION



*Notes:*

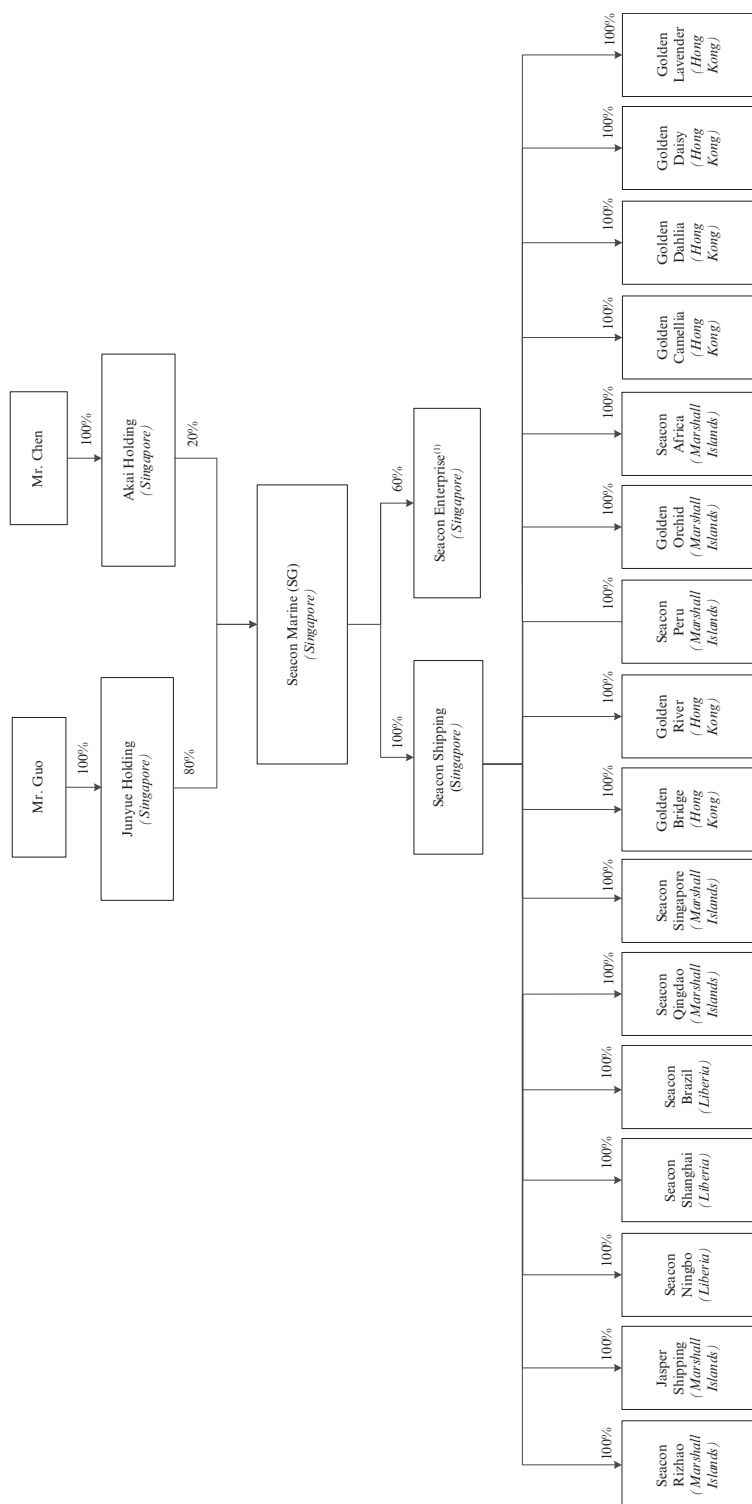
- (1) Seacon Ships Qingdao has established Seacon Ships Qingdao (Shanghai) as its branch office at Shanghai, the PRC.
- (2) Seacon Ships Qingdao had established Seacon Ships Management Co., Limited (Qingdao) (Tianjin Branch Office)\* (青島洲際之星船務有限公司天津分公司) (“**Seacon Ships Qingdao (Tianjin)**”) as its branch office at Tianjin, the PRC, on June 26, 2018. Seacon Ships Qingdao (Tianjin) was subsequently deregistered on December 3, 2021 since it had no substantive business operation.
- (3) Seacon Ships Zhejiang has established Seacon Ships Zhejiang (Qingdao) as its branch office at Qingdao, the PRC.



*Notes:*

- (1) Ocean Wealth Enterprise Pte. Ltd., an Independent Third Party, held 50% shareholding interest in MSM Ship. Ocean Wealth Enterprise Pte. Ltd. is a company incorporated in Singapore which is principally engaged in the business of shipping agency (freight) and provision of ship brokerage services, it is wholly-owned by an Independent Third Party individual shareholder. As confirmed by Mr. Guo, he became acquainted with the individual shareholder of Ocean Wealth Enterprise Pte. Ltd. at school in or around 1995.
- (2) Seacon Ships Management (HK) has established Seacon Ships Management (HK) (Qingdao Representative Office) as its representative office at Qingdao, the PRC.
- (3) Mr. Gao Xianfeng (杲先鋒) (“**Mr. Gao**”), an Independent Third Party, owned 49% shareholding interest in Seacon Star Marine Consultant. Mr. Gao is engaged in the shipping agency business in the PRC. As confirmed by Mr. Guo, he became acquainted with Mr. Gao at a business event in or around February 2019.

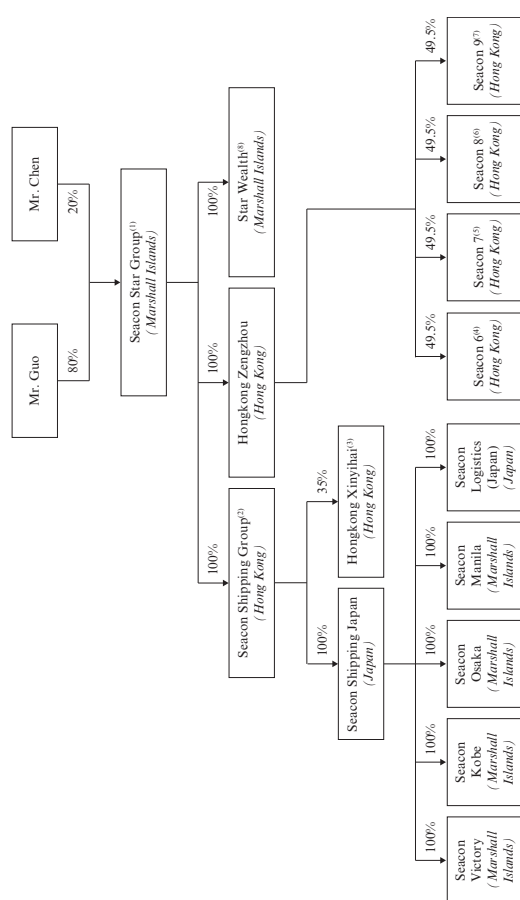
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE



Note:

- (1) Wealthy & Glory Marine Pte. Ltd. held 40% shareholding interest in Seacon Enterprise. Wealthy & Glory Marine Pte. Ltd. is wholly-owned by Mr. Wang Guangfu (王光福), who is a director of Seacon Enterprise. Wealthy & Glory Marine Pte. Ltd. and Mr. Wang Guangfu are our connected persons.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE



Notes:

- (1) Pursuant to a nominee shareholding agreement entered into between Mr. Guo and Mr. Guo Zongzheng dated December 19, 2019, Mr. Guo Zongzheng held 80% shareholding interests in Seacon Star Group for and on behalf of Mr. Guo. Pursuant to a nominee shareholding agreement entered into between Mr. Chen and Mr. Guo Zongzheng dated December 19, 2019, Mr. Guo Zongzheng held 20% shareholding interests in Seacon Star Group for and on behalf of Mr. Chen. Mr. Guo Zongzheng is the uncle of Mr. Chen's spouse. Considering that Mr. Guo and Mr. Chen had to travel overseas for negotiating and securing business cooperations and opportunities at the material time and thus could not attend to the documentation and filings of Seacon Star Group in an effective manner, they respectively entered into a nominee shareholding agreement with Mr. Guo Zongzheng for the sake of administrative convenience so as to avoid undue delays in signing official documents which may be time-sensitive. Pursuant to the nominee shareholding agreements, Mr. Guo Zongzheng exercised shareholder's rights in Seacon Star Group for and on behalf of Mr. Guo and Mr. Chen. Mr. Guo and Mr. Chen respectively entrusted Mr. Guo Zongzheng on certain matters relating to Seacon Star Group, including without limitation, Mr. Guo Zongzheng being named on business registration filings and shareholders' register of Seacon Star Group, collecting dividends and exercising voting rights at shareholders' meetings for and on behalf of Mr. Guo and Mr. Chen. All investment gains and income from disposal of shareholding interest in Seacon Star Group belonged to Mr. Guo and Mr. Chen. Mr. Guo and Mr. Chen had the right to directly participate in Seacon Star Group's business management as a shareholder, and claim all or part of shareholders' rights. As confirmed by Mr. Guo and Mr. Chen, the nominee shareholding agreements had set out all material terms of the nominee shareholding arrangement. Mr. Guo Zongzheng acted as nominee of Mr. Guo and Mr. Chen on an unremunerated basis. Mr. Guo Zongzheng had not been involved in the business and operations of Seacon Star Group and our Group since the inception of the nominee shareholding arrangement.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- Pursuant to a notice of termination of nominee shareholding agreement entered into between Mr. Guo and Mr. Guo Zongzheng dated December 21, 2021, Mr. Guo Zongzheng transferred 80% shareholding interest in Seacon Star Group to Mr. Guo and the abovementioned nominee shareholding between Mr. Guo and Mr. Guo Zongzheng was terminated. Pursuant to a notice of termination of nominee shareholding agreement entered into between Mr. Chen and Mr. Guo Zongzheng dated December 21, 2021, Mr. Guo Zongzheng transferred 20% shareholding interest in Seacon Star Group to Mr. Chen and the abovementioned nominee shareholding between Mr. Chen and Mr. Guo Zongzheng was terminated. Since December 21, 2021 and up to the Latest Practicable Date, Seacon Star Group was held as to 80% and 20% by Mr. Guo and Mr. Chen, respectively.
- (2) Pursuant to the Reorganization, the shareholding interests in Seacon Shipping Group was not transferred to our Group. Nonetheless, seven companies (as illustrated in the chart above) in which Seacon Shipping Group had an interest in were transferred to our Group pursuant to the Reorganization.
- (3) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 65% shareholding interest in Hongkong Xinyihai.
- (4) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 6.
- (5) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 7.
- (6) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 8.
- (7) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 9.
- (8) Star Wealth was dissolved on January 6, 2022 since it had no business operation after change of charterer of a chemical tanker chartered by it to Jasper Shipping.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### THE [REDACTED] INVESTMENT

Pursuant to the [REDACTED] Investment Agreement entered into between Mr. Chen and Mr. Shi Yi on October 6, 2021, Mr. Shi Yi acquired 3% equity interest in Seacon Ships Qingdao from Mr. Chen at a cash consideration of RMB108,000. Upon completion of the [REDACTED] Investment, Seacon Ships Qingdao was owned as to 80% by Mr. Guo, 17% by Mr. Chen and 3% by Mr. Shi Yi.

Further details of the [REDACTED] Investment are set out below:

**Investor’s background:**

Mr. Shi Yi is a director of New Excel Marine (Pte.) Limited, our customer and a company incorporated in Singapore which principally engages in shipping services.

As confirmed with Mr. Shi Yi, he first become aware of our Group through our market reputation in the ship management services industry, and we first commenced business relationship with Mr. Shi Yi by providing ship management services to New Excel Marine (Pte.) Limited, a company which Mr. Shi Yi is a director of, in 2018. As confirmed by Mr. Guo and Mr. Chen, Mr. Shi Yi personally met with Mr. Guo and Mr. Chen at a business meeting in or around 2019.

Save for being a director of a customer of our Group, Mr. Shi Yi is an Independent Third Party and had no past or present relationships with our Group, Shareholders, Directors, senior management, or any of their respective associates and any connected persons of our Company prior to the completion of the [REDACTED] Investment.

Mr. Shi Yi was particularly optimistic with the prospect of the ship management services industry in the PRC. As confirmed by Mr. Shi Yi, as he saw good prospect, he decided to invest in Seacon Ships Qingdao which is principally engaged in the provision of ship management services in the PRC. To the best knowledge of our Directors, Mr. Shi Yi has already been engaged in offshore shipping related business, therefore, he decided to invest in Seacon Ships Qingdao which solely focuses on shipping management in the PRC instead of our Company as our Company’s operations encompass both onshore and offshore operations.

**Date of the [REDACTED]  
Investment:**

October 6, 2021

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<b>Date of payment of consideration of the [REDACTED] Investment:</b>	December 6, 2021
<b>Equity interest in Seacon Ships Qingdao acquired:</b>	3%
<b>Amount of consideration paid:</b>	RMB108,000
<b>Basis of determination of consideration:</b>	On arm’s length basis between the parties with reference to the net asset value of Seacon Ships Qingdao as assessed by an Independent Third Party valuer in August 2021. As advised by our PRC Legal Advisers, net asset value of a company is typically used as a basis for determination of consideration of transfer of shares of a PRC company and net asset value assessed by an Independent Third Party valuer is generally perceived as a fair and reasonable basis for determining consideration in the PRC.
<b>Date of completion of the [REDACTED] Investment:</b>	December 6, 2021
<b>Number of Shares held by Mr. Shi Yi immediately following completion of the [REDACTED] and the [REDACTED]:</b>	None
<b>Investment cost per Share paid by Mr. Shi Yi (assuming the [REDACTED] has taken place):</b>	Not applicable
<b>Discount over the mid-point of the indicative [REDACTED] range:</b>	Not applicable
<b>Use of investment amount:</b>	Seller’s personal use.
<b>Strategic benefits that Mr. Shi Yi would bring to our Group:</b>	Our Directors believe that we can leverage on the commercial network and experience of Mr. Shi Yi to assist Seacon Ships Qingdao with gaining new business opportunities and broadening its customer base in the future, which will bring strategic benefits for the development and expansion of Seacon Ships Qingdao.
<b>Shareholding in our Company immediately following completion of the [REDACTED] and [REDACTED]:</b>	None
<b>Special rights:</b>	None

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<b>Relationship with our Group:</b>	Save for being a director of a customer of our Group and a shareholder of Seacon Ships Qingdao, no other relationship with our Group.
<b>Lock-up:</b>	Not applicable
<b>Public float:</b>	Not applicable

### Sponsor’s confirmation

The Sponsor is not aware of any terms of the [REDACTED] Investment that are not in compliance with the “Interim Guidance on [REDACTED] Investments” issued by the Stock Exchange on 13 October 2010 (as amended) since the consideration under the [REDACTED] Investment Agreement was settled by Mr. Shi Yi on December 6, 2021 and the [REDACTED] Investment was completed on the same day, which was more than 28 clear days before the date of the first submission of the [REDACTED] to the Stock Exchange in relation to the [REDACTED]. The Sponsor is of the view that the terms of the [REDACTED] Investment are in compliance with Guidance Letters HKEx-GL29–12 and HKEx-GL43–12 whereas Guidance Letter HKEx-GL44–12 is not applicable to the [REDACTED] Investment.

## REORGANIZATION

### 1. Incorporation of various investment holding companies

On October 19, 2021, Jin Chun was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Jin Chun is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, Jin Chun allotted and issued one ordinary share, credited as fully paid at par, to Mr. Guo, representing the only issued share of Jin Chun.

On October 19, 2021, CZK Holding was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, CZK Holding is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, CZK Holding allotted and issued one ordinary share, credited as fully paid at par, to Mr. Chen, representing the only issued share of CZK Holding.

On November 24, 2021, Ruigao Holding was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Ruigao Holding is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, Ruigao Holding allotted and issued one ordinary share, credited as fully paid, to Mr. Zhao Yong, representing the only issued share of Ruigao Holding.

On November 24, 2021, Passion Wealth was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Passion Wealth is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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value of USD1.00 each. On the date of incorporation, Passion Wealth allotted and issued one ordinary share, credited as fully paid, to Mr. He Gang, representing the only issued share of Passion Wealth.

### **2. Incorporation of our Company**

On October 22, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, having an initial authorized share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. On the date of incorporation, one Share was allotted and issued as fully paid to the initial subscriber, an Independent Third Party, which in turn transferred such one Share to Jin Chun at par. On the same day, seven and two Shares were allotted and issued, credited as fully paid at par, to Jin Chun and CZK Holding, respectively. After such allotment and issuance of Shares, Jin Chun and CZK Holding owned eight and two Shares, representing 80% and 20% of the issued share capital of our Company, respectively.

### **3. Incorporation of Seacon Ships Group (BVI) and Seacon Marine (BVI)**

On October 27, 2021, Seacon Ships Group (BVI) was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Seacon Ships Group (BVI) is authorized to issue up to a maximum of 50,000 shares of a single class with a par value of USD1.00 each. On the date of incorporation, Seacon Ships Group (BVI) allotted and issued one ordinary share, credited as fully paid at par, to our Company, representing the only issued share of Seacon Ships Group (BVI). As a result, Seacon Ships Group (BVI) has become a direct wholly-owned subsidiary of our Company.

On October 27, 2021, Seacon Marine (BVI) was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Seacon Marine (BVI) is authorized to issue up to a maximum of 50,000 shares of a single class with a par value of USD1.00 each. On the date of incorporation, Seacon Marine (BVI) allotted and issued one ordinary share, credited as fully paid at par, to our Company, representing the only issued share of Seacon Marine (BVI). As a result, Seacon Marine (BVI) has become a direct wholly-owned subsidiary of our Company.

### **4. Incorporation of Seacon Ships Group (HK)**

On November 8, 2021, Seacon Ships Group (HK) was incorporated in Hong Kong as a limited liability company. On the date of incorporation, Seacon Ships Group (HK) allotted and issued 10,000 shares to Seacon Ships Group (BVI), representing the entire issued share capital of Seacon Ships Group (HK). As a result, Seacon Ships Group (HK) has become a direct wholly-owned subsidiary of Seacon Ships Group (BVI) and an indirect wholly-owned subsidiary of our Company.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### **5. Transfer of Seacon Ships Management (SG), Seacon Marine Technical, Seacon Tankers, Seacon Ships Management (HK) and Ocean Fleet Shipmanage to Seacon Ships Group (HK)**

On November 23, 2021, Seacon Ships Management Group transferred its 50,000 shares in Seacon Ships Management (SG), representing the entire issued share capital of Seacon Ships Management (SG), to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on November 25, 2021 as directed by Seacon Ships Management Group.

On November 23, 2021, Seacon Ships Management Group transferred its 100,000 shares in Seacon Marine Technical, representing the entire issued share capital of Seacon Marine Technical, to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on November 25, 2021 as directed by Seacon Ships Management Group.

On November 23, 2021, Seacon Ships Management Group transferred its 10,000 shares in Seacon Tankers, representing the entire issued share capital of Seacon Tankers, to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on November 25, 2021 as directed by Seacon Ships Management Group.

On November 24, 2021, Seacon Ships Management Group transferred its 10,000 shares in Seacon Ships Management (HK), representing the entire issued share capital of Seacon Ships Management (HK), to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on November 25, 2021 as directed by Seacon Ships Management Group.

On November 24, 2021, Seacon Ships Management Group transferred its 10,000 shares in Ocean Fleet Shipmanage, representing the entire issued share capital of Ocean Fleet Shipmanage, to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on November 25, 2021 as directed by Seacon Ships Management Group.

As a result, Seacon Ships Management (SG), Seacon Marine Technical, Seacon Tankers, Seacon Ships Management (HK) and Ocean Fleet Shipmanage have become direct wholly-owned subsidiaries of Seacon Ships Group (HK) and indirect wholly-owned subsidiaries of our Company.

### **6. Transfer of Seacon Marine (SG) to Seacon Marine (BVI)**

On November 23, 2021, Junyue Holding and Akai Holding transferred their respective 80,000 and 20,000 shares in Seacon Marine (SG), representing 80% and 20% of the issued share capital of Seacon Marine (SG), to Seacon Marine (BVI). In consideration of the transfers, Seacon Marine (BVI) allotted and issued eight and two ordinary shares, credited as fully paid, to our Company on December 3, 2021 as directed by Junyue Holding and Akai Holding, respectively.

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As a result, Seacon Marine (SG) has become a direct wholly-owned subsidiary of Seacon Marine (BVI) and an indirect wholly-owned subsidiary of our Company.

### **7. Allotment and issuance and transfers of Shares**

On November 25, 2021, 7,992 and 1,998 Shares were further allotted and issued, credited as fully paid at par, to Jin Chun and CZK Holding, respectively. After such allotment and issuance of Shares, Jin Chun and CZK Holding owned 8,000 and 2,000 Shares, representing 80% and 20% of the issued share capital of our Company, respectively.

On November 30, 2021, Jin Chun transferred 200 and 100 Shares, for cash at par, to Ruigao Holding and Passion Wealth, respectively. As a result, Jin Chun, CZK Holding, Ruigao Holding and Passion Wealth owned 7,700, 2,000, 200 and 100 Shares, representing 77%, 20%, 2% and 1% of the issued share capital of our Company, respectively.

### **8. Transfer of Seacon Star Marine Consultant to Seacon Shipping Group**

On November 29, 2021, since the business of Seacon Star Marine Consultant is not related to the core business of our Group, Seacon Ships Management (HK) transferred its 51,000 shares in Seacon Star Marine Consultant, representing 51% of the issued share capital of Seacon Star Marine Consultant, to Seacon Shipping Group for S\$1.00. The consideration was determined based on the net asset value of Seacon Star Marine Consultant which was negative at the material time and was settled on November 26, 2021. As a result, Seacon Ships Management (HK) ceased to have any shareholding interest in Seacon Star Marine Consultant.

### **9. Investment by Mr. Shi Yi in Seacon Ships Qingdao**

Pursuant to the [REDACTED] Investment Agreement, Mr. Shi Yi acquired 3% equity interest in Seacon Ships Qingdao from Mr. Chen at a cash consideration of RMB108,000 paid on December 6, 2021. Upon completion of the [REDACTED] Investment, Seacon Ships Qingdao was converted to a foreign-invested enterprise and was owned as to 80% by Mr. Guo, 17% by Mr. Chen and 3% by Mr. Shi Yi. See “The [REDACTED] Investment” in this section for details.

### **10. Transfer of Seacon Shipping Japan to Seacon Marine (SG)**

On December 6, 2021, Seacon Shipping Group (as vendor) and Seacon Marine (SG) (as purchaser) entered into a sale and purchase agreement, pursuant to which Seacon Shipping Group transferred its 1,200 shares in Seacon Shipping Japan, representing the entire stated share capital of Seacon Shipping Japan, to Seacon Marine (SG). In consideration of the transfer, Seacon Marine (SG) allotted and issued one share to Seacon Marine (BVI) on December 9, 2021 as directed by Seacon Shipping Group.

As a result, Seacon Shipping Japan has become a direct wholly-owned subsidiary of Seacon Marine (SG) and an indirect wholly-owned subsidiary of our Company.

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### 11. Establishment of The J&Y Trust and The CZK Trust

On December 6, 2021, Mr. Guo, as the settlor and protector, established The J&Y Trust (being a discretionary trust) with Tricor Equity Trustee, acting as the trustee, for succession planning purposes. The beneficiaries of The J&Y Trust are Mr. Guo and his family members.

On December 6, 2021, Mr. Chen, as the settlor and protector, established The CZK Trust (being a discretionary trust) with Tricor Equity Trustee, acting as the trustee, for succession planning purposes. The beneficiaries of The CZK Trust are Mr. Chen and his family members.

On December 15, 2021, Jin Qiu was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Jin Qiu is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, Jin Qiu allotted and issued one ordinary share, credited as fully paid, to Shining Friends, representing the only issued share of Jin Qiu.

On December 15, 2021, Kaimei Holding was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Kaimei Holding is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, Kaimei Holding allotted and issued one ordinary share, credited as fully paid, to Oceanic Flame, representing the only issued share of Kaimei Holding.

On December 20, 2021, Jin Chun transferred 6,600 Shares, for cash at par, to Jin Qiu. As a result, pursuant to The J&Y Trust, Mr. Guo, through Shining Friends and Jin Qiu, indirectly held 66% of shareholding interest in our Company. On December 20, 2021, CZK Holding transferred 1,900 Shares, for cash at par, to Kaimei Holding. As a result, pursuant to The CZK Trust, Mr. Chen, through Oceanic Flame and Kaimei Holding, indirectly held 19% of shareholding interest in our Company.

### 12. Establishment of the Share Award Trust

On December 8, 2021, Jovial Alliance was incorporated in the BVI as a company with liability limited by shares. Since the date of incorporation, Jovial Alliance is authorized to issue up to a maximum of 50,000 ordinary shares of a single class with a par value of USD1.00 each. On the date of incorporation, Jovial Alliance allotted and issued 100 ordinary shares, credited as fully paid, to Tricor Trust (Hong Kong), representing all the issued shares of Jovial Alliance.

On February 22, 2022, our Company, as the settlor, established the Share Award Trust (being a discretionary trust) with Tricor Trust (Hong Kong), acting as the trustee, for incentivizing and rewarding selected grantees under the Share Award Plan. The beneficiaries of the Share Award Trust are selected grantees under the Share Award Plan.

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Pursuant to a Deed of Gift dated February 22, 2022, on the same day, Jin Chun transferred 800 Shares, at nil consideration, to Jovial Alliance. As a result, pursuant to the Share Award Trust, Tricor Trust (Hong Kong), as trustee and through Jovial Alliance, indirectly held 8% of shareholding interest in our Company.

### **13. Transfer of 35% interest in Hongkong Xinyihai to Seacon Shipping**

On December 14, 2021, Seacon Shipping Group transferred 3,500 shares in Hongkong Xinyihai, representing 35% of the issued share capital of Hongkong Xinyihai, to Seacon Shipping. In consideration of the transfer, Seacon Shipping allotted and issued one share to Seacon Marine (SG) on December 29, 2021 as directed by Seacon Shipping Group.

As a result, our Company indirectly owns 35% shareholding interest in Hongkong Xinyihai.

### **14. Transfer of 49.5% interest in Seacon 6, Seacon 7, Seacon 8 and Seacon 9 to Seacon Shipping**

On December 14, 2021, Hongkong Zengzhou transferred 39,600 shares in Seacon 6, representing 49.5% of the issued share capital of Seacon 6, to Seacon Shipping. In consideration of the transfer, Seacon Shipping allotted and issued one share to Seacon Marine (SG) on December 29, 2021 as directed by Hongkong Zengzhou.

On December 14, 2021, Hongkong Zengzhou transferred 39,600 shares in Seacon 7, representing 49.5% of the issued share capital of Seacon 7, to Seacon Shipping. In consideration of the transfer, Seacon Shipping allotted and issued one share to Seacon Marine (SG) on December 29, 2021 as directed by Hongkong Zengzhou.

On December 14, 2021, Hongkong Zengzhou transferred 39,600 shares in Seacon 8, representing 49.5% of the issued share capital of Seacon 8, to Seacon Shipping. In consideration of the transfer, Seacon Shipping allotted and issued one share to Seacon Marine (SG) on December 29, 2021 as directed by Hongkong Zengzhou.

On December 14, 2021, Hongkong Zengzhou transferred 39,600 shares in Seacon 9, representing 49.5% of the issued share capital of Seacon 9, to Seacon Shipping. In consideration of the transfer, Seacon Shipping allotted and issued one share to Seacon Marine (SG) on December 29, 2021 as directed by Hongkong Zengzhou.

As a result, our Company indirectly owns 49.5%, 49.5%, 49.5% and 49.5% shareholding interests in Seacon 6, Seacon 7, Seacon 8 and Seacon 9, respectively.

### **15. Establishment of Seacon Ships Shanghai**

On December 21, 2021, Seacon Ships Shanghai was established in the PRC as a wholly foreign-owned enterprise in the PRC with an initial registered capital of USD2,000,000. From the date of establishment, Seacon Ships Shanghai was wholly-owned by Seacon Ships Management (SG).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As a result, Seacon Ships Shanghai became a direct wholly-owned subsidiary of Seacon Ships Management (SG) and an indirect wholly-owned subsidiary of our Company.

### **16. Transfer of Seacon Ships Management (Ningbo) to Seacon Ships Group (HK)**

On December 23, 2021, Seacon Ships Management Group transferred its 50,000 shares in Seacon Ships Management (Ningbo), representing the entire issued share capital of Seacon Ships Management (Ningbo), to Seacon Ships Group (HK). In consideration of the transfer, Seacon Ships Group (HK) allotted and issued one share, credited as fully paid, to Seacon Ships Group (BVI) on December 23, 2021 as directed by Seacon Ships Management Group.

As a result, Seacon Ships Management (Ningbo) has become a direct wholly-owned subsidiary of Seacon Ships Group (HK) and an indirect wholly-owned subsidiary of our Company.

### **17. Change of charterer of chemical tanker**

From September 24, 2020 to January 6, 2022, Star Wealth chartered a chemical tanker. On January 6, 2022, the charterer of the said chemical tanker was changed to Jasper Shipping. Thereafter, Star Wealth had no business operation.

### **18. Transfer of Seacon Ships Qingdao to Seacon Ships Shanghai**

On January 11, 2022, Mr. Guo (as vendor) and Seacon Ships Shanghai (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Guo transferred his 80% equity interest in Seacon Ships Qingdao to Seacon Ships Shanghai for cash consideration of RMB4.6 million, which was fully settled on February 28, 2022. The consideration was determined based on the net asset value of Seacon Ships Qingdao as assessed by an Independent Third Party valuer in January 2022.

On January 11, 2022, Mr. Chen (as vendor) and Seacon Ships Shanghai (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Chen transferred his 17% equity interest in Seacon Ships Qingdao to Seacon Ships Shanghai for cash consideration of RMB977,500, which was fully settled on February 25, 2022. The consideration was determined based on the net asset value of Seacon Ships Qingdao as assessed by an Independent Third Party valuer in January 2022.

As a result, Seacon Ships Qingdao became owned as to 97% by Seacon Ships Shanghai and 3% by Mr. Shi Yi, and an indirect non-wholly owned subsidiary of our Company.

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### 19. Increase in authorized share capital of our Company

On [ • ], the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$[7,000,000] divided into [700,000,000] Shares of a par value of HK\$0.01 each by the creation of an additional [662,000,000] new Shares of a par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

As confirmed by our Directors, each of the share transfers and disposal made in the Reorganization was properly and legally completed and settled and the relevant regulatory approvals for the Reorganization have been obtained.

### SAFE CIRCULAR NO. 37

Pursuant to the SAFE Circular No. 37 promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular No. 13 issued by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, Mr. Guo and Mr. Chen, who are PRC residents, have completed their foreign exchange registration of overseas investments as required under SAFE Circular No. 37 on November 11, 2021.

As advised by our PRC Legal Advisers, Mr. Zhao Yong and Mr. He Gang, who are PRC residents, have completed their foreign exchange registration of overseas investments as required under SAFE Circular No. 37 on December 30, 2021.

### M&A RULES

Pursuant to the M&A Rules, promulgated by six PRC ministries including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, CSRC, SAT, SAIC, and SAFE on August 8, 2006, and which became effective from September 8, 2006, amended and became effective on June 22, 2009, foreign investors must comply with the M&A Rules when (i) they purchase equity interests of a domestic enterprise or subscribe for the increased capital of a domestic enterprise, and thus changing of the nature of the domestic enterprise into a foreign-invested enterprise; (ii) when they establish a foreign-invested enterprise in China, purchase the assets of a domestic enterprise and

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operate the asset; or (iii) when they purchase the assets of a domestic non-foreign invested enterprise by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, also require that if an overseas company established or controlled by PRC companies or PRC citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC citizens, such acquisition must be submitted to MOFCOM for approval.

On October 6, 2021, Mr. Shi Yi, a foreign investor, acquired 3% equity interest in Seacon Ships Qingdao from Mr. Chen (the “**First Acquisition**”). The First Acquisition was subject to the M&A Rules and Seacon Ships Qingdao had obtained a new business license in accordance with the M&A Rules signifying its status as a foreign-invested enterprise.

On January 11, 2022, as part of the Reorganization, Mr. Guo and Mr. Chen transferred 80% and 17% equity interest in Seacon Ships Qingdao to Seacon Ships Shanghai, respectively, and Seacon Ships Shanghai acquired 97% equity interest in Seacon Ships Qingdao in aggregate (the “**Second Acquisition**”). In accordance with the Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》) promulgated by MOFCOM on December 18, 2008, the M&A Rules shall not apply to the transfer of equity interest in an existing foreign-invested enterprise. Since Seacon Ships Qingdao was a foreign-invested enterprise as of the date of the Second Acquisition, the M&A Rules did not apply to the Second Acquisition and the Second Acquisition was not subject to the approval by MOFCOM or CSRC.

### REASONS FOR NOT INCLUDING CERTAIN COMPANIES AS PART OF OUR GROUP

Pursuant to the Reorganization, certain companies controlled by Mr. Guo and Mr. Chen were not injected into our Group. See “Relationship with our Controlling Shareholders — Companies owned by our Controlling Shareholder but not included in our Group” and “Relationship of our Controlling Shareholders — Companies owned by our executive Directors but not included in our Group” for reasons for not including them as part of our Group.





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*Notes:*

- (1) The J&Y Trust is a discretionary trust established by Mr. Guo, as the settlor and protector, with Tricolor Equity Trustee, as the trustee, for the benefit of Mr. Guo and his family members. Shining Friends is wholly-owned by Tricolor Equity Trustee. See “Reorganization — 11. Establishment of The J&Y Trust and The CZK Trust” in this section for details.
- (2) The CZK Trust is a discretionary trust established by Mr. Chen, as the settlor and protector, with Tricolor Equity Trustee, as the trustee, for the benefit of Mr. Chen and his family members. Oceanic Flame is wholly-owned by Tricolor Equity Trustee. See “Reorganization — 11. Establishment of The J&Y Trust and The CZK Trust” in this section for details.
- (3) The Share Award Trust is a discretionary trust established by our Company, as the settlor, with Tricolor Trust (Hong Kong), as the trustee, for the benefit of selected grantees under the Share Award Plan. Jovial Alliance is wholly-owned by Tricolor Trust (Hong Kong). See “Reorganization — 12. Establishment of the Share Award Trust” in this section for details.
- (4) Mr. Zhao Yong held the entire shareholding interest in Ruigao Holding.
- (5) Mr. He Gang held the entire shareholding interest in Passion Wealth.
- (6) Seacon Ships Management (HK) has established Seacon Ships Management (HK) (Qingdao Representative Office) as its representative office at Qingdao, the PRC.
- (7) Ocean Fleet Shipmanage was incorporated in Hong Kong on November 1, 2021.
- (8) Seacon Ships Europe was incorporated in the Marshall Islands on April 19, 2022. China Maritime General Services Co., Limited, an Independent Third Party, held 49% shareholding interest in Seacon Ships Europe. As confirmed by Mr. Guo, China Maritime General Services Co., Limited is in turn wholly-owned by a family member of Mr. Gao.
- (9) Seacon Ships Management (Fuzhou) was incorporated in Hong Kong on September 14, 2022.
- (10) Ocean Wealth Enterprise Pte. Ltd., an Independent Third Party, held 50% shareholding interest in MSM Ship.
- (11) Mr. Shi Yi is our [REDACTED] Investor.
- (12) Seacon Ships Qingdao has established Seacon Ships Qingdao (Shanghai) as its branch office at Shanghai, the PRC.
- (13) Seacon Ships Fujian was established in the PRC on November 3, 2021.
- (14) Seacon Ships Zhejiang has established Seacon Ships Zhejiang (Qingdao) as its branch office at Qingdao, the PRC.
- (15) Wealthy & Glory Marine Pte. Ltd. held 40% shareholding interest in Seacon Enterprise. Wealthy & Glory Marine Pte. Ltd. is wholly-owned by Mr. Wang Guangfu (王光福), who is a director of Seacon Enterprise.
- (16) Seacon Shipping (Qingdao) was incorporated in Hong Kong on December 29, 2021.
- (17) Golden Lotus was incorporated in the Marshall Islands on November 24, 2021.
- (18) Golden Violet was incorporated in the Marshall Islands on November 3, 2021.
- (19) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 65% shareholding interest in Hongkong Xinyihai.
- (20) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 6.
- (21) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 7.
- (22) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 8.
- (23) Hongkong Zhoushan Yihai Shipping Co., Limited (香港舟山一海海運有限公司), an Independent Third Party, held 50.5% shareholding interest in Seacon 9.
- (24) Seacon Hamburg was incorporated in Liberia on August 10, 2022.
- (25) Seacon Nola was incorporated in Liberia on August 10, 2022.
- (26) Seacon Santos was incorporated in Liberia on August 10, 2022.
- (27) Seacon Tokyo was incorporated in Liberia on August 10, 2022.
- (28) Seacon Vancouver was incorporated in Liberia on August 10, 2022.
- (29) Seacon Qingdao Shipping was established in the PRC on May 10, 2022.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### [REDACTED] AND [REDACTED]

Conditional on the conditions as stated in “Structure and Conditions of the [REDACTED]”, our Company will allot and issue the [REDACTED] pursuant to the [REDACTED] for subscription by [REDACTED], representing not less than [REDACTED] of the total issued share capital of our Company upon the [REDACTED].

Conditional on the conditions as stated in “Structure and Conditions of the [REDACTED]” and the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issuance of the [REDACTED] pursuant to the [REDACTED], a sum of approximately HK\$[REDACTED] (or any such amount any one Director may determine) standing to the credit of our Company’s share premium account will be capitalized by applying such sum to pay up in full at par a total of [REDACTED] Shares (or any such number of Shares any one Director may determine) for allotment and issuance to Jin Chun ([REDACTED] Shares), CZK Holding ([REDACTED] Shares), Jin Qiu ([REDACTED] Shares), Kaimei Holding ([REDACTED] Shares), Jovial Alliance ([REDACTED] Shares), Ruigao Holding ([REDACTED] Shares) and Passion Wealth ([REDACTED] Shares), being the Shareholders at the close of business of [•], in proportion to their respective shareholding in our Company. As a result, Jin Chun, CZK Holding, Jin Qiu, Kaimei Holding, Jovial Alliance, Ruigao Holding and Passion Wealth will hold [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares in our Company, respectively, representing [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued share capital of our Company upon the [REDACTED], respectively.



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## BUSINESS

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### OVERVIEW

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

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

We are committed to providing our customers first-rate service experiences. In recognition of our high service quality, we have been awarded the “Most Popular Ship Management Company” by China Zhenghe Sailing Awards Organizing Committee\* (中國鄭和航海風雲榜組委會) in 2018, and the “2021 Ship Management and Crew Service Excellence Award” by the 2021 International Ship Management (Shanghai) Summit Organizing Committee\* (2021國際船舶管理(上海)高峰論壇組委會) in 2021. We have also maintained the GB/T 19001–2016/ISO 9001: 2015 accreditation for quality management systems since 2017. In line with our commitment to provide our customers with first-rate and comprehensive services, we have further broadened our ship management service offerings to provide shipbuilding supervision services in 2019. Since the commencement of our shipbuilding supervision services and up to May 31, 2022, we have been engaged to provide shipbuilding supervision services to over 100 shipbuilding projects for vessels of various types, including bulk carriers, container ships, multi-purpose vessels, oil tankers, chemical tankers and marine engineering vessels.

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

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

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

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

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

### OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

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

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

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disrupted due to the COVID-19 pandemic) and to mitigate against the volatility of market charter rates. The benefit of economies of scale, coupled with our diversified and sizeable network of trusted vessel suppliers, have enabled us to offer customers a comprehensive portfolio of vessels suited to their specific needs.

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

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

### **We have developed a high quality and diversified customer base**

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



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requirements. As a result of our proven track record in consistently delivering various shipping solutions meeting our customers’ particular demands, we have established long-term strategic relationships with them.

We have attracted high quality, diversified customers which consist of leading shipping charterers as well as global trading multinationals. Our customers include globally-recognised blue-chip multinationals, such as one of the world’s leading dry bulk owners and vessel operators; large multinational conglomerates engaged in the trading of agricultural goods; the world’s largest private metals trader; and one of Japan’s largest steel traders. We believe that our stable and continued business relationship with such sizeable, internationally-known market players is a testament to the quality of our service offerings as well as our customers’ satisfaction with our services.

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

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

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

As to our shipping services, we have placed great emphasis on the reliability of our services and the cost-effectiveness of our shipping solutions. With the implementation of stringent and rigorous quality control measures, we have regularly conducted repair and maintenance on each vessel for our shipping engagements. We have also monitored our vessels closely through the effective use of various information technology systems to ensure that adequate supervision as well as risk mitigation and management measures are in place during each ship charter. Such information technology systems cover various aspects of our operations including (i) the PMS Ship Management System for managing the repair and maintenance of our

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vessels, procurement of spare parts and materials, certificate management, system management and crew management, (ii) the Hifleet Ship Position and Meteorological Charting System for tracking the position of our vessels and providing us with real-time meteorological information, (iii) the LMS Online Staff Training System for providing training to our onshore-based staff members and crew members prior to boarding a vessel, and (iv) the Haiweitong Video Monitoring System for monitoring the conditions of our vessels and the safety of our crew members. See “Information Technology” in this section below for further details. Through such measures, we have been able to minimise delays or accidents during our provision of ship management services and shipping services and prevent damages to cargos transported onboard our vessels.

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

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

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

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

### OUR BUSINESS STRATEGIES AND FUTURE PLANS

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

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

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

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

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### *Expand and diversify chartered-in vessel fleet*

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

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

### *Expand and optimize controlled vessel fleet*

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

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

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

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

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

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

Our Directors believe that establishing a presence in key locations such as Shanghai, Greece and Japan is greatly conducive to the expansion of our ship management business. Given the importance of Shanghai, Greece and Japan as major shipping hubs where internationally renowned shipping companies, shipowners, vessel suppliers and other major players across the shipping supply chain network are based, our Directors believe that being in close proximity with such major market players allows us to better grasp new market opportunities and enhance the coverage of our

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service offerings. Additionally, we seek to establish a presence in locations such as the Philippines that are complementary to our business operations and service offerings. According to the F&S Report, a quarter of the world’s sailors originate from the Philippines. Given the gradual increase in average wages of Chinese sailors in recent years, our Directors believe that setting up offices in the Philippines will facilitate the pre-boarding training process for Philippine sailors and allow us to effectively manage our costs going forward. In order to better navigate through local business customs and practices of our new locations, we intend to recruit local professionals to effectively support our business expansion efforts.

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

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

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

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

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

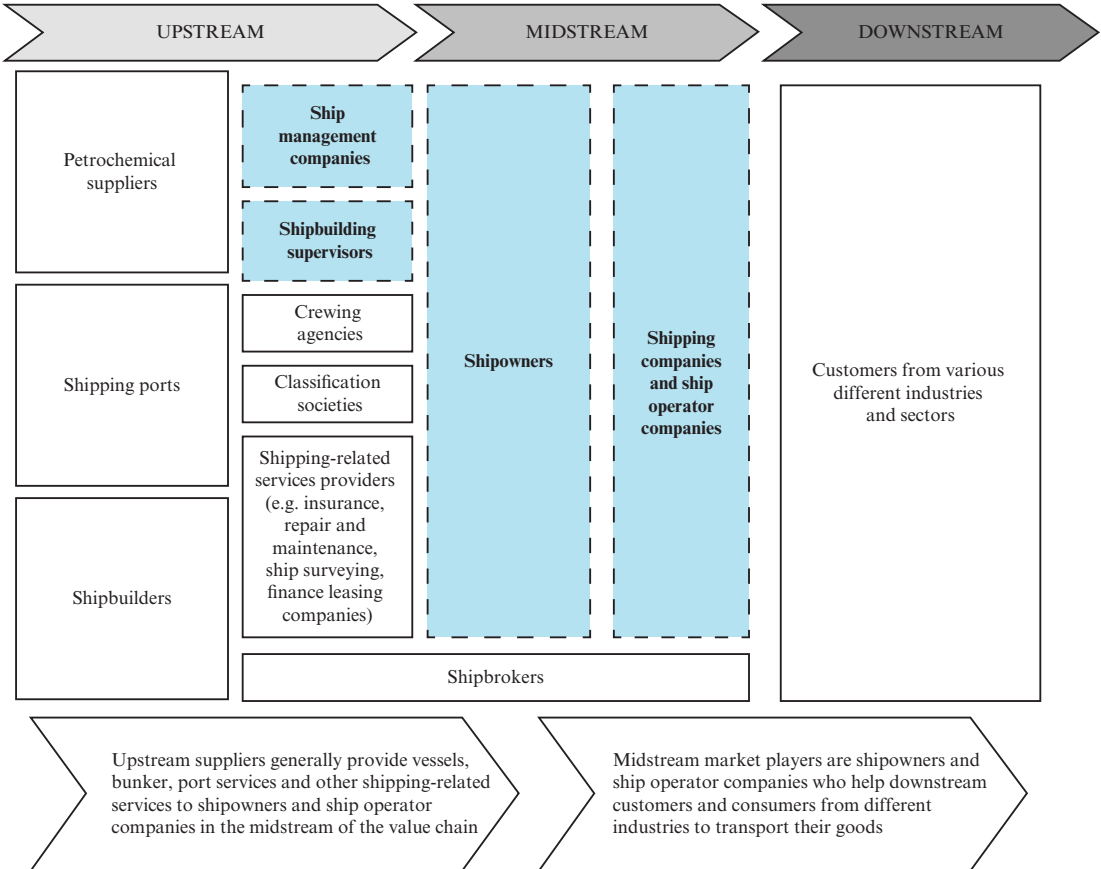
We have used third-party software providers to develop information technology systems to meet the particular requirements of our business operations. We intend to expand our technical support team to facilitate the liaison with software providers during the design process of our digitalization initiatives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

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

**BUSINESS**

**OUR BUSINESS MODEL**

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





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

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

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

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

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

### OUR SHIPPING SERVICES

#### Overview

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

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

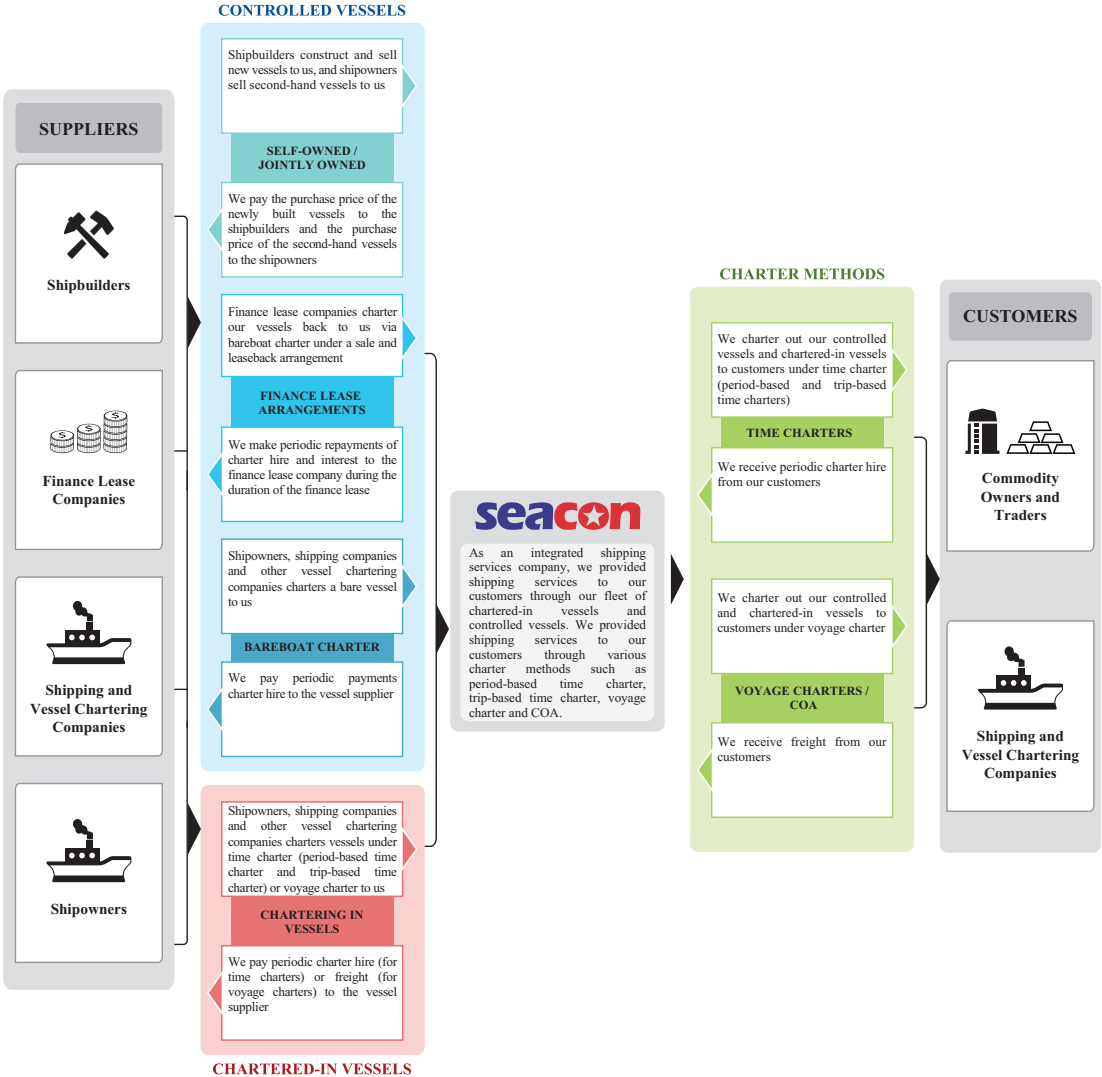
During the Track Record Period, our vessel fleet also consisted of dry bulk carriers which we chartered from our vessel suppliers predominantly on under period-based time charters and trip-based time charters. Given that these chartered-in vessels are chartered by us predominantly through time charters,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

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

**BUSINESS**

**Transaction flows with suppliers and customers**

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



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## BUSINESS

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### *Transaction flows with our suppliers*

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

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

## BUSINESS

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

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

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## BUSINESS

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

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

### *Transaction flows with our customers*

We provided shipping services to our customers by chartering out our controlled vessels and chartered-in vessels under different charter methods, namely time charter (which includes period-based time charter and trip-based time charter), voyage charter and contract of affreightment (“COA”). The charter methods and terms governing such charter

## BUSINESS

methods entered into with our customers are largely the same as those entered in by us with our vessel suppliers with respect to our chartered-in vessels. Set out below is a table setting out the material differences in operations, costs structures and the calculation basis for the charter hire and freight charged under each of our charter methods:

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

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

While we generally do not make a distinction in respect of the charter methods for our controlled vessels and chartered-in vessels, we generally prefer to charter out customers controlled vessels under longer period-based time charters and our chartered-in vessels

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under shorter voyage charters. This preference is largely due to the fact that our controlled vessels have fixed overhead costs whereas the costs in respect of our chartered-in vessels may fluctuate as the charter hire or freight payable by us to vessels suppliers generally fluctuate in line with market rates and indices such as the BDI. Given this, we prefer to charter out our controlled vessels to customers under longer period-based time charters to ensure a relatively stable and fixed source of revenue over a longer period of time. Further, we prefer to charter out our chartered-in vessels to customers under shorter voyage charters so as to retain a certain degree of flexibility and capitalize on inherent fluctuations in market charter rates. Please refer to “Our fleet of vessels — Chartered-in vessel fleet” below for further details on the strategy employed by us regarding out chartered-in vessels.

### *Sub-chartering*

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

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

We generally ensure that the terms of any sub-charterparty contracts mirrors or does not extend beyond the scope of the terms of the original charterparty contract such as charter period, any geographic restrictions, or type of goods allowed to be transported etc. If the charterparty contracts are not entered into on a back-to-back basis (i.e. we first secure business from our customers before chartering in an appropriate vessel), there is a possibility that the terms of the sub-charter may not exactly mirror the terms of the charterparty contract entered into between us and the vessel supplier, but our Directors are of the view that the risk and potential impact of mismatch between the charterparty



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contract and the sub-charterparty is minimal seeing as (i) we generally used BIMCO standard form contracts meaning the potential for a mismatch in contract terms is reduced, and (ii) a majority of our charterparty contracts entered into with our vessel suppliers are short meaning we will generally not experience any material losses in the event of a mismatch. To avoid such mismatches, our ship operations staff are responsible for reviewing the terms of each charterparty contract and the relevant sub-charter agreements to ensure congruity in material terms.

### **Risk of disintermediation by our customers**

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

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

- Sourcing new vessels directly from shipowners such as shipyards involves high capital commitment to purchase and often takes a lengthy duration of time to construct. According to the F&S Report, it is industry practice for shipping companies in need of shipping capacity to charter in shipping capacity from other shipping companies (such as our Group).
- Smaller shipping companies or new market entrants may have difficulty chartering in vessels from certain shipowners and vessel leasing companies as such shipowners often prefer to charter out vessels to more established shipping companies with considerable scale and market reputation such as our Group. This gives rise to the emergence of shipping companies in the industry chain which acts as the bridge between shipowners and end users.
- We are able to charter in a wider range of vessels compared to smaller shipping services companies owing to our strong relationships with vessel suppliers and shipowners garnered from our market-leading ship management business as well as our established market presence and reputation for reliability and excellence associated with such market-leading position.
- We have the necessary liquid capital and critical size to charter in of a variety of vessels to meet the specific needs of end-customers, which may often be a significant limiting factor for other smaller-sized or less well-established shipping services companies.

In light of the foregoing, our Directors believe that our Group, as an integrated shipping company, serves a valuable role by bridging the requirements of shipowners and the needs of shipping services companies or end customers who invariably have differing

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preferences and limitations when it comes to the chartering of vessels. Our Directors believe that the value created by our Group for our customers mainly lies in our ability to effectively bridge and reconcile the needs and wants of vessel suppliers who possess available shipping capacity and the requirements of customers who require such shipping capacity for their own business needs. This bridging role played by our Group is important in the maritime shipping industry which at heart is characterized by the chartering of vessels, and this bridging function is primarily exemplified through the following situations:

- Vessel suppliers with available shipping capacity may often want to charter out vessels for a particular duration or extended period of time whereas end-customers may often just require transportation of their goods for a particular voyage. As such, shipping companies like our Group assumes a critical role in bridging this mismatch by chartering in vessels and effectively matching suitable vessels to our customers. Our Directors believe we are able to execute this matching function as we have established longstanding relationships with vessel suppliers which allows us to secure shipping capacity with relative ease, and we have maintained close relationships with a broad network of shipbrokers who periodically provide us with information on potential end-customers.
- From our Directors’ experience, it was noted that many end-customers in the maritime shipping industry may not have the necessary networks or contacts with vessel suppliers as they may be relatively new entrants to the industry. Further, end-customers often lack the requisite expertise or know-how to directly charter vessels under time charter from vessels suppliers, as they may prefer to engage shipping companies under voyage charters to ship their goods from one location to another. It is also the case that many vessel suppliers may not be inclined to deal with a multitude of different shipping companies and may only prefer to transact with a select few shipping services providers. As such, “middle-charterers” such as our Group are important to end-customers who require shipping services but often do not have the requisite expertise to operate a vessel themselves or do not have the necessary contacts in the industry to charter-in shipping capacity effectively.
- Our Directors are of the view that we possess a considerable advantage over other similar shipping companies as we have a steady and adequate supply of shipping capacity owing to our longstanding relationships with vessel suppliers largely due to our considerable history in the industry from our provision of ship management services to these vessels suppliers. We also possess a competitive edge compared to other shipping companies in the maritime shipping industry as our vessel fleet is of a considerable size and scale. We believe that our size, scale and reputation for excellence inspires confidence in us from our suppliers and end-customers alike.

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### Cargoes transported by us

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

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

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

### Charterparty contracts entered into with our customers

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

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

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

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### *Time charter (period-based time charter and TCT)*

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

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

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

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

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

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### *Voyage charter and COA*

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

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

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

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

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

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

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

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

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

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

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### *Exposure to liabilities*

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

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

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

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

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

**Salient terms of the charter contracts with our customers**

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

<b>Salient terms</b>	<b>Description</b>	
	<b>Time charter (period-based time charter and TCT)</b>	<b>Voyage charter and COA</b>
<b>Charter period</b>	<ul style="list-style-type: none"> <li>● Our time charters either have a fixed period (period-based time charter) or are trip-based time charters (TCT).</li> <li>● Our period-based time charters have charter periods ranging from 30 days to around 15 months.</li> <li>● The duration of our TCTs are fixed to the time taken for a predetermined voyage which are generally short.</li> </ul>	<ul style="list-style-type: none"> <li>● Our voyage charters are chartered out for a specific voyage.</li> <li>● Our vessels chartered to our customers under COA have charter periods covering a series of pre-determined voyages.</li> </ul>



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**Description**

<b>Salient terms</b>	<b>Time charter (period-based time charter and TCT)</b>	<b>Voyage charter and COA</b>
<b>Charter hire, fees and payment terms</b>	<ul style="list-style-type: none"> <li>● We charge our customers charter hire which is calculated on a daily basis and is generally prepaid to us by our customers.</li> <li>● Payment schedule:                             <ul style="list-style-type: none"> <li>— The initial sum of charter hire is generally paid by our customers a few days after delivery of the vessel to our customer.</li> <li>— We generally received prepayments for the subsequent month or period from our customers on a monthly basis or an even shorter period throughout the time charter based on the duration of the charter period.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● We receive freight from our customers for transport of cargoes. We generally receive full or a substantial portion of payment within a few business days after completion of loading of cargo onto the vessel.</li> <li>● The time and pace for our customer to load and unload dry bulks (also known as laytime) are expressly provided for which determines how much demurrage and despatch is payable by us and our customers.</li> </ul>
<b>Condition of the vessel</b>	<ul style="list-style-type: none"> <li>● The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated. The speed that the vessel is required to travel at and permissible fuel consumption are also expressly stated.</li> <li>● Our vessels are generally required to be registered under reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo on and off the vessel.</li> </ul>	<ul style="list-style-type: none"> <li>● The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated.</li> <li>● Our vessels are generally required to be registered under reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo onto and off the vessel.</li> </ul>

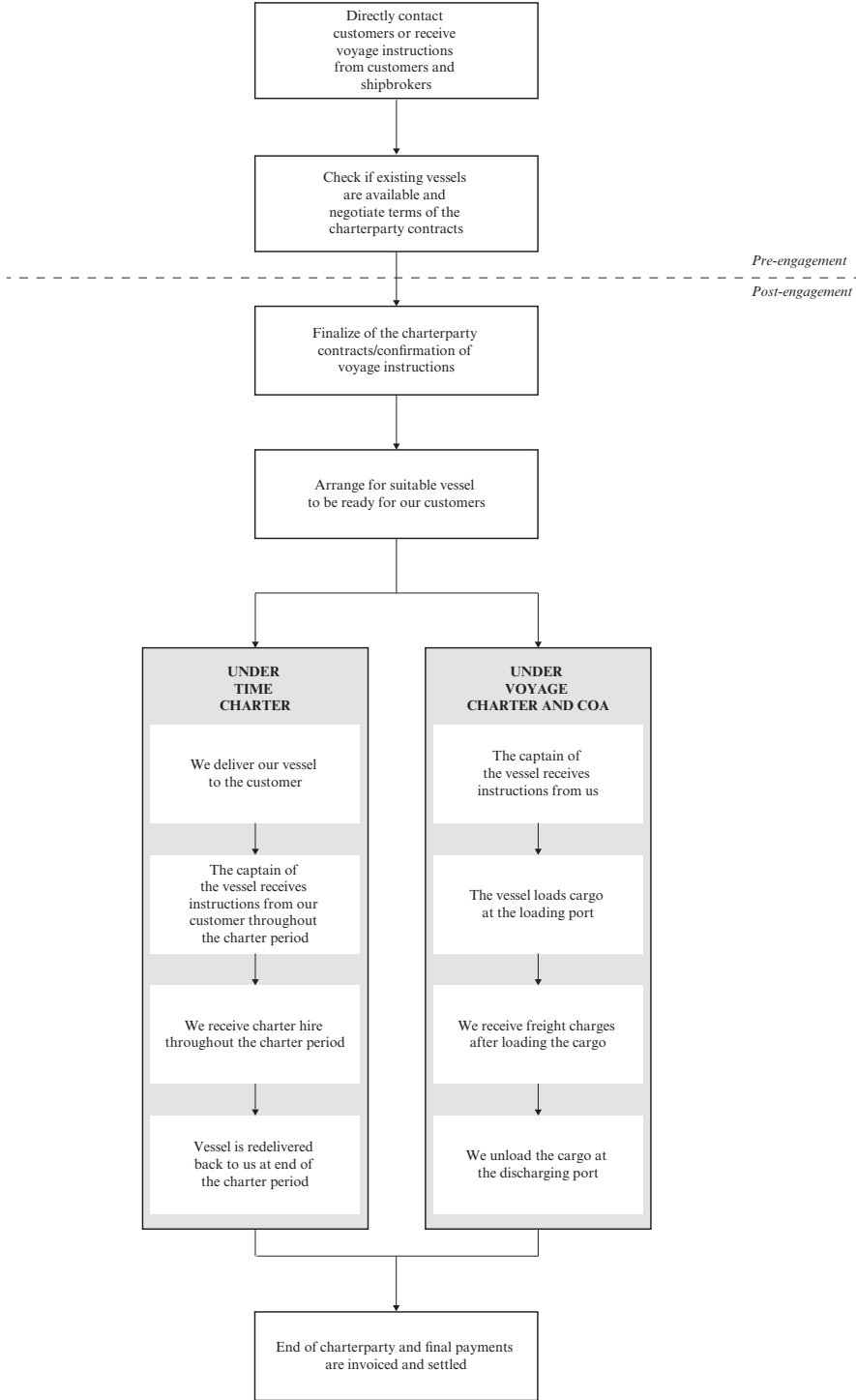
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Salient terms	Description	
	Time charter (period-based time charter and TCT)	Voyage charter and COA
<b>Our customer’s major responsibilities</b>	<ul style="list-style-type: none"> <li>● Our customers are generally responsible for voyage costs such as bunker fees, port charges and other customary expenses under a time charter.</li> <li>● Prior to return of the vessel to us, our customers have to give prior notice of such return. Such notice period depends on the length on the charter period.</li> <li>● Our customers are also responsible for any stevedores costs if they leave any cargo onboard the vessel after its return.</li> </ul>	<ul style="list-style-type: none"> <li>● Our customers are generally solely responsible for the cargo transported and as such, are responsible for obtaining their own insurance in respect of the cargoes transported onboard our vessels during a voyage charter and COA.</li> <li>● Our customers are generally responsible for paying a penalty known as demurrage to us where our customers exceed the laytime. Demurrage is charged each day over the laytime.</li> </ul>
<b>Our major responsibilities</b>	<ul style="list-style-type: none"> <li>● We are generally responsible for operation costs such as wages of crew, insurance fees, repair and maintenance fees and all other customary expenses associated with the operations of a vessel.</li> <li>● If a shipbroker is used, we are responsible for paying the shipbrokers’ commission was generally around 1.25% of the charter hire per customary industry standards.</li> <li>● We are responsible for the safety of the vessel as well as the cargoes transported onboard our vessels.</li> </ul>	<ul style="list-style-type: none"> <li>● We are generally responsible for both the operation costs and voyage costs during the voyage charter and COA.</li> <li>● If a shipbroker is used, we are responsible for paying the shipbrokers’ commission was generally around 1.25% to 2.0% of the freight payable per customary industry standards.</li> <li>● We are generally responsible for paying a fee known as despatch to our customers where our customers are able to complete loading and unloading of the cargo ahead of the stipulated laytime.</li> </ul>
<b>Termination</b>	<ul style="list-style-type: none"> <li>● Where customers do not make timely payments to us, we generally have the right to withdraw the vessel from the time charter subject to a grace period of a few business days.</li> </ul>	<ul style="list-style-type: none"> <li>● Generally not provided for in our voyage charters and COAs. In case of default of payment by customers, we generally have a lien over the cargo onboard the vessel.</li> </ul>

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**Operating procedures for our shipping services**

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



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### *Pre-engagement stage*

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

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

### *Post-engagement stage*

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

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

### *Period-based time charter and TCT*

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

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vessel, we will calculate any remaining fees and expenses payable to us by our customers and will issue a final invoice for such remaining fees and expenses. For extension of the charter period, our customers are required to inform us in advance. Upon confirmation of the details regarding the extension, we will enter into a supplemental charterparty contract with our customers. We may have to inform the shipowner and/or the vessel supplier to extend the charter period of the relevant vessel or enter into a fresh charterparty contract if necessary.

### *Voyage charter and COA*

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

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

## OUR FLEET OF VESSELS

### Overview

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

Our controlled vessels can be broadly categorized as vessels which (i) we solely own; (ii) jointly own with our business partners or; (iii) chartered in by us under bareboat charters or under finance lease arrangements. We regard vessels chartered in by us under bareboat charters and those under finance lease arrangements to be part of our controlled vessel fleet as the roles and responsibilities of our Group over such vessels are very similar

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to that of a shipowner as we effectively assume the role of a shipowner over such vessels. Further, as we are an integrated shipping services company with our own in-house ship management capabilities, we also provide ship management services over our controlled vessels.

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

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

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

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

Please see the paragraphs headed “Our fleet of vessels — Controlled vessel fleet — Jointly-owned vessels”, “Our fleet of vessels — Controlled vessel fleet — Bareboat charter” and “Our fleet of vessels — Controlled vessel fleet — Finance lease arrangements” in this

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section below for further details of our jointly-owned vessels, our vessels which are under finance lease arrangements, and vessels chartered by us under bareboat charters, respectively.

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

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

*Note:* Others represented handysize tankers which are tankers with weight carrying capacities ranging from approximately 10,000 dwt to approximately 25,000 dwt, and medium range tankers which are tankers with weight carrying capacities ranging from approximately 25,000 dwt to approximately 45,000 dwt.

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



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

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

### Chartered-in vessel fleet

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

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

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### *Sequence in chartering in vessels and securing business from customers*

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

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

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

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charter periods of our chartered-in vessel engagements, we are able to sufficiently mitigate against any material loss-making transactions in respect of our shipping services business segment.

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

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

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*Salient terms of the charter contracts with our vessel suppliers*

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

<b>Salient terms</b>	<b>Description</b>
<b>Charter period</b>	<ul style="list-style-type: none"><li>● Time charters entered into with our suppliers are predominantly trip-based time charters (TCT) which normally ends within three months. We have also entered into period-based time charters with our suppliers</li></ul>
<b>Charter hire, fees and payment terms</b>	<ul style="list-style-type: none"><li>● Charter hire is calculated on a daily basis and is generally prepaid by us to our suppliers.</li></ul>
<b>Condition of the vessel</b>	<ul style="list-style-type: none"><li>● The specifications such as the weight carrying capacity, amount of holds and draught of the vessel are expressly stated. The speed that the vessel is required to travel at and permissible fuel consumption are also expressly stated.</li><li>● The vessels which we charter in are generally required to be registered with reputable classification societies, possess the necessary capacity to transport the intended cargo, and also have the necessary equipment such as cranes and grabs to move the cargo onto and off the vessel.</li></ul>
<b>Our major responsibilities</b>	<ul style="list-style-type: none"><li>● We are generally responsible for voyage costs such as bunker fees, port charges and other customary expenses under a time charter.</li></ul>
<b>Our supplier’s major responsibilities</b>	<ul style="list-style-type: none"><li>● Our suppliers are generally responsible for operation costs such as wages of crew, insurance fees, repair and maintenance fees and all other customary expenses associated with the operations of a vessel.</li></ul>
<b>Termination</b>	<ul style="list-style-type: none"><li>● If we fail to make timely payments to our suppliers, they generally have the right to withdraw the vessel from the time charter subject to a grace period of a few business days.</li></ul>

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### **Controlled vessel fleet**

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

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

### ***Movement in number of controlled vessels***

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

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

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

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

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

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

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

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

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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

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

Notes:

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



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- (2) Each of these vessels were chartered by us under bareboat charters from various vessel suppliers which have ownership of these chartered-in vessels as at May 31, 2022. To the best of our Director’s knowledge, these vessel suppliers are Independent Third Parties. See “Our fleet of vessels — Controlled vessel fleet — Bareboat charters” in this section below for further details.
- (3) Each of these vessels were under a finance lease arrangement with a finance leasing company and chartered back to us under bareboat charters as at May 31, 2022. To the best of our Director’s knowledge, these finance leasing companies are Independent Third Parties. See “Our fleet of vessels — Controlled vessel fleet — Financing arrangements for our controlled vessels — Finance lease arrangements” in this section below for further details.
- (4) Each of these vessels were jointly held by us and our business partner as at May 31, 2022. See “Our fleet of vessels — Controlled vessel fleet — Jointly-owned vessels” in this section below for further details.
- (5) Each of these vessels were financed by bank loans with the vessels as security as at May 31, 2022. See “Our fleet of vessels — Controlled vessel fleet — Financing arrangements for our controlled vessels — Bank loans”.

### *Fleet utilization*

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

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	%	%	%	%
Controlled vessels <sup>(1)</sup>	95.5	94.2	93.3	91.6
Chartered-in vessels <sup>(2)</sup>	99.0	99.7	99.6	99.1

*Notes:*

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

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

### *Fluctuations in utilization rates*

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

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

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

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

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

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

- We and our business partner have sold our jointly-owned dry bulk carrier XINYIHAI 55 through a public auction in April 2022 and was delivered to the purchaser in August 2022.
- We have entered into an agreement in August 2022 for the newbuilding of a new general cargo vessel with a proposed weight carrying capacity of 13,500 dwt estimated to be completed in 2023. We have also entered into an agreement in October 2022 for the newbuilding of a new dry bulk carrier with a proposed weight carrying capacity of 40,000 dwt estimated to be completed in 2024.
- In October 2022, we have exercised the purchase option in respect of one of our controlled vessels GOLDEN CAMELLIA and entered into an agreement on even date to sell GOLDEN CAMELLIA to an Independent Third Party with completion estimated to take place in or around January 2023.

### *Our vessels under construction*

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

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

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

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

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

### ***Bareboat charter***

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

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

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

<b>Salient terms</b>	<b>Description</b>
Charter period	<ul style="list-style-type: none"><li>● The charter period as specified under the bareboat charter contract generally ranged from two to ten years</li></ul>
Charter payments	<ul style="list-style-type: none"><li>● We generally are obliged to pay charter hire on a monthly or quarterly basis during the charter period</li></ul>
Vessel delivery	<ul style="list-style-type: none"><li>● The vessel supplier will deliver the vessel to us at a designated port. Before the end of the charter period, we usually are required to notify the vessel supplier and arrange for the vessel to be redelivered back to the vessel supplier at a designated port</li></ul>
Insurance	<ul style="list-style-type: none"><li>● We bear all risks arising from the operations management and maintenance of the vessel during the charter period</li><li>● We are required to keep the vessel properly insured against customary risks such as risks on hull and machinery and war risks</li></ul>
Our major obligations	<ul style="list-style-type: none"><li>● We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations. We are also responsible for maintaining the classification status of the vessel during the charter period</li><li>● We are also responsible for notifying the vessel supplier of any event that may constitute an event of default under the bareboat charter during the charter period such as maritime accidents, ship arrest, and total loss of vessel in addition to satisfying certain financial covenants.</li></ul>
Option to purchase	<ul style="list-style-type: none"><li>● Some bareboat contracts may contain an option for us to purchase the vessel by the end of the charter period for a pre-determined price set out in the charter contract</li></ul>
Termination	<ul style="list-style-type: none"><li>● The vessel supplier has the option to terminate the bareboat charter upon the occurrence of an event of default which includes our failure to make necessary payments on time, our failure to observe our obligations under the bareboat charter, and a petition being filed for our winding up or dissolution.</li></ul>

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### *Financing arrangements for our controlled vessels*

We generally financed the acquisition or newbuilding of controlled vessels through a mix of internal resources, bank loans and finance lease arrangements. As at May 31, 2022, three of our controlled vessels were financed by bank loans and eight of our controlled vessels were financed under finance lease arrangements with finance leasing companies. Out of the eight vessels under finance lease arrangements, four of them are jointly-owned between us and our business partner. See “Our fleet of vessels — Jointly-owned vessels” in this section below for further details.

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

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

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

### *Finance lease arrangements*

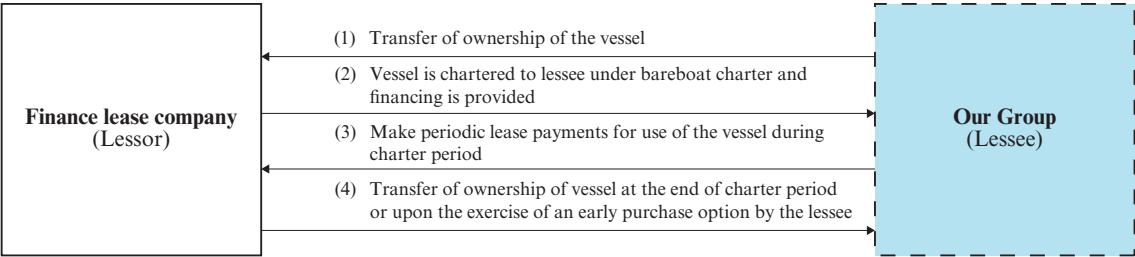
As at May 31, 2022, eight of our controlled vessels were under finance lease arrangements whereby the titles of such vessels were vested in the finance leasing companies during the term of a finance lease agreement entered into between us and the finance leasing company.

Under a typical finance lease, we generally transfer the ownership rights of the subject vessel to a finance leasing company at a negotiated price. The finance leasing company, as the registered owner of the vessel, then charters the vessel back to us on a bareboat charter basis in return for periodic lease payments including principal amount and interest. Upon our last installment of the lease payments to the finance leasing company, the finance leasing company is generally obliged to transfer the title of the vessel to us. This finance lease arrangement is also known as a “sale and leaseback” as it involves (i) an initial transfer of title of the vessel to the finance leasing company by us through a memorandum

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of agreement and (ii) the vessel is thereafter leased back to us under bareboat charter. The memorandum of agreement and the bareboat charter together comprise a finance lease arrangement. We generally also have the option under these finance lease arrangements to purchase the vessel prior to end of the finance leases. The finance lease arrangements we entered into during the Track Record Period usually last for three to ten years.

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



*Salient terms of our finance lease arrangements*

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

<b>Salient terms</b>	<b>Description</b>
Vessel sale and transfer	<ul style="list-style-type: none"> <li>● The memorandum of agreement generally contains details regarding the sale and transfer of the vessel by us to the finance lease company, including purchase price, payment term and vessel delivery arrangements</li> </ul>
Charter period	<ul style="list-style-type: none"> <li>● The charter period as specified under the bareboat charter contract generally ranged from three to ten years</li> </ul>
Charter payments	<ul style="list-style-type: none"> <li>● We generally are obliged to make lease payments on a monthly or quarterly basis during the charter period</li> <li>● The lease payments is generally a pre-determined amount including interest on the outstanding principal amount calculated with reference to LIBOR plus a margin</li> </ul>

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<b>Salient terms</b>	<b>Description</b>
Vessel delivery and acceptance	<ul style="list-style-type: none"><li>● The ownership of the vessel will be transferred to the finance leasing company by us on an “as is” basis under the memorandum of agreement</li><li>● At the same time, the finance company leases and delivers the vessel back to us under bareboat charter on the same conditions</li></ul>
Insurance	<ul style="list-style-type: none"><li>● We bear all risks arising from the operations, management, maintenance of the vessel during the charter period</li><li>● We are required to keep the vessel properly insured against customary risks such as risks on hull and machinery and war risks</li></ul>
Our major obligations	<ul style="list-style-type: none"><li>● We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations</li><li>● We are also responsible for notifying the finance leasing company of any event that may constitute an event of default under the memorandum of agreement and the bareboat charter during the charter period such as maritime accidents, ship arrest, and total loss of vessel in addition to satisfying certain financial covenants.</li><li>● We generally are required to provide security by way of corporate guarantees by our other Group companies and/or personal guarantees.</li></ul>
Transfer of vessel ownership upon expiry of charter period	<ul style="list-style-type: none"><li>● At the end of the charter period, the finance leasing company is generally obliged to transfer the ownership of the vessel to us subject to settlement of all outstanding payment obligations</li></ul>
Early purchase option	<ul style="list-style-type: none"><li>● Prior to the end of the charter period, we have an early purchase option to purchase the vessel from the finance leasing company subject to the payment of the outstanding principal amount under finance lease arrangement and a purchase option fee</li></ul>



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<b>Salient terms</b>	<b>Description</b>
Termination	<ul style="list-style-type: none"> <li>• The finance leasing company has the option to terminate the memorandum of agreement and the bareboat charter upon the occurrence of an event of default which includes our failure to make necessary payments on time, our failure to observe our obligations under the memorandum of agreement and the bareboat charter, and a petition being filed for our winding up or dissolution.</li> </ul>

### *Bank loans*

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

### *Hedging*

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

### *Jointly-owned vessels*

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

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

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### *Our relationship with Hongkong Zhoushan Yihai*

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

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

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

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

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

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- Like SEACON 6, as XINYIHAI 55 was under finance lease arrangement prior to its sale via public auction in April 2022, we contributed a sum of approximately USD2.2 million (being our proportional share of the outstanding amount under the finance lease in accordance with our 35% shareholding interest in Hongkong Xinyihai) for the early termination of the finance lease arrangement. Hongkong Xinyihai has fully repaid the USD2.2 million to us in August 2022 with the proceeds from the sale of XINYIHAI 55.
- We provided shareholder’s loans totaling approximately USD1.4 million to Hongkong Xinyihai for their working capital purpose in proportion to our 35% shareholding interest in Hongkong Xinyihai. Hongkong Xinyihai has gradually repaid the shareholder’s loans on several occasions since 2019, and as at the Latest Practicable Date, the shareholder’s loans were fully repaid.

### *Background of Hongkong Zhoushan Yihai*

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

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

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

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### OUR SHIP MANAGEMENT SERVICES

#### Overview

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

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

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

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

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

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

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

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

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

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

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We also expanded our ship management service offerings and commenced the provision of shipbuilding supervision services in 2019. Our shipbuilding supervision services generally cover the provision of initial feasibility analysis and review of vessel blueprints, professional consultations during the shipbuilding as well as technical evaluations and ongoing support services during the course of the shipbuilding process. We have also obtained the Equipment Supervision Unit Certificate (設備監理單位證書) with respect to our shipbuilding supervision services from the China Association of Plant Engineering Consultants (中國設備監理協會) and achieved Grade A status since November 2021. As at May 31, 2022, we have been engaged to provide shipbuilding supervision services to over 100 vessels, of which we have completed the supervision of over 25 vessels.

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

### *Scope of ship management services*

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

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

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

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

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

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

***Salient terms of the ship management contracts with our customers***

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

<b>Salient terms</b>	<b>Description</b>
<b>Service period</b>	<ul style="list-style-type: none"><li>● The service period as specified under the ship management contracts generally ranged from one year to three years.</li></ul>
<b>Services provided</b>	<ul style="list-style-type: none"><li>● The scope of services set out in our ship management contracts differed based on our customer’s needs.</li><li>● Our services provided under our ship management contracts generally included the services set out in the paragraph headed “Scope of ship management services” in this section above.</li></ul>

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<b>Salient terms</b>	<b>Description</b>
<b>Fees and payment terms</b>	<ul style="list-style-type: none"><li>● Management fees are payable by our customers on a monthly, quarterly or annual basis.</li><li>● Our management fees may be charged on lump-sum basis or management fee basis.</li></ul> <p><i>Lump-sum basis</i></p> <ul style="list-style-type: none"><li>— We charge a fixed and “all-inclusive” fee for our ship management services and we bear all the costs incurred in the provision of our ship management services. Some of our ship management contracts may adopt a partial lump-sum basis where we bear the costs of certain aspects of our ship management services whereas other costs are borne by our customers themselves.</li></ul> <p><i>Management fee basis</i></p> <ul style="list-style-type: none"><li>— We charge a pre-determined fee for our ship management services and any costs incurred in the provision of such services are borne by our customers.</li></ul>
<b>Our major obligations</b>	<ul style="list-style-type: none"><li>● We are responsible for ensuring that the vessel is in compliance with all applicable laws and regulations such as flag state controls and port state controls.</li></ul>
<b>Our customers’ major obligations</b>	<ul style="list-style-type: none"><li>● Our customer have to ensure that the vessels are not being used for an unlawful purpose (e.g. trading of arms or drugs, and smuggling).</li><li>● For overdue ship management fees, customers generally have to pay a penalty equal to a daily-accumulating surcharge at 0.25% of the overdue amount.</li></ul>
<b>Termination</b>	<ul style="list-style-type: none"><li>● Our ship management contracts are terminable by us or our customers upon the occurrence of a breach of our respective obligations under the contract.</li></ul>



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### *Ship management services fee*

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

### *Lump-sum basis*

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

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

### *Management fee basis*

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

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

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

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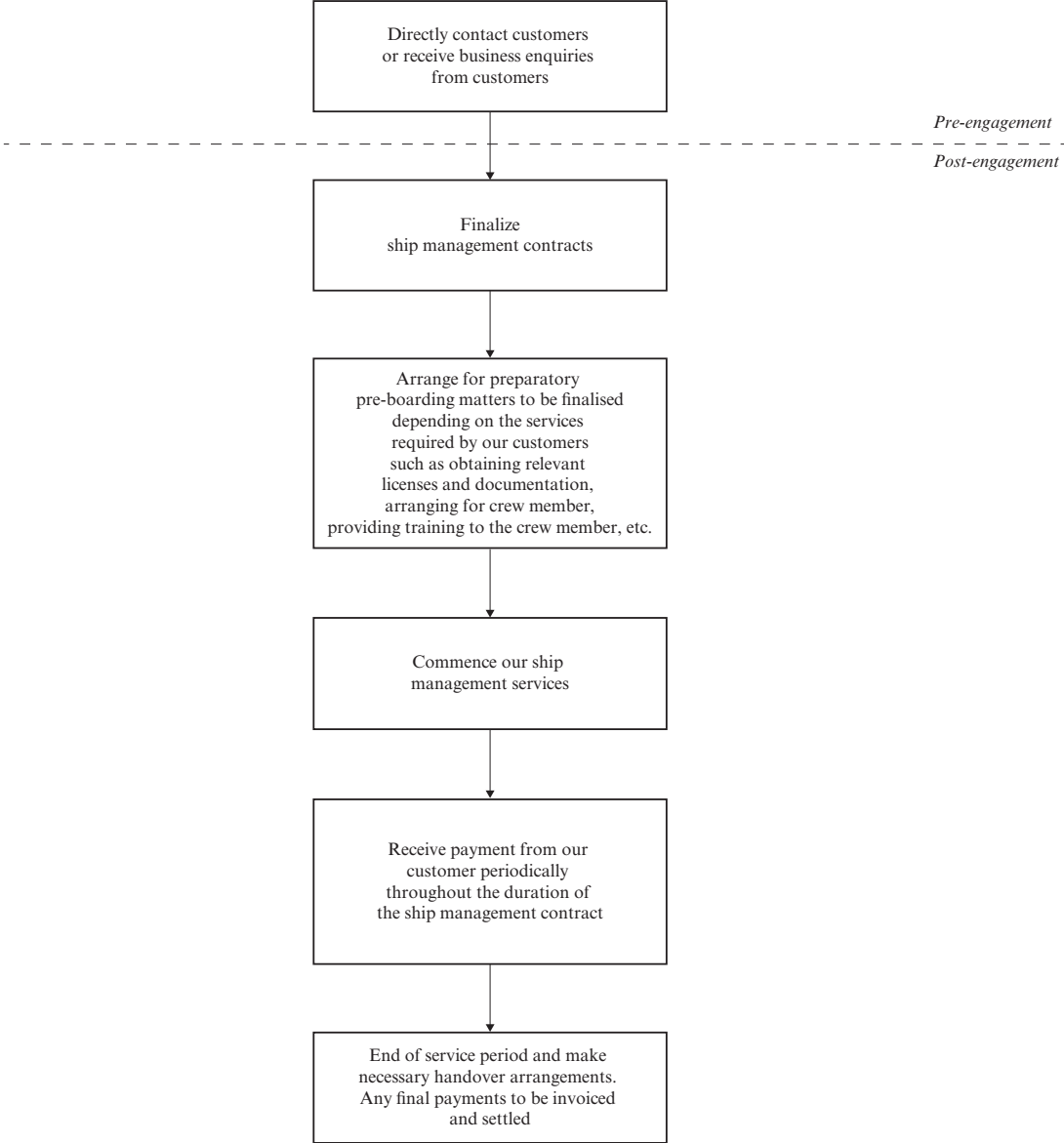
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*Operating procedures for our ship management services*

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



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### *Pre-engagement stage*

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

### *Post-engagement stage*

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

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

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

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

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

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

### **OPERATIONAL MANAGEMENT OF VESSELS**

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

#### **Monitoring of vessels**

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

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

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### **Repair and maintenance of vessels**

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

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

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

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

### **Maintenance of classification status of vessels**

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

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

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

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

### **Bunker and fueling arrangements**

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

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

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**OUTSOURCING ARRANGEMENTS**

**Outsourcing of crew members**

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

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

<b>Salient terms</b>	<b>Description</b>
Duration	<ul style="list-style-type: none"><li>● The service period as specified under the crew manning contracts generally ranged from six months to one year.</li></ul>
Services provided by crew manning agency	<ul style="list-style-type: none"><li>● The crew manning agency is responsible for providing the requested number of properly certified crew workers at the requested experience levels to us.</li></ul>
Service fees	<ul style="list-style-type: none"><li>● The wages of crew members are prescribed in the crew manning contract and the level of wages is differentiated based on the position and experience of the crew member. The level of wages is generally negotiated between us and the crew manning agencies.</li><li>● The crew manning agency charges us based on the number and prescribed wages of crew members required and such fee is generally inclusive of other ancillary expenses such as the crew members’ food expenses, travel expenses, pre-commencement body checks, and hotel expenses for quarantine.</li><li>● The crew manning agency deducts a certain amount from the fee we pay to them as their service fees for providing us crew manning services. The crew manning agency is then responsible for making the necessary arrangements to pay the crew members every month from the remaining fees. The crew manning agencies are also generally responsible for paying social insurance and provident funds for the crew members, where applicable.</li></ul>
Payment terms	<ul style="list-style-type: none"><li>● We are generally required to pay crew manning fees to crew manning agencies on a monthly basis.</li></ul>

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Salient terms	Description
Our major responsibilities	<ul style="list-style-type: none"><li>• We are responsible for providing crew members uniforms, gear and safety equipment to allow them to carry out their duties onboard a vessel.</li><li>• We are responsible for keeping the crew manning agency reasonably informed of the position of the relevant vessel which their crew members are dispatched to.</li><li>• We are primarily responsible for supervising and managing the workers, as well as providing the requisite training to crew workers to perform their work.</li></ul>
Termination	<ul style="list-style-type: none"><li>• The contract may be terminated by us by giving our crew manning agencies prior notice as stipulated under the labor supply contract.</li></ul>

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

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

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



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

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

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

## BUSINESS

### CUSTOMERS

#### Overview

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

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

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

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

Our major customer groups in respect of our ship management services business segment are fairly broad and generally include customers who seek to outsource the function of ship management of their vessels to third party ship management service providers such as our Group. Such customers generally include shipowners (which include finance lease companies who own vessels) as well as shipbuilders. As finance and leasing companies generally do not have the expertise to manage vessels, such companies may procure our ship management services which include daily operations of vessels, commercial and technical management, crew management, repair and maintenance, and regulatory management and compliance. As our ship management services also include the provision of shipbuilding supervision services, we also provided such services to shipbuilders who engaged us to provide supervision services over vessels built by such shipbuilders.

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

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### Major customers

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

#### *For the year ended December 31, 2019*

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

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### *For the year ended December 31, 2020*

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

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## BUSINESS

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### *For the year ended December 31, 2021*

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

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### *For the five months ended May 31, 2022*

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

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

### **Relationship with Customer B**

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

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

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

The Tripartite Cooperation Agreement includes the following key terms:

- *Allocation of gross proceeds.* All of the gross proceeds from the finance leases for BAO GLORY and BAO GRAND will be allocated to Customer B. The gross proceeds from the finance lease for BAO FENG will be allocated between Individual A and us in an agreed proportion.
- *Repayment obligations.* Customer B will make full repayment to Supplier C directly for the amount due under the finance leases for BAO GLORY and BAO GRAND. In respect of the amount due under the finance lease for BAO FENG, Individual A will first make repayment of his proportional share of the proceeds from the finance lease for BAO FENG to us, and we will then make full repayment to Supplier C.
- *Indemnity.* If any parties failed to make timely repayments which resulted in the termination of the finance leases by Supplier C, the defaulting party shall indemnify the non-defaulting parties from all losses.
- *Guarantee.* Individual A and Customer B shall provide guarantees to us on the same terms as the guarantees provided by us and our shareholders to Supplier C under the finance leases.
- *Term.* Eight years, same as the term of the finance leases.
- *Exclusive rights.* During the term of the Tripartite Cooperation Agreement, BAO GLORY, BAO GRAND and BAO FENG will be managed by us.

The finance leases for BAO GLORY, BAO GRAND and BAO FENG entered into with Supplier C are typical finance lease arrangements similar to those entered into by us with other finance leasing companies and were generally governed by English laws. See the

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paragraphs headed “Our fleet of vessels — Controlled vessel fleet — Finance lease arrangements — Salient terms of our finance lease arrangements” in this section for the salient terms of our finance lease arrangements.

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

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

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

Our Directors confirm that (i) the Financing Arrangement as well as the finance leases entered into with Supplier C were conducted on arm’s length negotiations and were on normal commercial terms; (ii) the ship management services we provided to BAO GRAND,



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BAO GLORY and BAO FENG were conducted on normal commercial terms; and (iii) we did not receive any commission, rebates or service fees from Customer B or Individual A in connection with the Financing Arrangement.

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

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

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

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

### **Payment and credit terms**

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

#### ***Payment terms***

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

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

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

### *Credit period*

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

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

### **Customer feedback and complaints**

Our Directors believe that maintaining close communications with our customers is essential in promoting customers’ satisfaction and fostering their confidence in us and our services and would in turn encourage recurring businesses from existing customers and their word-of-mouth referrals to potential customers. We seek feedback from our customers to assess and evaluate which aspects of our service offerings need further improvement. In accordance with our internal policy, our sales team will handle the enquiries and/or complaints received and follow up with the relevant customer in a prompt manner. During the Track Record Period and up to the Latest Practicable Date, save for the disputes and material legal proceedings as disclosed in the subsection headed “Legal Proceedings” in this section below, we did not receive any material complaints from our customers.

### **SUPPLIERS**

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

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### Major suppliers

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

#### *For the year ended December 31, 2019*

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

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### *For the year ended December 31, 2020*

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

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*For the year ended December 31, 2021*

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

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### *For the five months ended May 31, 2022*

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

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

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

### **Vessel suppliers**

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

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

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### **Bunker fuel suppliers**

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

### **Shipbrokers**

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

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

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

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

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

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

### **Payment terms**

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

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



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### OVERLAPPING OF CUSTOMERS AND SUPPLIERS

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

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

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

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

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

*Notes:*

- Cost of sales is calculated as sum of (i) direct costs such as vessel repair and maintenance fee, crew manning fees and purchase of supplies, and (ii) overhead costs in relation to the apportionment of our employee benefit expenses to each of our customers for our ship management services based on the length of service period.
- We recorded negative gross profit margin from our transactions with Shanghai Weilun for the year ended December 31, 2020 and 2021 and the five months ended May 31, 2022. This was primarily because we had entered into a ship management services contracts with Shanghai Weilun during the Track Record Period where we charged ship management fees on a lump-sum basis. As Shanghai Weilun's vessels under our management required frequent repair and maintenance, during 2020 and 2021 and the five months ended May 31, 2022 the relevant costs outweighed the ship management fees we received from Shanghai Weilun, thus leading to the negative gross profit margins for the relevant periods.
- We recorded negative gross profit margin from our transactions with Customer O for the years ended December 31, 2019 and 2020. This was because market rates had declined during the respective years primarily due to export controls at the material time the COVID-19 pandemic which meant that we received less charter hire and freight from customers to cover the fixed operating costs of our controlled vessels and/or the charter hire costs of our chartered-in vessels, which led to a negative gross profit margin for the years ended December 31, 2019 and 2020.

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

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

## SALES AND MARKETING

### Marketing activities

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

#### *Industry exhibitions, conventions and forums*

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

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### *Marketing and online promotion*

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

### **Pricing policy**

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

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

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

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

### **Seasonality**

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

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### **IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS**

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

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

#### **Effects of the COVID-19 outbreak on our business operations**

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

Amidst the recent severe outbreak of Omicron variant in the PRC since March 2022, owing to the lockdown and quarantine measures promogulated by certain PRC local governments, our Shanghai office was closed during the period from April 1, 2022 to May 31, 2022, and resumed business on June 1, 2022. Our Directors confirm that (i) our other

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offices in the PRC were not subject to lockdown quarantine measures and continued business operations as usual, and (ii) our employees based in our Shanghai office were able to continue working from home and communicate and conduct business with our customers and suppliers despite the closure.

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

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

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

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

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

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ended December 31, 2019, 2020 and 2021, the BDI fluctuated in a range between 393 points and 5,650 points with a daily average of approximately 1,365 points, 1,068 points and 2,943 points, respectively.

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

### **Effects of the COVID-19 outbreak on our financial performance**

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

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

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

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

### **Precautionary measures in response towards the COVID-19 outbreak**

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

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



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### LICENSES, PERMITS AND APPROVALS

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

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

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

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

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

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

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

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

### LEGAL COMPLIANCE

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

#### **Immaterial non-compliance incidents in Hong Kong**

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

#### *Cause of the immaterial non-compliance incidents*

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

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or at all, certain correspondence, such as tax returns and compound offer letters, from the Inland Revenue Department (the “**IRD**”). Accordingly, the Relevant Companies failed to take appropriate and timely actions to follow the Hong Kong regulatory requirements.

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

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

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

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### *Precautionary measures to prevent future recurrence of non-compliance incidents*

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

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

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

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

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

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

### **Non-compliance incidents in the PRC**

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

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

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

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



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### Non-compliance incidents in Singapore

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

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

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

### **BUSINESS ACTIVITIES WITH COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS**

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

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

Our International Sanctions Legal Advisers have not identified apparent violations of the International Sanctions by us after evaluating the sanctions risks of our historical business activities relating to the Relevant Regions during the Track Record Period. Therefore, our International Sanctions Legal Advisers have not recommended reporting of

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our historical business activities relating to the Relevant Regions during the Track Record Period, including voluntary self-disclosure to OFAC, and such reporting is not necessary as of the date of this document.

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

## INSURANCE

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

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

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

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

### EMPLOYEES

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

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

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

<b>Location</b>	<b>Number of employees</b>
The PRC	172
Singapore	13
Japan	4
Hong Kong	<u>3</u>
<b>Total</b>	<b><u><u>192</u></u></b>

### Recruitment and remuneration

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

During the Track Record Period, our sales staff received discretionary mid-year and end-of-year bonus based on their duties and responsibilities, their work performance and by reference to our performance. Our staff’s performance will be reviewed periodically and the results of which are used as a reference to determine any salary adjustments and promotions. Our employees are also entitled to a number of subsidies and benefits,

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including but not limited to, paid annual leave, paid birthday leave, transportation allowance, phone allowance, lunch allowance, childbirth allowance etc. Our Directors believe that these staff benefits are in line with the industry level.

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

### *Social insurance and housing provident funds*

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

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

### **Training**

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

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### Relationship with employees

As at the Latest Practicable Date, certain of our employees belonged to a labor union called “China Seamen’s Union Seacon Shandong Shipping Group Committee\* (中國海員工會山東洲際航運集團委員會)”.

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

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

- *ESG Governance Group*: Composed of our ESG Committee and managers from our Operations Management Center, Finance Department, Strategic Development Department, Shipping Group and Ship Management Group. The ESG Governance Group implements ESG controls and policies in accordance with the requirements of the ESG Committee; oversees and checks the operational control of key ESG issues; identifies and manages climate change risks and opportunities, and reviews the progress of implementing sustainable development goals.
- *Operations Management Center*: The Operations Management Center is responsible for labour practices, human resource management, legal matters, and development of community engagement activities as well as ESG publicity and related ESG information disclosure work.
- *Finance Department*: The Finance Department is responsible for ESG-related financial decisions and operational management, analyzing and determining the financial impact of ESG risks and opportunities, and promoting and implementing financial decisions in ESG operational control measures.
- *Strategy Development Department*: The Strategy Development Department is responsible for formulating a ESG development plan and implementation plan according to the ESG target set by the ESG Committee.
- *Shipping Group and Ship Management Group*: The Shipping Group and Ship Management Group helps to implement ESG-related policies, identify, evaluate and manage ESG risks and opportunities within their respective business scopes, operate and control ESG risks, and report ESG operation information to the ESG Governance Group in a timely manner.

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

### **Environmental protection**

Climate change is a major issue for the sustainable development of the maritime shipping industry, and green and low-carbon initiatives underpin the future development of the maritime shipping industry. Under the backdrop of the initial strategy on the reduction of greenhouse gas (“GHG”) emissions from ships introduced by the IMO in 2018 with a goal to (i) cut annual greenhouse gas emissions from international shipping by at least half by 2050, compared with their level in 2008, and (ii) a reduction in carbon intensity of international shipping (as an average across

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international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008), we actively responded to such requirements introduced by the IMO by adopting management practices to control and reduce the emission of greenhouse gases, waste water and solid water during the operation of vessels. Through such practices which include energy reduction technology and management innovation, the use of more environmentally-friendly fuels and other means to improve energy efficiency management, and the promotion of the green shipping initiatives, we are firmly committed to reducing energy consumption and greenhouse gas emissions, and striving towards creating an environmentally friendly shipping enterprise.

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

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

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

### *Air pollution and greenhouse gas emissions*

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



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operations to ensure that our emissions are controlled and maintained at an acceptable level. We have been issued with the International Air Pollution Prevention Certificate stating that our vessels have been surveyed, and have complied with the requirements, under the International Convention for the Prevention of Pollution from Ships.

### *Sewage, oil pollution and oil consumption*

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

### *Solid waste discharge*

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

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

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

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*Notes:*

- (1) For the purposes of calculating the key performance indicators, the calorific value of diesel, low-sulfur fuel and high-sulfur fuel is set at 42,700 kilojoules/kilogram, the calorific value of gasoline is 43,124 kilojoules/kilogram, and the calculation for consumption of electricity is calculated using the figures from the North China Power Grid (華北電網).
- (2) “tCO<sub>2</sub>e” means one ton of carbon dioxide equivalent, and is a metric measure that is used to compare emissions from various greenhouse gases on the basis of their global warming potential (GWP) by converting amounts of other gases to the equivalent amount of carbon dioxide.
- (3) Scope 1 emissions are direct emissions from company-owned and controlled resources. Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. These definitions are set out under the GHG Protocol which establishes comprehensive global standardized frameworks to measure and manage greenhouse gas emissions from private and public sector operations, value chains and mitigation actions.

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

### **Social responsibility**

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

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

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

**Governance**

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

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

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

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

No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/long-term	Our response strategy and mitigating measures
1	Transition	Increased costs due to adoption of low sulfur fuel for vessels	Level 1	<i>High</i> — Since the IMO has implemented the sulfur restrictions in bunker fuel since 1 January 2020, the price of low-sulfur and high-sulfur fuels have fluctuated between 30 to 400 USD/ton which invariably brings a certain degree of fluctuation on our operating costs. While the entire international maritime shipping industry has already adopted low-sulfur fuels since the implementation of the new restrictions, it is expected that the adoption of energy saving and emission reduction measures, the technical transformation of old vessels to adopt new technology, and the replacement of existing vessels with new energy vessels will invariably increase our financial costs from different aspects.	9	Mid/Long	<ul style="list-style-type: none"> <li>Renovate or replace ships with new technology or energy saving specifications</li> <li>Optimize routes, stowage and regional management of ships</li> <li>Promote energy conservation and emission reduction measures</li> </ul>
2	Transition	Increased costs and decreased shipping efficiency and utilisation rate due to the transition to using low emission technologies	Level 1	<i>High</i> — The cost of technical renovation over our vessels will vary depending on the condition of the vessels. It is estimated that the average cost of technical renovation for a vessel to adopt low emission technologies may range from approximately USD100,000 to approximately USD200,000. Given the number of our vessels that may be subject to such technical renovation in the short to medium term is seven, it is projected that our costs for technical renovation will be approximately USD700,000 to approximately USD1,400,000.	6	Mid/Long	<ul style="list-style-type: none"> <li>Renovate old ships to save energy or adopt new technologies to reduce energy usage and meet emission requirements</li> <li>Adopt more efficient energy improvement technologies</li> </ul>

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No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/long-term	Our response strategy and mitigating measures
3	Physical	Unusual climate leading to typhoons, cold waves, gales, and unusual appearance of ice areas, resulting in write-off of vessels	Level 2	<i>Medium</i> — When unforeseen circumstances such as unusual climate events arise, this may cause damage to vessels and result in the write-off of such vessel. It is roughly estimated that the asset value of our vessels range from USD1.8 million to USD23.0 million. As such, if such unforeseen risks occurs, it may result in a loss of between USD1.8 million to USD23.0 million.	6	Mid/Long	<ul style="list-style-type: none"> <li>Strengthen ship operation safety management; formulate emergency plans, weather navigation, and strengthen ship-to-shore communications</li> <li>Increase the maintenance of ships, phase out old ships, and have sufficient emergency marine supplies</li> <li>Improve the technical abilities of onshore and offshore employees and their ability to deal with risks</li> </ul>
4	Physical	Epidemics and pandemics brought about by climate changes, creating human resources shortages and operational difficulties	Level 2	<i>Medium</i> — Epidemics and pandemics such as the COVID-19 outbreak has significantly impacted the mobility of crew workers, with crews unable to change shifts or to travel to the vessels to work. This has resulted in staff shortages and increases in crew wages. To prevent the spread of the COVID-19 pandemic, many countries and regions have adopted quarantine measures, in some cases for prolonged periods of time. These quarantine measures have led to an increase in voyage costs incurred by shipping companies. Additionally, owing to the COVID-19 pandemic, training and renewal of certifications for crew workers have been delayed, resulting in a shortage of qualified crew members, thereby exacerbating the existing impact brought by crew changes. The foregoing factors inevitably causes an increase in crew costs, leading to an increase in our operating costs.	9	Short	<ul style="list-style-type: none"> <li>Sign a long-term cooperation agreement with a fixed number of crew manning agencies</li> <li>Increase global presence to take on talented employees from multiple countries</li> <li>Improve the operational capability of the human resources team to respond to the needs of any emergency shortages</li> </ul>

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No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/long-term	Our response strategy and mitigating measures
5	Transition	Enhanced emissions reporting obligations	Level 2	<i>Medium</i> — There is a strong correlation and direct impact between a company’s financial performance and investment performance with its ESG performance. Companies with strong ESG performance often show better operational performance in the long term and good ESG performance may bring the company a good reputation, better brand image and better profitability. Companies with poor ESG performance often have poor operational stability and poor financial performance which in turn affects a company’s profitability.	9	Short	<ul style="list-style-type: none"> <li>Implement international and national ESG reporting requirements, regularly publish ESG reports, and adopt information systems to improve the efficiency of information disclosure on ESG-related matters</li> </ul>
6	Transition	Greenhouse gas emissions carbon pricing is too high	Level 2	<i>Medium</i> — The carbon trading price <sup>(Note)</sup> in the PRC as at the end of 2021 is approximately RMB60 per tCO <sub>2</sub> e. For the year ended December 31, 2021, we emitted approximately 267,174 tCO <sub>2</sub> e of greenhouse gases. While shipping companies are currently not subject to carbon pricing requirements in the PRC, there is no assurance that the shipping industry will not be subject to such requirements in the near future. Also, the carbon price in the carbon trading market is subject to changes at any time. Hypothetically, if a change of around 20% occurs in the carbon trading price in the PRC, it is expected to bring us a loss or profit of approximately RMB3.2 million in 2021.	6	Mid/Long	<ul style="list-style-type: none"> <li>Keeping up with changes in shipping market policies to promote carbon emission reduction</li> <li>Renovate or replace ships with new technology or energy saving specifications</li> <li>Gradually replacing and adopting low-emission fuel sources</li> </ul>
7	Physical	Increase in insurance costs owing to and geopolitical disputes	Level 2	<i>Medium</i> — Current war zone premiums are typically in the range of six thousandths of a percent of the hull insurance premium, and such premiums are higher if the war zones are larger. Any prolonged geopolitical disputes may push up our insurance expenses.	12	Short	<ul style="list-style-type: none"> <li>Keep abreast of international developments and adjust shipping routes</li> <li>Maintain close communication with vessels</li> </ul>

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No.	Type of risk	Details of risk	Risk level	Financial impact on our Group	Priority	Short/mid/long-term	Our response strategy and mitigating measures
8	Transition	Use of new energy vessels	Level 1	<i>High</i> — New energy vessels (e.g. low-carbon fuels, hydrogen fuels, ammonia fuels etc.) have low carbon emission intensity and are expected to be the mainstream of future market demand. It is expected that new energy vessels will be preferred by more and more customers and have better industry competitiveness. We will give priority to chartering new energy ships because of such burgeoning potential market demand in the future. If new energy vessels are adopted by us which can reduce our carbon emissions, we may also be able to earn higher profits by selling our unused carbon balance through carbon trading <sup>(Note)</sup> if shipping companies are subject to such carbon pricing requirements in the near future.	9	Mid/Long	<ul style="list-style-type: none"> <li>• Purchase vessels that use new energy types when placing orders for new vessels</li> <li>• Arrange for the gradual replacement and adoption of low-emission energy sources for ships in operation</li> </ul>
9	Transition	Adoption of new vessel technologies	Level 1	<i>High</i> — The adoption of new vessel technologies (e.g. propeller optimization technology, engine efficiency improvement technology, carbon capture technology, ship drag reduction technology etc.) will reduce the energy consumption of the ship as well as reduce carbon emissions. If vessels with new technologies are used which can reduce our carbon emissions, we may also be able to earn higher profits by selling our unused carbon balance through carbon trading <sup>(Note)</sup> if shipping companies are subject to such carbon pricing requirements in the near future.	9	Mid/Long	<ul style="list-style-type: none"> <li>• Renovation of old vessels to reduce power operation and meet emission requirements.</li> <li>• Adopting more efficient energy efficiency improvement technologies</li> </ul>

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

According to the results of our analysis above, the adoption of low-sulfur fuel, low-carbon fuels and low-carbon technology for our vessels will bring about a financial impact to our Group in the medium and long term, which will lead to the increase of our total operating costs. However, it is also a development opportunity for successful transformation in the future. We plan to adopt vessels that are more energy efficient, and gradually replace and adopt low emission fuels for operating vessels, greatly reducing our total greenhouse gas emissions and carbon emission intensity per unit of



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output (revenue), which in turn will allow us to meet our customer’ carbon emission reduction requirements as well as the requirements of domestic and international regulations.

We aim to meet the short term, medium term and long term targets required by the International Maritime Organization. In the short term, we endeavor to fulfill the new Energy Efficiency Existing Ship Index and Carbon Intensity Index rules as required by the IMO prior to 2023. In the medium term, we target to achieve a 10% reduction in our carbon dioxide emission intensity compared to 2021 by 2030. In the long term, we target to achieve a 30% reduction in our carbon dioxide emission intensity compared to 2021 by 2040, with an ultimate goal of carbon neutrality. We will strive to our strategic goals by continually phasing out and renewing our vessel fleet, adopting energy-saving operational measures, making energy-saving technological improvements, and adopting low-emission fuels. Set out below are greenhouse gas emission reduction targets.

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

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

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### OCCUPATIONAL HEALTH AND WORK SAFETY

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

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

- *Full participation:* Management should implement and approve the occupational health and safety policy; staff at all levels shall participate in the management and improve adherence to the guidelines set out under the occupational health and safety policy.
- *Prevention-oriented:* Conduct hazard identification and evaluation before committing to work so as to prevent risks and enable us to take appropriate preventative measures; implement safety hazard inspections during business operations to analyze if there are any potential hazards so as to enable us to take corrective and preventative measures to eliminate accidents before they happen; undergo verification of the effectiveness of the preventative and corrective measures implemented by us in addressing potential hazards.
- *Safety and health:* Prioritize our employees’ safety, health, working conditions, safety education and training; regular improvement of our employees’ working conditions to create a comfortable, healthy and safe working environment.
- *Compliance with laws and regulations:* Keep a proper record of all applicable laws, regulations and standards related to occupational health and safety, and to regularly review and update our records where necessary.
- *Continuous improvement:* We are committed to continuously evaluate and improve our occupational health and safety management measures to meet the requirements of prevailing regulations and systems as our Group continues to develop and evolve; conduct regular internal and external audits of our occupational health and safety management performance.

We have complied with international treaties and conventions that govern transportation safety and safe management systems. The ISM Code, provides an international standard for the safe management and operation of vessels and for pollution prevention. The ISM Code requires international ship management companies to be granted a document of compliance. It also requires every vessel engaged in international trade to be issued with a Safety Management Certificate, verifying that the shipping company and its shipboard safety management operate in accordance with the approved safety management system. We ensure that such safety manuals and work

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practices are in accordance with all applicable rules and regulations pertaining to the development, implementation and maintenance of a safety management system as required under the ISM Code. To ensure our crew members are familiar with the requirements under our safety manuals and policies, we require such crew members to undergo training prior to working onboard a vessel as well as periodic training sessions as to safety matters while they are working onboards seafaring vessel.

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

### PROPERTIES

#### Owned property

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

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

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

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

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**Leased properties**

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

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

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

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

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

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

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

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

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

## QUALITY CONTROL

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

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

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

### INTELLECTUAL PROPERTIES

#### Trademarks

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

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

#### Domain name

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

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

### INFORMATION TECHNOLOGY

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

- **Hifleet Ship Position and Meteorological Charting System\*** (Hifleet船位及氣象海圖系統): Hifleet is an IT system that provides big data services such as ship positioning, historical voyages taken by vessels, meteorological information,



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weather forecasting, port information updates and tracking of cargoes transported by vessels. We utilised this IT system on a daily basis to monitor our fleet of vessels and vessels under our management. As Hifleet provides us with alerts and information as to adverse weather conditions and port closures in real time, we also utilised Hifleet to formulate safe and efficient voyage plans for our vessels and to make contingency plans if adverse situations arise during a particular voyage.

- **PMS Ship Management System\* (PMS船舶管理系統):** The PMS system is a comprehensive vessel management software which is utilised by us in our provision of ship management services. The PMS system allows us to keep track of and monitor various management aspects of a vessel such as repair and maintenance of our vessels, procurement of spare parts and materials, certificate management, system management and crew management. For instance, we utilised such software to keep track of the repair and maintenance schedule and progress of our vessels, the next scheduled time for ship survey by classification societies, the procurement of materials, inventory management etc. The PMS software is installed on a vessel and on our local network onshore which allows us to access such information and manage the vessel remotely.
- **Haiweitong Video Monitoring System\* (海衛通視頻監控):** Haiweitong is a remote video surveillance and communication software which allows us to monitor the operations of our vessels and the operational risks involving our crew onboard the vessel through mobile devices at any time. We utilised this software in addition to the Hifleet system to monitor and communicate more effectively with our crew members.
- **LMS Online Crew Training System\* (LMS綫上員工培訓系統):** As safety training is imperative to our ongoing compliance with the relevant international maritime rules and regulations as well as normal operations of our vessels, we have utilised the LMS system, a mobile learning platform which provides periodic online and offline training programmes on matters such as maritime laws and regulations, safety, and environmental protection to our crew members prior to boarding a vessel and our staff onshore.

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

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### RESEARCH AND DEVELOPMENT

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

### COMPETITION

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

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

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

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### AWARDS, RECOGNITIONS AND MEMBERSHIPS

#### Awards and recognitions

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

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

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### Memberships

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

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

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

### **Financial reporting**

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

### **Operational risk management**

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

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

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

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

### **International sanctions**

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

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

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

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

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

### **Regulatory risk management**

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

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### LEGAL PROCEEDINGS

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

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



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## BUSINESS

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- We were involved in an ongoing arbitration proceeding in the United Kingdom in accordance with the London Maritime Arbitrators Association (“LMAA”) terms which arose out of a time charterparty contract involving our controlled vessel JY PROGRESS. Under the charterparty contract, we, as the vessel owner of JY PROGRESS, chartered JY PROGRESS to Customer O, one of our top five customers for the five months ended May 31, 2022 under time charter setting out the latest redelivery date on or before which JY PROGRESS must be redelivered to us. Customer O subsequently further chartered JY PROGRESS to a charterer who gave an order for the delivery of cargo (the “Voyage”). Customer O estimated that the duration for the Voyage would allow JY PROGRESS to be redelivered to us on or before the latest redelivery date. However, the master of JY PROGRESS’s estimation of the time needed for the Voyage was different from Customer O’s estimation. Based on the master of JY PROGRESS’s estimation, the time needed for the completion of the Voyage would go beyond the latest redelivery date. In deferring to the master’s estimation over Customer O’s estimation, we exercised our contractual right to refuse Customer O’s instructions for the Voyage. As a result of the foregoing, Customer O initiated the current arbitration proceeding against us for breach of contract and claimed for various damages in February 2022 in the amount of approximately USD1.0 million, including, among other things the loss of profit suffered by Customer O as a result of our failure to perform the Voyage as well as interest and legal costs. Based on the advice of our English Legal Advisers, given our good chance of success in defending the proceedings and the maximum risk exposure of USD0.4 million, we have made a provision of USD0.4 million in 2022 upon receiving the claim. Our Directors consider the provision made to be adequate and that the arbitration proceedings will not have a material and adverse effect on our business, financial conditions or results of operation.
- We were also involved in two ongoing back-to-back arbitration proceedings in the United Kingdom in accordance with LMAA terms which arose out of a dispute involving the condition of one of our chartered-in vessels (the “Relevant Vessel”). We chartered the Relevant Vessel from Supplier K, one of our top five suppliers for the year ended December 31, 2021, which was subsequently sub-chartered to our customer. The sub-charterer customer alleged that the condition of the holds of the Relevant Vessel was not satisfactory upon its delivery and placed the vessel off-hire and such off-hire was deducted by us from the charter hire payable to Supplier K. Owing to this off hire, Supplier K initiated an arbitration proceeding against us and claimed against us for, including, among other things, the deduction for the off-hire and the associated bunker costs in amount of approximately USD0.3 million in February 2022. We thereafter initiated an arbitration proceeding against the sub-charter customer on the same grounds in the amount of approximately USD0.4 million in March 2022. Based on the advice of our English Legal Advisers, given the back-to-back nature of the proceedings and the maximum risk exposure of USD0.3 million, we have made a provision of USD0.3 million in 2022 upon receiving the claim. Our Directors consider the provision made to be adequate and that the arbitration proceedings will not have a material and adverse effect on our business, financial conditions or results of

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**BUSINESS**

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operation, as the claim sought by us against the sub-charterer customer is higher than the claim sought by Supplier K against us meaning that we will not suffer any financial losses should Supplier K succeed in their claim against us. However, the potential reimbursements claimed against the sub-charterer customer were not recognised as our contingent assets.

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

On December 6, 2021, Mr. Guo, as settlor and protector, established The J&Y Trust of which Tricor Equity Trustee serves as the trustee. Immediately prior to the [REDACTED] and the [REDACTED], Jin Qiu held 6,600 Shares, representing 66% of the then issued share capital of our Company. Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust which is a discretionary trust, the beneficiaries of which are Mr. Guo and his family members. Immediately prior to the [REDACTED] and the [REDACTED], Jin Chun, which is wholly and beneficially owned by Mr. Guo, held 300 Shares, representing 3% of the then issued share capital of our Company. Therefore, Mr. Guo, Jin Qiu, Shining Friends and Jin Chun, together exercised control of 69% of the issued share capital of our Company immediately prior to the [REDACTED] and the [REDACTED].

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

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

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

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

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

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

*Note:* “—\*” represents amounts less than RMB\$1,000.

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

### Sunny Star

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

### Seacon Ships Management Group

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

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Seacon Marine Service Limited (“Seacon Marine Service”)

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

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

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

### Seacon Star Group

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

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

### Seacon Shipping Group

Seacon Shipping Group was incorporated in Hong Kong on February 1, 2013. As at the Latest Practicable Date, Seacon Shipping Group was wholly-owned by Seacon Star Group. As at the Latest Practicable Date, Seacon Shipping Group held 51%, 49% and 51% interest in Seacon Star Marine Consultant, Prime Seacon Shipping S.A. and Seacon Shipping Greece S.A., respectively, all of which are engaged or intended to be engaged in the provision of port agency services. During the Track Record Period and up to the Latest Practicable Date, we provided ship management services to Seacon Shipping Group which will continue after the [REDACTED]. After the Track Record Period and up to the Latest Practicable Date, Seacon Shipping Group had chartered a vessel to our Group which will continue after the [REDACTED]. From March 2022, Seacon Shipping Group has also licensed the use of its trademark to our Group. After the [REDACTED], transactions between our Group and Seacon Shipping Group will constitute continuing connected transactions of our Company under the Listing Rules. See “Connected Transactions” for details of such transactions.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

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

### **Seacon Star Marine Consultant**

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



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

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

### **Prime Seacon Shipping S.A. (“Prime Seacon”)**

Prime Seacon was incorporated in the Marshall Islands on October 1, 2019. As at the Latest Practicable Date, Prime Seacon was owned as to 49% by Seacon Shipping Group and 51% by Prime Marine Management. Prime Marine Management is a global provider of seaborne transportation for refined petroleum products and other liquid products. While Prime Seacon had no business operation since the date of incorporation and up to the Latest Practicable Date, it is intended to be engaged in the provision of port agency services.

### **Seacon Shipping Greece S.A. (“Seacon Shipping Greece”)**

Seacon Shipping Greece was incorporated in the Marshall Islands on October 1, 2019. As at the Latest Practicable Date, Seacon Shipping Greece was owned as to 51% by Seacon Shipping Group and 49% by Prime Marine Management. Prime Marine Management is a global provider of seaborne transportation for refined petroleum products and other liquid products. While Seacon Shipping Greece had no business operation since the date of incorporation and up to the Latest Practicable Date, it is intended to be engaged in the provision of port agency services.

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

### **Shandong Seacon Shipping**

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

### **Sunny Star**

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

### **Seacon Star Group**

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

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

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

### **Materials supply**

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (ii) For the years ended December 31, 2019, 2020 and 2021 and the five months ended 31 May 2022, we, in aggregate, procured materials amounting to approximately USD2.4 million, USD1.9 million, USD3.4 million and USD2.3 million from Independent Third Party suppliers, accounting for approximately 74.4%, 46.9%, 60.5% and 68.0% of our total material supplies expenses for the same years/period, respectively. Our Directors consider that such material suppliers are highly substitutable and we can readily source our materials supplies from other suppliers in the industry.

### Provision of port agency services

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

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

Since (i) we would like to focus on our core business of provision of shipping services and ship management services; (ii) save for Seacon Shipping Group which has only one chartered-in vessel which charterer cannot be changed pursuant to the charter agreement, that the charter will end on May 22, 2023 and such vessel has been further chartered to our Group until the end of the charter period, the business of the Guo’s Controlled Companies are separate and distinct from the business of our Group and not in line with the business focus and strategies of our Group; (iii) business of none of the Guo’s Controlled Companies had given or would likely to give rise to any direct or indirect competition with the business of our Group; and (iv) save for the continuing connected transactions described in

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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“Connected Transactions”, each of the Guo’s Controlled Companies operates independently from our Group. Hence, the Guo’s Controlled Companies were not included as part of our Group. Our Directors are of the view that it is desirable and beneficial to our Group not to include the Guo’s Controlled Companies as it would allow us to concentrate our financial resources and management effort on our core business of provision of shipping services and ship management services with a view to streamline the business structure of our Group.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

#### Non-competition

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

#### Management independence

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

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

<b>Name</b>	<b>Position within our Company/ our Group</b>	<b>Position within the Guo’s Controlled Companies</b>
Mr. Guo	Chairman and executive Director	Director, legal representative and general manager of Shandong Seacon Shipping  Director of Sunny Star, Seacon Ships Management Group, Seacon Marine Service, Seacon Star Marine Consultant and Seacon Shipping Group

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**RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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of interest, the remaining Directors, including two executive Directors and three independent non-executive Directors, will have sufficient expertise and experience to fully consider any such matter.

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

- (i) each of our Directors is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interest. With the corporate governance measures in place to manage potential conflicts of interest, if any, the dual roles assumed by the two overlapping Directors will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company. We further believe our Directors with no overlapping directorships have the requisite qualifications, integrity and experience to maintain an effective Board and observe their fiduciary duties in the event of conflict of interest. See “Directors and Senior Management” for our Directors’ experience and qualifications;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (iii) our Board comprises seven Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of our Board. This provides a balance between the number of interested and independent non-executive Directors with a view to promote the interests of our Company and our Shareholders as a whole. This board composition is also in line with the requirements as set out in the Listing Rules;
- (iv) our independent non-executive Directors will bring independent judgment to the decision making process of our Board. Certain matters of our Company, including continuing connected transactions and other matters referred to in the Deed of Non-competition (see “Non-competition undertakings” in this section), must always be referred to our independent non-executive Directors for review and they will confirm in our annual reports that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole. In the event that the two overlapping Directors are required to abstain

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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from any Board meeting of our Company on any matter which may give rise to a potential conflict of interest with our Controlling Shareholders, the independent non-executive Directors will be able to consider such matter; and

- (v) our senior management team possesses in-depth experience and understanding of the industry in which our Group operates.

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

### Operational independence

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

- (i) our Group has established its own organizational structure comprising individual departments each with specific administrative and corporate governance infrastructure;
- (ii) during the Track Record Period, Seacon Ships Qingdao had leased its owned property to Qingdao Wantong Shipping Company Limited\* (青島萬通海運有限公司) (“**Qingdao Wantong**”), one of our related parties which will be disposed in or around December 2022 and in any event before the [REDACTED] (see note 30 to the Accountant’s Report in Appendix I to this document for details). As at the Latest Practicable Date, the aforesaid lease had been terminated. Save for the aforesaid lease, during the Track Record Period and up to the Latest Practicable Date, the offices and staff dormitories stated in “Business — Properties” and the facilities and equipment located there were used solely by our Group;
- (iii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, assets and employees to operate our business independently;
- (iv) our Group has independent access to customers, marketing, sale and general administration resources and do not share such with our Controlling Shareholders and/or their close associates;
- (v) our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (vi) during the Track Record Period and as at the Latest Practicable Date, our Group had entered into certain transactions with our connected persons. Our Directors (including our independent non-executive Directors) have confirmed that these connected transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable, and in the interest of our Company and our Shareholders as a whole. Save for the continuing connected transactions set out in “Connected Transactions”, we have not entered into any other connected transaction with our Controlling Shareholders or their respective close associates that will continue after the [REDACTED]; and
- (vii) during the Track Record Period, there had been certain transactions entered into between our Group and its related parties, details of which are set out in note 30 to the Accountant’s Report in Appendix I to this document. Our Directors confirm that these related party transactions were conducted in the ordinary course of business of our Group and on fair and reasonable normal commercial terms.

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

### **Financial independence**

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

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



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of May 31, 2022, the amount due to related parties which are non-trade in nature amounted to approximately US\$8.0 million. See Note 30 to the Accountant’s Report in Appendix I for details. The amount due to related parties which are non-trade in nature will be fully settled by our Group prior to the [REDACTED]. We did not have any share pledges or guarantees provided by our Controlling Shareholders and their close associates on our borrowings. As at the Latest Practicable Date, based on our Group’s unaudited management accounts, the outstanding balance owed by our Group for; (i) a bank facility secured by guarantee given by Mr. Guo, and (ii) certain bareboat charters and finance leases secured by corporate guarantees provided by Seacon Shipping Group, and personal guarantees provided by Mr. Guo and Mr. Chen (as the case may be) was approximately US\$84.6 million.

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

## NON-COMPETITION UNDERTAKINGS

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

- each of the Covenantors agreed not to compete, and to procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with the business of our Group as described in this document and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested in, or entered into any letter of intent or memorandum of understanding to enter into, or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) within Hong Kong, the PRC, Japan, Singapore, the Marshall Islands, Liberia or any of the territories where any member of our Group carries and/or will carry on business from time to time (the “**Restricted Business**”); and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- each of the Covenantors has jointly and severally irrevocably undertaken that, during the term of the Deed of Non-competition, he/it (as appropriate) will not, and will also procure his/its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our Group’s principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-competition; and

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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within 30 business days from receiving the Offer Notice (subject to our Company's request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules;

- (c) will use his/its best efforts to procure his/its close associate(s) and/or his/its subsidiaries (as appropriate) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our Group's principal business according to the terms of the Deed of Non-competition; and
- (d) if our Company decides not to take up the new business opportunity for any reason or does not respond to the Covenantors and/or his/its subsidiaries and/or his/its close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our Company's request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and the Covenantors and/or his/its subsidiaries and/or close associates (as appropriate) may operate such new business opportunity on his/its own.

### **Option for acquisitions**

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Pre-emptive right**

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

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

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

### **The Covenantors’ further undertakings**

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

- (i) he/it will provide all information necessary for our independent non-executive Directors to review the Covenantors’, his/its subsidiaries’ and his/its close associate(s)’ compliance with and enforcement of the Deed of Non-competition;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (ii) he/it consents to the disclosure of the decision made by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (iii) he/it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for disclosure in our annual report.

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

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

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

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

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

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- after the [REDACTED], our Directors undertake to continue to disclose details of any potential competing interests in our annual reports to our Shareholders.

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

## CONNECTED TRANSACTIONS

### INTRODUCTION

We have entered into certain transactions with our connected persons during the Track Record Period which will continue after the [REDACTED] and constitute connected transactions (as defined under the Listing Rules) of our Group.

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

The table below sets out a summary of our continuing connected transactions:

No.	Agreement (as respectively defined below)	Nature of transaction (as described below)	Parties	Proposed annual cap for year ending December 31,		
				2022 USD'000	2023 USD'000	2024 USD'000
<i>Fully-exempt continuing connected transactions</i>						
1	IP Licensing Deed	IP licensing	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group	Nil	Nil	Nil
2	Ship Management Agreement	Provision of ship management services	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group (for itself and on behalf of its subsidiaries)	360	40	Nil
<i>Non-exempt continuing connected transactions</i>						
3	Vessel Charter Agreement	Vessel charter	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Seacon Shipping Group (for itself and on behalf of its subsidiaries)	1,500	600	Nil
4	Materials Purchase Agreements	Supply of materials	Our Company (for itself and on behalf of its subsidiaries, associates and branches) Sunny Marine (as defined below) Seacon Marine Service (as defined below)	3,030	3,020	3,020



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## CONNECTED TRANSACTIONS

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### FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the [REDACTED], the transactions set forth below will constitute fully-exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

#### 1. IP Licensing Deed

**Parties:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as the licensee) and Seacon Shipping Group (as the licensor). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

**Principal terms:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a trademark licensing deed dated March 21, 2022 with Seacon Shipping Group (the “**IP Licensing Deed**”) pursuant to which Seacon Shipping Group has agreed to grant to our Company (for itself and on behalf of its subsidiaries, associates and branches) a license to use its trademark as listed in the IP Licensing Deed (the “**Licensed Trademark**”) in the ordinary and usual course of business for a term of ten years, subject to renewal of the validity period of the Licensed Trademark, on a royalty-free basis. Upon expiry of the IP Licensing Deed, the term of the license shall be renewable automatically subject to the restrictions and regulations under the Listing Rules and absence of terminating events under the IP Licensing Deed. Details of the Licensed Trademark are set forth in “Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group — (b) Trademark licensed by Seacon Shipping Group” in Appendix IV to this document.

**Reasons for the transactions:** Our Group and its associates have been using the Licensed Trademark on a royalty-free basis for a number of years. In line with our existing arrangements and in order to maintain the consistency of our image, we will continue to use the Licensed Trademark on a royalty-free basis. Our Directors believe that entering into the IP Licensing Deed with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Company and our Shareholders as a whole. Our Directors are further of the view that it is normal business practice for agreements of this type to be of such duration. The Sole Sponsor, having reviewed the relevant information and the terms of the IP Licensing Deed, is of the view that it is in the interest of our Company and the Shareholders as a whole for the IP Licensing Deed to have a term exceeding three years.

**Implications under Listing Rules:** As the grant of the right to use the Licensed Trademark is on a royalty-free basis, the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the IP Licensing Deed is expected to be less than 0.1% on an annual basis. Accordingly, the transactions under the IP Licensing Deed will constitute *de minimis* transactions for our Company under Chapter 14A of the Listing Rules upon

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## CONNECTED TRANSACTIONS

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the [REDACTED]. Our Company shall review the expected annual caps for the right to use the Licensed Trademark upon expiry of the IP Licensing Deed and comply with the relevant Listing Rules and other laws and regulations.

### 2. Ship Management Agreement

**Parties:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as supplier) and Seacon Shipping Group (for itself and on behalf of its subsidiaries) (as purchaser). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

**Principal terms:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a ship management agreement dated [•], 2022 with Seacon Shipping Group (for itself and on behalf of its subsidiaries) (the “**Ship Management Agreement**”) pursuant to which Seacon Shipping Group (for itself and on behalf of its subsidiaries) has agreed to procure, and our Company (for itself and on behalf of its subsidiaries, associates and branches) has agreed to provide ship management services for a vessel named SKY HEIGHT (“**SKY HEIGHT**”) controlled by Seacon Shipping Group. Such ship management services include: (a) technical management; (b) crew management; (c) surveys and dry-docking services; (d) in-port maintenance and repairs; and (e) compliance with international conventions.

The management fees charged under the Ship Management Agreement will be determined in accordance with the principle of fairness and reasonableness, and taking into account (i) market circumstances; (ii) prevailing market management fees; and (iii) the fact that the charter period of SKY HEIGHT will end on May 22, 2023.

To ensure the Ship Management Agreement are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below.

The term of the Ship Management Agreement will commence on the [REDACTED] and end on May 22, 2023, which is the end date of the Vessel Charter Agreement (as defined below).

**Reasons for the transactions:** Given that (a) we and Seacon Shipping Group have established a mutual understanding of the standards, requirements and specific needs of each other; and (b) the management fees and terms for the ship management services we provide to Seacon Shipping Group are fair and reasonable, our Directors are of the view that entering into the transaction will enable us to leverage our expertise in the maritime shipping industry to broaden our earning base.

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## CONNECTED TRANSACTIONS

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**Historical figures and proposed annual caps:** For the years ended December 31, 2019, 2020 and 2021, the financial results of Seacon Shipping Group have been consolidated with our Group’s financial results as it was deemed to be part of our Group. For the five months ended May 31, 2022, the historical transaction amount for the ship management services provided to Seacon Shipping Group was approximately USD144,000. The estimated annual caps for ship management fees payable by Seacon Shipping Group under the Ship Management Agreement for each of the years ending December 31, 2022 and 2023 are USD360,000 and USD40,000, respectively. In arriving at the above annual caps, our Directors have considered that the ship management services are provided in relation to SKY HEIGHT, which will end on May 22, 2023.

**Implications under Listing Rules:** Since each of the applicable percentage ratios (other than the profits ratio) for the transactions under the Ship Management Agreement is less than 5.0% with annual total consideration of less than HK\$3,000,000, the transactions constitute *de minimis* connected transactions under Rule 14A.76 of the Listing Rules, which are fully exempt from shareholders’ approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the [REDACTED], the transactions set forth below will constitute non-exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

#### 3. Vessel Charter Agreement

**Parties:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as charterer) and Seacon Shipping Group (for itself and on behalf of its subsidiaries) (as owner). Seacon Shipping Group is a company incorporated in Hong Kong on February 1, 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group, which is in turn owned as to 80% by Mr. Guo. Seacon Shipping Group is therefore considered as our connected person under the Listing Rules.

**Principal terms:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a vessel charter agreement dated [ • ], 2022 with Seacon Shipping Group (for itself and on behalf of its subsidiaries) (the “**Vessel Charter Agreement**”) pursuant to which Seacon Shipping Group (for itself and on behalf of its subsidiaries) has agreed to charter SKY HEIGHT to our Company (for itself and on behalf of its subsidiaries, associates and branches) on a time charter basis for a charter period of up to May 22, 2023, with reference to the end date of the time charter as set out in the underlying charter agreement relating to SKY HEIGHT dated December 28, 2021 (the “**Underlying Charter Agreement**”).

The Charter Fee (as defined below) shall be determined on a daily basis which is set out in the Underlying Charter Agreement and not higher than the prevailing market prices, being the charter fee charged by Independent Third Party charterers providing the same or similar type of vessels of the same or similar age, tonnage and conditions in

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## CONNECTED TRANSACTIONS

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their ordinary and usual course of business. To ensure the Charter Fee payable under the Vessel Charter Agreement are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below.

The term of the Vessel Charter Agreement will commence on the [REDACTED] and end on May 22, 2023.

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

**Accounting implication of the Vessel Charter Agreement:** The fees payable by our Group to Seacon Shipping Group pursuant to the Vessel Charter Agreement comprises two components: (i) the lease component which is the charter hire (the “**Charter Hire**”); and (ii) the non-lease component which is the operating expenses incurred by Seacon Shipping Group in relation to SKY HEIGHT, such as, procurement of crew and materials (the “**Operating Expenses**”, together with the Charter Hire, the “**Charter Fee**”).

Our Group has adopted HKFRS16 as stated in note 2.7 to the Accountant’s Report set out in Appendix I to this document. Pursuant to the adoption of HKFRS16, our Group as lessee shall recognize a liability to pay the Charter Hire and an asset representing the right to use SKY HEIGHT during the charter period (the “**Capital Asset**”). Accordingly, the Charter Hire would be regarded as acquisition of assets by our Group for the purpose of the Listing Rules. As at January 1, 2022, the date on which the charter of SKY HEIGHT by our Group began, the Capital Asset recognized by us pursuant to the charter of SKY HEIGHT amounted to approximately USD1,547,000.

For the purpose of Chapter 14A of the Listing Rules, the Charter Hire will be accounted for as an one-off acquisition of capital asset under HKFRS16. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements regarding continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Charter Hire. For the purpose of Chapter 14A of the Listing Rules, the Operating Expenses will constitute a continuing connected transaction. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements regarding continuing connected transactions in Chapter 14A of the Listing Rules will be applicable to the Operating Expenses.

**Historical figures and proposed annual caps:** For the years ended December 2019, 2020 and 2021, the financial results of Seacon Shipping Group have been consolidated with our Group’s financial results as it was deemed to be part of our Group. For the five months ended May 31, 2022, the historical transaction amount for the Operating

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## CONNECTED TRANSACTIONS

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Expenses paid to Seacon Shipping Group was approximately USD396,000. The estimated annual caps for the Operating Expenses payable to Seacon Shipping Group under the Vessel Charter Agreement for each of the years ending December 31, 2022 and 2023 are USD1,500,000 and USD600,000, respectively. In arriving at the above annual caps, our Directors have considered the estimated Operating Expenses taking into account the expected business volume relating to SKY HEIGHT. It is expected that the transactions under the Vessel Charter Agreement will not continue after May 22, 2023.

**Implications under Listing Rules:** As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 25% and the total consideration is not less than HK\$10,000,000, the transactions under the Vessel Charter Agreement are non-exempt continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

#### 4. Materials Purchase Agreements

**Parties:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) (as purchaser) with Sunny Marine Service Company Limited\* (青島泛陽海事服務有限公司) (“**Sunny Marine**”) (as supplier) and Seacon Marine Service Limited (“**Seacon Marine Service**”) (as supplier), respectively. Sunny Marine is a company established in the PRC on September 18, 2016. Sunny Marine is a wholly-owned subsidiary of Shandong Seacon Shipping Group Company Limited\* (山東洲際航運集團有限公司), which is in turn owned as to 80% by Mr. Guo. Seacon Marine Service is a company incorporated in the Marshall Islands on October 29, 2014. Seacon Marine Service is a wholly-owned subsidiary of Seacon Ships Management Group. Seacon Ships Management Group is a wholly-owned subsidiary of Sunny Star, which is in turn owned as to 80% by Mr. Guo. Each of Sunny Marine and Seacon Marine Service is therefore considered as our connected person under the Listing Rules.

**Principal terms:** Our Company (for itself and on behalf of its subsidiaries, associates and branches) has entered into a purchase agreement dated [ • ], 2022 with Sunny Marine and Seacon Marine Service (together, the “**Materials Purchase Agreements**”), respectively, pursuant to which each of Sunny Marine and Seacon Marine Service has agreed to supply, and our Company (for itself and on behalf of its subsidiaries, associates and branches) has agreed to procure, certain materials for our business operations. Such materials include books, tools, work gear and stationery to be used on board of vessels and other materials as required by our Group from time to time.

The purchase price of the materials will be based on the costs of the materials adding a reasonable profit on a cost-plus basis. The purchase price payable will take into account: (i) the prevailing market rate generally charged for the materials; (ii) the

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## CONNECTED TRANSACTIONS

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number of vessels requiring procurement of materials; (iii) the type and quantity of materials needed; (iv) the method of delivery of the materials; and (v) historical transaction amounts.

To ensure the material costs under the Materials Purchase Agreements represent the prevailing market price, are on normal commercial terms or better and to safeguard the interests of our Group and our Shareholders as a whole, we have put in place pricing policy monitoring procedures relating to our continuing connected transactions, further details of which are set out in “Continuing connected transactions pricing policy monitoring procedures” below. In order to ensure that the material costs are fair and reasonable and in line with the prevailing market rate, we will compare such costs with quotations from at least two service providers which supply materials of a similar type and quality and are Independent Third Parties on a quarterly basis.

The initial term of the Materials Purchase Agreements will commence on the [REDACTED] and end on December 31, 2024, subject to renewal upon the mutual consent of both parties.

***Reasons for the transactions:*** We need to source certain materials that comply with the relevant standards and specifications for our business operations. Both of Sunny Marine and Seacon Marine Service are the suppliers of such materials and given our history of business relationship, both of Sunny Marine and Seacon Marine Service can supply the required materials that suit our needs most appropriately at a price not higher than prices which we pay Independent Third Parties in comparable transactions.

***Historical figures and proposed annual caps:*** For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, the aggregated historical transaction amounts for the materials purchased from both of Sunny Marine and Seacon Marine Service were approximately USD821,000, USD2,121,000, USD2,232,000 and USD1,092,000, respectively. The estimated aggregate annual caps for material fees payable to both of Sunny Marine and Seacon Marine Service under the Materials Purchase Agreements for each of the years ending December 31, 2022, 2023 and 2024 are USD3,030,000, USD3,020,000 and USD3,020,000, respectively. In arriving at the above annual caps, our Directors have considered the historical transaction amounts and the estimated demand for materials for the three years ending December 31, 2024 taking into account our expected business growth.

***Implications under Listing Rules:*** As the highest of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 25% and the total consideration is not less than HK\$10,000,000, the transactions under the Materials Purchase Agreements are non-exempt continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### **Continuing connected transactions pricing policy monitoring procedures**

In order to ensure that the terms under relevant agreements for the continuing connected transactions are fair and reasonable, and no less favourable to us than terms available to or from Independent Third Parties, and the continuing connected transactions are carried out under normal commercial terms, we have adopted the following pricing policy monitoring procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, our Audit Committee is responsible for reviewing compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, our Audit Committee, our Board and various internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under the agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- our Audit Committee, our Board and various internal departments of our Company will also regularly monitor the fulfilment status and the transaction updates under the agreements. In particular, our management will also regularly review the pricing policies of the agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms or better and in accordance with the pricing policies;
- when considering service fees for the services to be provided to our Group by the above connected persons or the service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by/to the above connected persons are fair, reasonable and are no less favourable than those to be offered by Independent Third Parties; and
- when considering any renewal or revisions to the agreements for the continuing connected transactions after the [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders’ general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole. If our independent non-executive Directors’ or independent Shareholders’ approvals cannot be obtained, we will not continue

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## CONNECTED TRANSACTIONS

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the transactions under the agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

### DIRECTORS’ CONFIRMATION

Our Directors, including our independent non-executive Directors, are of the view that the transactions under the IP Licensing Deed, the Ship Management Agreement, the Vessel Charter Agreement and the Materials Purchase Agreements have been and will be entered into in our ordinary and usual course of business, the terms therein are normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### CONFIRMATION OF THE SPONSOR

The Sponsor is of the view that (i) the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable, and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

### WAIVER APPLICATION

As the non-exempt continuing connected transactions are expected to continue after the [REDACTED] on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent shareholders’ approval requirements under the Listing Rules would be unduly burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise, which would not be beneficial to our Shareholders as a whole. Therefore, our Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange for and the Stock Exchange [has granted] a waiver to our Company from compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions, subject to the condition that the aggregate amounts of the non-exempt continuing connected transactions for each financial year shall not exceed the respective annual caps amounts.

We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.



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## DIRECTORS AND SENIOR MANAGEMENT

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Our Board currently consists of seven Directors, including four executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our Group’s business.

The table below sets forth certain information regarding our Directors and senior management members:

### Executive Directors and senior management

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management members
Mr. Guo Jinkui (郭金魁)	48	Chairman of our Board and executive Director	Responsible for the overall strategic planning, major decision making and management of our Group’s business development and operations	December 14, 2012	October 22, 2021	Nil
Mr. Chen Zekai (陳澤凱)	58	Executive Director and general manager	Responsible for the overall strategic planning and administration of our Group	December 14, 2012	October 22, 2021	Nil
Mr. He Gang (賀罡)	48	Executive Director and chief financial officer	Responsible for overseeing our financial reporting, financial planning, treasury and financial control matters	May 8, 2019	March 21, 2022	Nil
Mr. Zhao Yong (趙勇)	56	Executive Director and president of ship management	Responsible for the day-to-day management of the ship management operations of our Group	September 16, 2013	March 21, 2022	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Independent non-executive Directors

Name	Age	Present position(s) in our Group	Roles and responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management members
Mr. Fu Junyuan (傅俊元)	61	Independent non-executive Director	Providing independent advice to our Board	[•]	[•]	Nil
Ms. Zhang Xuemei (張雪梅)	51	Independent non-executive Director	Providing independent advice to our Board	[•]	[•]	Nil
Mr. Zhuang Wei (莊煒)	43	Independent non-executive Director	Providing independent advice to our Board	[•]	[•]	Nil

## DIRECTORS

### Executive Directors

**Mr. Guo Jinkui (郭金魁)**, aged 48, is the Chairman of our Board, our executive Director and one of our Controlling Shareholders. He is primarily responsible for the overall strategic planning, major decision making and management of our Group’s business development and operations.

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

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

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

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Guo was a director or supervisor of the following companies prior to their dissolution/deregistration:

Name of company	Place of incorporation/ establishment	Position held	Date of dissolution/ deregistration	Nature of proceeding	Nature of business before dissolution/ deregistration
Glory Asia Group Limited (香港合豐集團有限公司)	Hong Kong	Director	October 26, 2018	Deregistration <sup>(1)</sup>	Dormant
GLORY HANGZHOU LIMITED (合豐杭州有限公司)	Marshall Islands	Director	July 28, 2021	Dissolution <sup>(2)</sup>	Dormant
Seacon Qingdao Holding Company Limited* (青島洲際之星控股有限公司)	PRC	Director	January 13, 2021	Deregistration <sup>(3)</sup>	Never commenced business
Seacon Crew Manning Limited	Hong Kong	Director	February 4, 2022	Deregistration <sup>(4)</sup>	Never commenced business
SEACON HIGH TECH CO., LIMITED (洲際高新有限公司)	Marshall Islands	Director	April 18, 2019	Dissolution <sup>(5)</sup>	Never commenced business
BAO FENG LTD	Marshall Islands	Director	November 2, 2021	Dissolution <sup>(6)</sup>	Ceased business operation
BAO GLORY LTD	Marshall Islands	Director	November 2, 2021	Dissolution <sup>(7)</sup>	Ceased business operation
BAO GRAND LTD	Marshall Islands	Director	November 2, 2021	Dissolution <sup>(8)</sup>	Ceased business operation
Ningbo Gaoxin District Zhoujie Shipping Company Limited* (寧波高新區洲捷船務有限公司)	PRC	Supervisor	December 12, 2018	Deregistration <sup>(9)</sup>	Never commenced business
Qingdao Dazhouxiang Ship Management Company Limited (青島大舟祥船舶管理有限公司)	PRC	Supervisor	July 6, 2020	Deregistration <sup>(10)</sup>	Ceased business operation
Shin Sunny Ltd	Marshall Islands	Director	March 11, 2021	Dissolution <sup>(11)</sup>	Ceased business operation

*Notes:*

- (1) Glory Asia Group Limited (香港合豐集團有限公司) was deregistered pursuant to section 751 of the Companies Ordinance.
- (2) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of GLORY HANGZHOU LIMITED (合豐杭州有限公司) was authorized by a vote of the holders of at least two-thirds of all outstanding shares of GLORY HANGZHOU LIMITED (合豐杭州有限公司) entitled to vote at a meeting of shareholders.

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## DIRECTORS AND SENIOR MANAGEMENT

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- (3) Seacon Qingdao Holding Company Limited\* (青島洲際之星控股有限公司) was deregistered under the simplified enterprise deregistration procedures in the PRC.
- (4) Seacon Crew Manning Limited was deregistered pursuant to section 751 of the Companies Ordinance.
- (5) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of SEACON HIGH TECH CO., LIMITED (洲際高新有限公司) was authorized by a vote of the holders of at least two-thirds of all outstanding shares of SEACON HIGH TECH CO., LIMITED (洲際高新有限公司) entitled to vote at a meeting of shareholders.
- (6) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of BAO FENG LTD was authorized by a vote of the holders of at least two-thirds of all outstanding shares of BAO FENG LTD entitled to vote at a meeting of shareholders.
- (7) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of BAO GLORY LTD was authorized by a vote of the holders of at least two-thirds of all outstanding shares of BAO GLORY LTD entitled to vote at a meeting of shareholders.
- (8) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of BAO GRAND LTD was authorized by a vote of the holders of at least two-thirds of all outstanding shares of BAO GRAND LTD entitled to vote at a meeting of shareholders.
- (9) Ningbo Gaoxin District Zhoujie Shipping Company Limited\* (寧波高新區洲捷船務有限公司) was deregistered pursuant to section 180(2) of the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “PRC Company Law”) with the passing of a resolution on dissolution in a shareholders’ general meeting.
- (10) Qingdao Dazhouxiang Ship Management Company Limited\* (青島大舟祥船舶管理有限公司) was deregistered under the simplified enterprise deregistration procedures in the PRC.
- (11) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of Shin Sunny Ltd was authorized by a vote of the holders of at least two-thirds of all outstanding shares of Shin Sunny Ltd entitled to vote at a meeting of shareholders.

Mr. Guo confirmed that each of the above companies was solvent prior to its dissolution or deregistration and had no outstanding liability on or before its dissolution or deregistration. Mr. Guo also confirmed that he is not aware of any actual or potential claim, legal proceedings or litigation which has been or will be made against him as a result of the dissolution or deregistration of the above companies.

**Mr. Chen Zekai (陳澤凱)**, aged 58, is our general manager, our executive Director and one of our Substantial Shareholders. He is primarily responsible for the overall strategic planning and administration of our Group.

Mr. Chen has more than 30 years of experience in the maritime shipping industry. Prior to joining our Group, he was employed by Guangzhou Ocean Shipping Company Limited\* (廣州遠洋運輸有限公司) (formerly known as Guangzhou Ocean Shipping Company\* (廣州遠洋運輸公司)), a shipping logistics company, from 1990 to November 1997, with his last position as second officer. From December 1997 to December 2003, he was employed by Shandong Haifeng Ship Management Company Limited\* (山東省海豐船舶管理有限公司), a shipping logistics company, with his last position as manager of the

## DIRECTORS AND SENIOR MANAGEMENT

marine department. From March 2004 to November 2012, he was the director and deputy general manager of Glory Asia Group Limited (香港合豐集團有限公司), a ship management company.

Mr. Chen has been appointed as a guest lecturer of turbines engineering technology\* (輪機工程技術) by the Bohai Ships Vocational College\* (渤海船舶職業學院) from May 2020 to May 2023. He has been appointed as an arbitrator by the Qingdao Arbitration Committee\* (青島仲裁委員會) for a period of five years starting from December 2020. Mr. Chen was qualified to be master of ships of 3,000 gross tonnage or more pursuant to the Certificate of Competency for Seafarers of the People’s Republic of China (中華人民共和國海船船員適任證書) issued by the Shandong Maritime Safety Administration of PRC which was valid between November 2016 and November 2021.

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

Mr. Chen was a director or supervisor of the following companies prior to their dissolution/deregistration:

Name of company	Place of incorporation/ establishment	Position held	Date of dissolution/ deregistration	Nature of proceeding	Nature of business before dissolution/ deregistration
Carnaval Capital Inc. Pte. Ltd.	Singapore	Director	December 7, 2021	Struck off <sup>(1)</sup>	Never commenced business
Glory Asia Group Limited (香港合豐集團有限公司)	Hong Kong	Director	October 26, 2018	Deregistration <sup>(2)</sup>	Dormant
Seacon Crew Manning Limited	Hong Kong	Director	February 4, 2022	Deregistration <sup>(3)</sup>	Never commenced business
SEACON HIGH TECH CO., LIMITED (洲際高新有限公司)	Marshall Islands	Director	April 18, 2019	Dissolution <sup>(4)</sup>	Never commenced business
Seacon Shipping Limited (洲際航運有限公司)	Hong Kong	Director	February 4, 2022	Deregistration <sup>(5)</sup>	Never commenced business
Seacon Qingdao Holding Company Limited* (青島洲際之星控股有限公司)	PRC	Supervisor	January 13, 2021	Deregistration <sup>(6)</sup>	Never commenced business
Shin Sunny Ltd	Marshall Islands	Director	March 11, 2021	Dissolution <sup>(7)</sup>	Ceased business operation
SEACON TANKER SHIPMANAGE LTD.	Liberia	Director	December 8, 2021	Dissolution <sup>(8)</sup>	Never commenced business

Notes:

- (1) Carnaval Capital Inc. Pte. Ltd. was struck off pursuant to section 344A of the Companies Act of Singapore.
- (2) Glory Asia Group Limited (香港合豐集團有限公司) was deregistered pursuant to section 751 of the Companies Ordinance.

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## DIRECTORS AND SENIOR MANAGEMENT

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- (3) Seacon Crew Manning Limited was deregistered pursuant to section 751 of the Companies Ordinance.
- (4) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of SEACON HIGH TECH CO., LIMITED (洲際高新有限公司) was authorized by a vote of the holders of at least two-thirds of all outstanding shares of SEACON HIGH TECH CO., LIMITED entitled to vote at a meeting of shareholders.
- (5) Seacon Shipping Limited (洲際航運有限公司) was deregistered pursuant to section 751 of the Companies Ordinance.
- (6) Seacon Qingdao Holding Company Limited\* (青島洲際之星控股有限公司) was deregistered under the simplified enterprise deregistration procedures in the PRC.
- (7) Pursuant to section 102 of the Business Corporations Act of the laws of the Marshall Islands, the dissolution of Shin Sunny Ltd was authorized by a vote of the holders of at least two-thirds of all outstanding shares of Shin Sunny Ltd entitled to vote at a meeting of shareholders.
- (8) SEACON TANKER SHIPMANAGE LTD. was dissolved pursuant to the filing of the Articles of Dissolution endorsed in accordance with section 11.1 of the Business Corporation Act of the laws of Liberia.

Mr. Chen confirmed that each of the above companies was solvent prior to its dissolution or deregistration and had no outstanding liability on or before its dissolution or deregistration. Mr. Chen also confirmed that he is not aware of any actual or potential claim, legal proceeding or litigation which has been or will be made against him as a result of the dissolution or deregistration of the above companies.

**Mr. He Gang (賀罡)**, aged 48, is our executive Director and chief financial officer. Mr. He is responsible for overseeing our financial reporting, financial planning, treasury and financial control matters.

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

Mr. He graduated from the Jilin University of Finance and Economics\* (吉林財經大學) (formerly known as Changchun Taxation College\* (長春稅務學院)) in China in July 1996, majoring in accounting and statistics. He obtained a Master of Business Administration degree from the Shanghai Jiao Tong University in China in March 2005. He was certified as a senior accountant by China Ocean Shipping (Group) Company (中國

## DIRECTORS AND SENIOR MANAGEMENT

遠洋運輸(集團)總公司) in December 2006. He was also certified as a non-practicing member of the Shandong Institute of Certified Public Accountants\* (山東省註冊會計師協會) in December 2009.

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

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

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

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

Mr. Zhao served as director of the following companies prior to their dissolution/deregistration:

Name of company	Place of establishment	Date of dissolution/ deregistration	Nature of proceeding	Nature of business before dissolution/ deregistration
Qingdao Anjie International Ship Management Company Limited* (青島安捷國際船舶管理有限公司)	PRC	November 1, 2018	Deregistration <sup>(1)</sup>	Ceased business operation
SEACON TANKER SHIPMANAGE LTD.	Liberia	December 8, 2021	Dissolution <sup>(2)</sup>	Never commenced business

## DIRECTORS AND SENIOR MANAGEMENT

*Notes:*

- (1) Qingdao Anjie International Ship Management Company Limited\* (青島安捷國際船舶管理有限公司) was deregistered pursuant to section 180(2) of the PRC Company Law with the passing of a resolution of dissolution in a shareholders’ general meeting.
- (2) SEACON TANKER SHIPMANAGE LTD. was dissolved pursuant to the filing of the Articles of Dissolution endorsed in accordance with section 11.1 of the Business Corporation Act of the laws of Liberia.

Mr. Zhao confirmed that the above companies were solvent prior to their dissolution or deregistration and had no outstanding liability on or before their dissolution or deregistration. Mr. Zhao also confirmed that he is not aware of any actual or potential claim, legal proceedings or litigation which has been or will be made against him as a result of the dissolution or deregistration of the above companies.

### Independent non-executive Directors

**Mr. Fu Junyuan (傅俊元)**, aged 61, joined our Group as an independent non-executive Director on [ • ]. Mr. Fu is responsible for providing independent advice to our Board.

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

Name of entity	Principal business	Last/current position	Period of services
China Communications Construction Company Limited (中國交通建設股份有限公司) (Stock Exchange: 1800; Shanghai Stock Exchange: 601800)	Infrastructure construction	Director and chief financial officer	September 1996 to September 2018
Zhenhua Heavy Industries Company Limited (上海振華重工(集團)股份有限公司) (Shanghai Stock Exchange: 600320/900947)	Heavy equipment manufacturing	Director	August 1997 to May 2011
China Harbour Engineering Company (Group)* (中國港灣建設(集團)總公司) (a predecessor of China Communications Construction Group Corporation Limited (中國交通建設集團有限公司))	Infrastructure construction	Chief accountant	October 1998 to December 2005



## DIRECTORS AND SENIOR MANAGEMENT

Name of entity	Principal business	Last/current position	Period of services
China Merchants Bank Holdings Co., Ltd. (招商銀行股份有限公司) (Stock Exchange: 03968; Stock Exchange preference share: 04614; Shanghai Stock Exchange: 600036)	Banking and finance	Non-executive director	March 2000 to August 2015
China Communications Construction Group Corporation Limited (中國交通建設集團有限公司)	Infrastructure construction	Non-executive director	December 2005 to November 2006
China Poly Group Corporation Limited (中國保利集團有限公司)	International trade, real estate development, light industry research and development and engineering services etc.  Parent company of 7 listed companies	Company party secretary and general accountant	September 2018 to September 2021
Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司) (Shanghai Stock Exchange: 600048)	Real estate development and operations	Director	October 2019 to October 2021
China Railway Signal & Communication Corporation Limited (中國鐵路通信信號股份有限公司) (Stock Exchange: 03969; Sci-tech Innovation Board of the Shanghai Stock Exchange: 688009)	Design and integration of rail transportation projects, signal and communication equipment manufacturing, rail control system implementation	Independent non-executive director	February 2022 up to present

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

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Zhang Xuemei (張雪梅)**, aged 51, joined our Group as an independent non-executive director on [•]. Ms. Zhang is responsible for providing independent advice to our Board.

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

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

Ms. Zhang was a director of the following companies prior to their deregistration:

Name of company	Place of establishment	Date of deregistration	Nature of proceeding	Nature of business before deregistration
Beijing Sohu Dianjin Information Technology Company Limited* (北京搜狐點金信息技術有限公司)	PRC	February 15, 2017	Deregistration <sup>(1)</sup>	Information technology; technology consulting, marketing and services; technology and software development; computer servicing
Beijing Yihe Jiaxun Information Technology Company Limited* (北京怡和佳訊信息技術有限責任公司)	PRC	March 9, 2018	Deregistration <sup>(2)</sup>	Technology development, consulting and services; telecommunication services

*Notes:*

- (1) Beijing Sohu Dianjin Information Technology Company Limited\* (北京搜狐點金信息技術有限公司) was deregistered pursuant to section 180(2) of the PRC Company Law with the passing of a resolution on dissolution in a shareholders’ general meeting.
- (2) Beijing Yihe Jiaxun Information Technology Company Limited\* (北京怡和佳訊信息技術有限責任公司) was deregistered pursuant to section 180(2) of the PRC Company Law with the passing of a resolution on dissolution in a shareholders’ general meeting.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Zhang confirmed that each of the above companies was solvent prior to its deregistration and had no outstanding liability on or before its deregistration. Ms. Zhang also confirmed that she is not aware of any actual or potential claim, legal proceedings or litigation which has been or will be made against her as a result of the deregistration of the above companies.

**Mr. Zhuang Wei (莊煒)**, aged 43, joined our Group as an independent non-executive director on [•]. Mr. Zhuang is responsible for providing independent advice to our Board.

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

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

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

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

### DIRECTORS’ INTEREST

Save as disclosed in this section and “Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this document, each of our Directors (i) did not hold other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Director, senior management, Substantial Shareholders or

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## DIRECTORS AND SENIOR MANAGEMENT

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Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any directorship in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as those disclosed in “Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this document, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO. Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board. It provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the board diversity policy, our Nomination Committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. The ultimate decision of the appointment will be based on merits and the contribution which the selected candidates will bring to our Board.

Our Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. Our Nomination Committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval.

Our Board comprises six male members and one female member, with four executive Directors and three independent non-executive Directors. We consider that our Board has a balanced mix of experiences and industry background, including industry experiences in maritime shipping, accounting and management, and human resources. Our independent non-executive Directors have a diverse education background and industry background in law, shipping, accounting and human resources, and have obtained professional qualifications.

Taking into account our Company’s business model and the background and abilities of our Directors, we believe the composition of our Board satisfies the board diversity policy. Our Company will continue to take steps to promote gender diversity at all levels of our Group, including at the senior management level. Our Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

Our senior management consists of four members, namely, Mr. Guo, Mr. Chen, Mr. He Gang and Mr. Zhao Yong, all of whom are our executive Directors. For details of their biographies, see “Directors — Executive Directors” above in this section.

Save as disclosed in this section and “Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this document, each of the members of our senior management confirmed with respect to himself that: (i) as at the Latest Practicable Date, he had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he did not have any relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he did not hold any directorships in any public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

### JOINT COMPANY SECRETARIES

**Ms. Sun Yufeng (孫玉峰)**, aged 35, is one of our joint company secretaries.

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

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

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

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Chan Sze Ting (陳詩婷)**, aged 40, is one of our joint company secretaries.

Ms. Chan has joined Tricor Services Limited since April 2006 and she currently serves as an associate director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies. Ms. Chan is currently the company secretary/joint company secretary of seven companies listed on the Stock Exchange, namely, Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (stock code: 9989), Sinopec Shanghai Petrochemical Company Limited (stock code: 338), Sunfonda Group Holdings Limited (stock code: 1771), Modern Media Holdings Limited (stock code: 72), Century Sage Scientific Holdings Limited (stock code: 1450), Vico International Holdings Limited (stock code: 1621) and Alpha Era International Holdings Limited (stock code: 8406).

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

### AUTHORIZED REPRESENTATIVES

Mr. He Gang and Ms. Chan Sze Ting are our authorized representatives under Rule 3.05 of the Listing Rules.

### COMPLIANCE ADVISER

We have appointed Zhongtai International Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under Chapters 14 and/or 14A of the Listing Rules, is contemplated including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results of operations deviate from any information in this document; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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The term of the engagement will commence on the [REDACTED] and end on the date on which we distribute our annual report as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the [REDACTED], or when the appointment of Zhongtai International Capital Limited is terminated, whichever is earlier. Such appointment may be subject to extension by mutual agreement.

### **BOARD COMMITTEES**

We have established the following committees in our Board: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the ESG Committee.

#### **Audit Committee**

We established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board. Our Audit Committee currently consists of Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei. Mr. Fu Junyuan is the chairperson of our Audit Committee.

#### **Nomination Committee**

We established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board, assess the independence of independent non-executive Directors, formulate and review the board diversity policy of our Company, and make recommendations to our Board on matters relating to the appointment of our Directors. Our Nomination Committee currently consists of Mr. Guo, Mr. Chen, Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei. Mr. Guo is the chairperson of our Nomination Committee.

#### **Remuneration Committee**

We established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Remuneration Committee are (i) to make recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) to determine the specific remuneration packages of all Directors and senior management; and (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time. Our Remuneration Committee currently consists of Ms. Zhang Xuemei, Mr. Chen and Mr. Zhuang Wei. Ms. Zhang Xuemei is the chairperson of our Remuneration Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Risk Management Committee

Our Company has established a Risk Management Committee. The functions of our Risk Management Committee are to deliberate risk management related policies and procedures and review the effectiveness of risk management activities. Our Risk Management Committee currently consists of Mr. Guo, Mr. He Gang, Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei. Mr. Guo is the chairperson of our Risk Management Committee.

### ESG Committee

Our Company has established a ESG Committee with written terms of reference. The functions of our ESG Committee are to assist our Board in guiding and supervising the development and implementation of environmental, social and governance works of our Group to ensure compliance with relevant legal and regulatory requirements. Our ESG Committee currently consists of Mr. Guo, Mr. Zhao Yong and Mr. Zhuang Wei. Mr. Guo is the chairperson of our ESG Committee.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, bonuses, share options and other allowances and benefits-in-kind, including our Company’s contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director’s responsibilities, qualification, position and seniority.

For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, the aggregate amount of compensation paid by us to our Directors (including salaries, bonus, social benefits and share-based compensation) were approximately US\$366,000, US\$420,000, US\$6,234,000 and US\$211,000, respectively. Save for the aforesaid compensation, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, the aggregate amount of emoluments (including salaries, bonus, social security contribution and other welfare expenses) paid by our Group to the five highest paid individuals (including three, two, and two and two Directors in the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, respectively) were approximately US\$760,000, US\$769,000, US\$7,215,000 and US\$366,000, respectively. For details of the emoluments of our Directors and the five highest paid individuals of our Group during the Track Record Period, please refer to Note 8 in Appendix I to this document.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.



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## DIRECTORS AND SENIOR MANAGEMENT

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The expected amount of compensation paid by us to our Directors (including salaries, bonus and welfare expenses) for the financial year ending December 31, 2022 will be approximately US\$973,000 in aggregate. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and, following the [REDACTED], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

### SHARE OPTION SCHEME AND SHARE AWARD PLAN

Our Company has conditionally adopted the Share Option Scheme on [ • ] under which certain selected classes of participants (including, among others, full-time employees and Directors) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarized in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document. Our Company has also adopted the Share Award Plan for the benefit of certain grantees under the Share Award Plan. The principal terms of the Share Award Plan are summarized in “Statutory and General Information — E. Share Award Plan” in Appendix IV to this document.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Share that may be issued pursuant to the exercise of the [REDACTED] or any option that may be granted under the Share Option Scheme), the following persons have interests or short positions in our Shares or underlying shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company:

Name	Capacity/ Nature of interest	Number of Shares held as at the date of this document <sup>(1)</sup>	Approximate percentage of interests in our Company as at the date of this document <sup>(1)</sup>	Number of Shares held immediately after completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>	Approximate percentage of interests in our Company immediately after completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>
Tricor Equity Trustee <sup>(2)</sup>	Trustee of the trusts	8,500	85.0%	[REDACTED]	[REDACTED]
Shining Friends <sup>(3)</sup>	Interest in a controlled corporation	6,600	66.0%	[REDACTED]	[REDACTED]
Jin Qiu <sup>(3)</sup>	Beneficial owner	6,600	66.0%	[REDACTED]	[REDACTED]
Jin Chun <sup>(3)</sup>	Beneficial owner	300	3.0%	[REDACTED]	[REDACTED]
Mr. Guo <sup>(3)</sup>	Founder of a discretionary trust; Interest in a controlled corporation	6,900	69.0%	[REDACTED]	[REDACTED]
Oceanic Flame <sup>(4)</sup>	Interest in a controlled corporation	1,900	19.0%	[REDACTED]	[REDACTED]
Kaimei Holding <sup>(4)</sup>	Beneficial owner	1,900	19.0%	[REDACTED]	[REDACTED]
CZK Holding <sup>(4)</sup>	Beneficial owner	100	1.0%	[REDACTED]	[REDACTED]
Mr. Chen <sup>(4)</sup>	Founder of a discretionary trust; Interest in a controlled corporation	2,000	20.0%	[REDACTED]	[REDACTED]
Tricor Trust (Hong Kong) <sup>(5)</sup>	Trustee of a trust	800	8.0%	[REDACTED]	[REDACTED]
Jovial Alliance <sup>(6)</sup>	Beneficial owner	800	8.0%	[REDACTED]	[REDACTED]
Ms. Li Xuyue <sup>(7)</sup>	Interest of spouse	6,900	69.0%	[REDACTED]	[REDACTED]
Ms. Chen Meimei <sup>(8)</sup>	Interest of spouse	2,000	20.0%	[REDACTED]	[REDACTED]

*Notes:*

- (1) All interests stated are long positions.
- (2) Tricor Equity Trustee is the trustee of The J&Y Trust and The CZK Trust, two trusts in total.

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## SUBSTANTIAL SHAREHOLDERS

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- (3) The entire share capital of Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust, which was established by Mr. Guo (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo (as founder of The J&Y Trust) and Shining Friends are taken to be interested in [REDACTED] Shares held by Jin Qiu upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

Jin Chun is 100% beneficially owned by Mr. Guo. Accordingly, Mr. Guo is deemed to be interested in the [REDACTED] Shares held by Jin Chun upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

By virtue of the SFO, Mr. Guo is deemed to be interested in the [REDACTED] Shares held by Jin Qiu and Jin Chun in aggregate.

- (4) The entire share capital of Kaimei Holding is wholly-owned by Oceanic Flame, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen (as founder of The CZK Trust) and Oceanic Flame are taken to be interested in [REDACTED] Shares held by Kaimei Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

CZK Holding is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the [REDACTED] Shares held by CZK Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

By virtue of the SFO, Mr. Chen is deemed to be interested in the [REDACTED] Shares held by Kaimei Holding and CZK Holding in aggregate.

- (5) Tricor Trust (Hong Kong) is the trustee of the Share Award Trust.
- (6) Jovial Alliance is wholly-owned by Tricor Trust (Hong Kong), the trustee of the Share Award Trust, which was established by our Company (as the settlor) on February 22, 2022 as a trust for the benefit of selected grantees under the Share Award Plan. Jovial Alliance is deemed to be interested in the [REDACTED] Shares held by it upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.
- (7) Ms. Li Xuyue is the spouse of Mr. Guo and is deemed, or taken to be, interested in all Shares in which Mr. Guo has interest in under the SFO.
- (8) Ms. Chen Meimei is the spouse of Mr. Chen and is deemed, or taken to be, interested in all Shares in which Mr. Chen has interest in under the SFO.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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## SUBSTANTIAL SHAREHOLDERS

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Save as disclosed above, our Directors are not aware of any person who will, immediately prior to and following the completion of the [REDACTED] and the [REDACTED] (taking no account of any Share which may be issued pursuant to the exercise of the [REDACTED] and upon exercise of any option which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately before and following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the [REDACTED] or any options which may be granted under the Share Option Scheme):

***Authorized share capital:***

	<b>Nominal value</b> <i>HK\$</i>
[700,000,000] Shares of par value HK\$0.01 each	7,000,000

***Shares issued and to be issued, fully paid or credited as fully paid:***

	<b>Nominal value</b> <i>HK\$</i>
10,000 Shares in issue as at the date of this document	100
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] [REDACTED]	[REDACTED]
Total shares issued and to be issued immediately upon completion of the [REDACTED] and the [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

### ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

If the [REDACTED] is exercised in full, then [REDACTED] additional Shares will be allotted and issued, resulting in a total enlarged issued share capital of HK\$[REDACTED] divided into [REDACTED] Shares.

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## SHARE CAPITAL

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### RANKING

The [REDACTED] will be ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the [REDACTED] other than entitlement to the [REDACTED].

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The [REDACTED] [REDACTED] represent [REDACTED]% of the total issued share capital of our Company upon the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the [REDACTED] or any options which may be granted under the Share Option Scheme).

### [REDACTED]

Pursuant to the resolutions of our Shareholders passed on [•], conditional on the conditions as stated in “Structure and Conditions of the [REDACTED]” and the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issuance of the [REDACTED] pursuant to the [REDACTED], our Directors are authorized to allot and issue a total of [REDACTED] Shares, credited as fully paid at par, to the holders of Shares on the register of members or the principal share register of our Company in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company, and Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) not exceeding:

- (a) 20% of the total number of our Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme); and

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## SHARE CAPITAL

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- (b) the total number of our Shares repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in “General mandate to repurchase Shares” below. This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further information about our Company and its subsidiaries — 5. Written resolutions of our Shareholders passed on [ • ]” in Appendix IV to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares with an aggregate nominal value of not more than 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further information about our Company and its subsidiaries — 6. Repurchase of our Shares by our Company” in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or

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## SHARE CAPITAL

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- (c) the time when such mandate is revoked or varies by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further information about our Company and its subsidiaries — 5. Written resolutions of our Shareholders passed on [ • ]” in Appendix IV to this document.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this document.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

### ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of Shareholders alter the share capital of our Company. For a summary of the provisions in the Articles of Association regarding alterations of share capital, see “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

### CIRCUMSTANCES WHERE MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles, a summary of which is set forth in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.



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## FINANCIAL INFORMATION

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*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 0.9% of the total global market share in terms of the number of third-party owned vessels under management in 2021. With a combined weight carrying capacity of (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.

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. 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).

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## FINANCIAL INFORMATION

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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 five months ended May 31, 2022, we managed 94, 133, 203 and 176 vessels, respectively of which 74, 114, 176 and 149 were third-party owned vessels. 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 five months ended May 31, 2021 and 2022, our total revenue was approximately USD135.6 million, USD178.9 million, USD372.7 million, USD125.8 million and USD179.0 million, and our net profit was approximately USD8.4 million, USD0.7 million, USD40.0 million, USD10.4 million and USD32.9 million for the corresponding periods, respectively. Excluding the non-recurring [REDACTED] expenses of approximately USD1.4 million for the year ended December 31, 2021 and approximately USD0.9 million for the five months ended May 31, 2022, our adjusted net profit (non-HKFRS measure) for the period amounted to approximately USD41.4 million and USD33.8 million, respectively.

### 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 Hong Kong Institute of Certified Public Accountants. 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 including HKFRS 9, HKFRS 15 and HKFRS 16 throughout the Track Record Period, except for any new standards or interpretations that are not yet effective as at May 31, 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 for the years ended December 31, 2019 and 2020, and the results of operations of Seacon Shipping Group for the year ended December 31, 2021 were consolidated into our Group’s financial statements on the basis of merger accounting. Seacon Shipping Group was not included in our Group pursuant to the Reorganization and ceased to be within the consolidation scope of our Group’s financial information as at December 31, 2021.

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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 <b>31 December 2021</b> <i>US\$’000</i>
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.

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## FINANCIAL INFORMATION

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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

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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 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.

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## FINANCIAL INFORMATION

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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.

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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 cyclicity and volatility of the BDI. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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 2,258 points, respectively. As at the Latest Practicable Date, the BDI was 1,463 points. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and May 31, 2022, our charter hire costs accounted for approximately USD53.3 million, USD60.8 million, USD176.7 million, USD59.0 million and USD70.9 million, respectively representing approximately 43.0%, 35.4%, 53.2%, 51.8% and 46.6%, respectively of our total operating expenses 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.

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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 five months ended May 31, 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%
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
<b>Change in charter hire cost</b>			
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
Five months ended May 31, 2022	+/-3,937.1	+/-7,874.2	+/-11,811.3

### **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 five months ended May 31, 2021 and 2022, we incurred crew manning expenses of approximately USD25.1 million, USD33.3 million, USD47.8 million, USD15.9 million and USD22.9 million, respectively, representing approximately 20.2%, 19.4%, 14.4%, 14.0% and 15.1% of our total operating expenses, respectively for the corresponding periods.



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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 five months ended May 31, 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%	+/- 20%	+/- 30%
	(USD'000)	(USD'000)	(USD'000)
<b>Change in our profit before tax</b>			
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
Five months ended May 31, 2022	-/+ 2,294.1	-/+ 4,588.2	-/+ 6,882.3

### **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, USD15.7 million and USD24.0 million, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, representing approximately 13.5%, 17.3%, 11.6%, 14.1% and 16.3% of our cost of sales for the corresponding periods, respectively.

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### **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 five months ended May 31, 2022, our borrowings amounted to approximately USD58.8 million, USD50.0 million, USD32.8 million and USD76.2 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.

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### 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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
				(Unaudited)	
<b>Revenue</b>	135,607	178,929	372,738	125,767	178,952
Cost of sales	(119,553)	(166,202)	(315,088)	(111,207)	(147,037)
<b>Gross profit</b>	16,054	12,727	57,650	14,560	31,915
Selling, general and administrative expenses	(4,484)	(5,708)	(17,215)	(2,738)	(4,958)
Net impairment reversal/ (losses) on financial assets	106	(120)	205	(55)	(91)
Other income	47	161	51	19	15
Other (losses)/gains — net	(278)	(1,514)	(369)	(339)	5,088
<b>Operating profit</b>	11,445	5,546	40,322	11,447	31,969
Finance costs, net	(2,775)	(3,910)	(3,450)	(1,277)	(2,389)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	253	(242)	4,314	572	4,566
<b>Profit before income tax</b>	8,923	1,394	41,186	10,742	34,146
Income tax expenses	(489)	(670)	(1,181)	(297)	(1,256)
<b>Profit for the year/period</b>	<b>8,434</b>	<b>724</b>	<b>40,005</b>	<b>10,445</b>	<b>32,890</b>
<b>Profit attributable to:</b>					
Shareholders of the Company	7,747	451	33,617	7,726	31,840
Non-controlling interests	687	273	6,388	2,719	1,050
<b>Total:</b>	<b>8,434</b>	<b>724</b>	<b>40,005</b>	<b>10,445</b>	<b>32,890</b>

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## FINANCIAL INFORMATION

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### 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, because it does not reflect all items of income and expense that affect our operations. 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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
				(Unaudited)	
Profit for the year/period	8,434	724	40,005	10,445	32,890
Add: [REDACTED] expenses <sup>(1)</sup>	—	—	1,377	—	948
Add: Share based compensation <sup>(2)</sup>	—	—	5,635	—	—
<b>Non-HKFRS measure:</b>					
<b>Adjusted net profit for the year/ period</b>	<b>8,434</b>	<b>724</b>	<b>47,017</b>	<b>10,445</b>	<b>33,838</b>

*Notes:*

- (1) [REDACTED] expenses relate to the [REDACTED] of our Company. This item is adjusted for as it is not directly related to our operating activities.
- (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.

## FINANCIAL INFORMATION

### 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, USD125.8 million and USD179.0 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. The following table sets forth a breakdown of our revenue during the Track Record Period by our principal business segments:

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

#### *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, USD107.9 million and USD155.4 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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:

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

Our revenue derived from our controlled vessels amounted to approximately USD44.4 million, USD47.0 million, USD66.6 million, USD18.7 million and USD45.1 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, representing approximately 40.8%, 33.0%, 20.6%, 17.4% and 29.0% of our total revenue for the shipping services business segment, respectively.

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Our revenue derived from chartered-in vessels amounted to approximately USD64.5 million, USD95.4 million, USD257.2 million, USD89.1 million and USD110.2 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, representing approximately 59.2%, 67.0%, 79.4%, 82.6% and 71.0% 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, USD17.9 million and USD23.6 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, representing approximately 19.7%, 20.4%, 13.1%, 14.2% and 13.2% 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:

	2019		Year ended December 31,				Five months ended May 31,			
	(USD'000)	%	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	59,035	53.0	70,870	48.1
Crew manning expenses	25,109	21.0	33,332	20.1	47,836	15.2	15,921	14.3	22,941	15.5
Bunker charges	16,167	13.5	28,711	17.3	36,468	11.6	15,650	14.1	23,982	16.3
Depreciation	8,474	7.1	14,225	8.6	16,818	5.3	4,839	4.4	11,574	7.9
Port charges	4,774	4.0	11,934	7.2	13,919	4.4	6,230	5.6	5,861	4.0
Lubricating oil and spare parts costs	2,458	2.1	4,557	2.7	5,562	1.8	3,132	2.8	2,718	1.8
Employee benefit expenses	2,617	2.2	1,352	0.8	4,055	1.3	966	0.9	1,783	1.2
Shipbuilding supervision service fees	2	0.0	2,013	1.2	3,592	1.1	1,199	1.1	1,397	1.0
Insurance	1,589	1.3	2,271	1.4	2,581	0.8	996	0.9	1,255	0.9
Vessel take over fees	670	0.6	118	0.1	980	0.3	341	0.3	554	0.4
Vessel certificate and inspection related costs	434	0.4	1,165	0.7	914	0.3	584	0.5	579	0.4
Repair expenses	914	0.8	2,231	1.3	1,374	0.4	465	0.4	395	0.3
Amortisation of deferred assets	94	0.1	631	0.4	964	0.3	321	0.3	516	0.4
Others	2,912	2.4	2,855	1.7	3,342	1.1	1,528	1.4	2,612	1.8
<b>Total:</b>	<b>119,553</b>	<b>100.0</b>	<b>166,202</b>	<b>100.0</b>	<b>315,088</b>	<b>100.0</b>	<b>111,207</b>	<b>100.0</b>	<b>147,037</b>	<b>100.0</b>

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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,						Five months ended May 31,			
	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)	%
Shipping services	11,301	10.4	7,657	5.4	52,159	16.1	12,752	11.8	27,026	17.4
Ship management services	4,753	17.8	5,070	13.9	5,491	11.2	1,808	10.1	4,889	20.7
<b>Total</b>	<b>16,054</b>	<b>11.8</b>	<b>12,727</b>	<b>7.1</b>	<b>57,650</b>	<b>15.5</b>	<b>14,560</b>	<b>11.6</b>	<b>31,915</b>	<b>17.8</b>

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, our overall gross profit amounted to approximately USD16.1 million, USD12.7 million, USD57.7 million, USD14.6 million and USD31.9 million, respectively, and our overall gross profit margin was approximately 11.8%, 7.1%, and 15.5%, 11.6% and 17.8%, respectively.

### Shipping services

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, the gross profit of our shipping services business segment amounted to approximately USD11.3 million, USD7.7 million, USD52.2 million, USD12.8 million and USD27.0 million, and its gross profit margin amount to approximately 10.4%, 5.4%, 16.1%, 11.8% and 17.4%, respectively.

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

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross profit margin (USD'000)	%	Gross profit margin (USD'000)	%	Gross profit margin (USD'000)	%	Gross profit margin (USD'000)	%	Gross profit margin (USD'000)	%
Controlled vessels	7,185	16.2	3,478	7.4	20,577	30.9	3,624	19.4	11,327	25.1
Chartered-in vessels	4,116	6.4	4,179	4.4	31,582	12.3	9,128	10.2	15,699	14.2
<b>Total:</b>	<b>11,301</b>	<b>10.4</b>	<b>7,657</b>	<b>5.4</b>	<b>52,159</b>	<b>16.1</b>	<b>12,752</b>	<b>11.8</b>	<b>27,026</b>	<b>17.4</b>

(Unaudited)

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.



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The gross profit margin of our controlled vessels increased from 19.4% for the five months ended May 31, 2021 to 25.1% for the five months ended May 31, 2022. This increase in the gross profit margin of our controlled vessels was largely due to the fact that 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 when the BDI recorded multi-year peaks, thereby allowing us to receive higher levels of charter hire from our customers for the five months ended May 31, 2022 which increased the gross profit margins of our controlled vessels. The gross profit margins of our chartered-in vessels also increased, to a lesser extent compared to our controlled vessels, from 10.2% for the five months ended May 31, 2021 to 14.2% for the five months 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. In particular, the BDI had exhibited an increasing trend during the five months ended May 31, 2022, having increased from around 1,300 points in late January 2022 to over 2,500 points in May 2022. 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 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,						Five months ended May 31,			
	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	6,424	9.0	2,114	3.1
COA	134	14.2	144	6.4	6,125	8.9	959	6.9	4,814	18.8
Period-based time charter	6,653	25.0	5,943	24.7	22,378	38.8	3,719	25.3	12,920	31.0
TCT	1,989	8.6	(2,895)	(17.0)	11,959	27.6	1,650	21.8	7,178	34.4
<b>Total</b>	<b>11,301</b>	<b>10.4</b>	<b>7,657</b>	<b>5.4</b>	<b>52,159</b>	<b>16.1</b>	<b>12,752</b>	<b>11.8</b>	<b>27,026</b>	<b>17.4</b>

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 and is generally in line with the trend of the BDI are relatively higher 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 and chartered-in vessels during the Track Record Period hereinabove.

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## FINANCIAL INFORMATION

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In particular, the gross profit margin for our voyage charters decreased from approximately 9.0% for the five months ended May 31, 2021 to 3.1% 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. 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.

### *Ship management services*

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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, USD1.8 million and USD4.9 million, and its gross profit margin amount to approximately 17.8%, 13.9%, 11.2%, 10.1% and 20.7%, respectively.

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The following table sets out the breakdown of our gross profit and gross profit 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,						Five months ended May 31,			
	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)	%
Lump-sum basis	2,322	10.1	2,889	9.0	3,349	7.8	1,259	7.7	2,562	13.3
Management fee basis	2,431	63.6	2,181	49.4	2,142	34.6	549	37.6	2,327	53.6
<b>Total:</b>	<b>4,753</b>	<b>17.8</b>	<b>5,070</b>	<b>13.9</b>	<b>5,491</b>	<b>11.2</b>	<b>1,808</b>	<b>10.1</b>	<b>4,889</b>	<b>20.7</b>

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,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	(USD'000)	%	(USD'000)	%	(USD'000)	%	(USD'000)	%	(USD'000)	%
Employee benefit expenses	1,348	30.0	2,050	36.1	9,042	52.5	712	26.0	1,476	29.7
Brokerage	1,353	30.2	1,923	33.7	4,154	24.1	1,212	44.3	1,601	32.3
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation and amortization	360	8.0	556	9.7	483	2.8	178	6.5	278	5.6
Business development and entertainment expenses	282	6.3	137	2.4	407	2.4	154	5.6	184	3.7
Office expenses	290	6.5	194	3.4	287	1.7	68	2.5	142	2.9
Travel expenses	104	2.3	145	2.5	218	1.3	44	1.6	48	1.0
Professional fees	129	2.9	77	1.3	218	1.3	91	3.3	39	0.8
Advertising costs	36	0.8	7	0.1	183	1.1	20	0.7	13	0.3
Utility costs	54	1.2	47	0.8	60	0.3	28	1.0	45	0.9
Auditor's remuneration	9	0.2	7	0.1	23	0.1	10	0.4	13	0.3
Others	519	11.6	565	9.9	763	4.4	221	8.1	171	3.4
<b>Total:</b>	<b>4,484</b>	<b>100.0</b>	<b>5,708</b>	<b>100.0</b>	<b>17,215</b>	<b>100.0</b>	<b>2,738</b>	<b>100.0</b>	<b>4,958</b>	<b>100.0</b>

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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 five months ended May 31, 2021 and 2022, our selling, general and administrative expenses amounted to approximately USD4.5 million, USD5.7 million, USD17.2 million, USD2.7 million and USD5.0 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 government grants and fees from insurance claims arising from day-to-day wear and tear of vessels. Other income amounted to approximately USD47,000, USD161,000, USD51,000, USD19,000 and USD15,000 during the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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.

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

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### 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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
				(Unaudited)	
Foreign exchange gain/(loss), net	(163)	(545)	(242)	(242)	29
Bank charges	(133)	(140)	(258)	(160)	(337)
Provision for legal proceedings	—	—	(803)	—	(680)
Impairment (loss) of held-for-sale assets	—	(1,244)	—	—	—
Net gains on disposal of property, plant and equipment	65	—	3	—	5,683
Net fair value gain/(loss) on financial assets at fair value through profit or loss	(3)	368	920	67	383
Others	<u>(44)</u>	<u>47</u>	<u>11</u>	<u>(4)</u>	<u>10</u>
<b>Total</b>	<b><u>(278)</u></b>	<b><u>(1,514)</u></b>	<b><u>(369)</u></b>	<b><u>(339)</u></b>	<b><u>5,088</u></b>

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, USD0.4 million and USD0.3 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021, respectively. For the five months ended May 31, 2022, we recorded other gains of approximately USD5.1 million. 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.

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### Finance costs

The following table sets out the breakdown of our finance costs during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
				(Unaudited)	
Finance costs					
— Interest on borrowings	1,650	2,249	1,934	696	1,554
— Interest on lease liabilities	<u>1,127</u>	<u>1,664</u>	<u>1,517</u>	<u>581</u>	<u>835</u>
Finance costs expensed	2,777	3,913	3,451	1,277	2,389
Finance income	<u>(2)</u>	<u>(3)</u>	<u>(1)</u>	<u>—*</u>	<u>—*</u>
<b>Total</b>	<b><u>2,775</u></b>	<b><u>3,910</u></b>	<b><u>3,450</u></b>	<b><u>1,277</u></b>	<b><u>2,389</u></b>

Note: “—\*” represents amounts less than US\$1,000.

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 five months ended May 31, 2021 and 2022, our finance costs amounted to approximately USD2.8 million, USD3.9 million, USD3.5 million, USD1.3 million and USD2.4 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

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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 USD0.6 million and USD4.6 million for the five months ended May 31, 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 and the improved profitability of Hongkong Xinyihai.

### Income tax expenses

The following table sets forth a breakdown of our income tax expenses during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
				(Unaudited)	
Current income tax:					
— Hong Kong profits tax	94	520	398	193	187
— PRC enterprise income tax (“EIT”)	—	1	28	—	16
— Japan income tax	—	31	500	111	777
— Singapore income tax	—*	91	302	—*	272
Deferred income tax	<u>395</u>	<u>27</u>	<u>(47)</u>	<u>(7)</u>	<u>4</u>
<b>Total</b>	<u><u>489</u></u>	<u><u>670</u></u>	<u><u>1,181</u></u>	<u><u>297</u></u>	<u><u>1,256</u></u>

Note: “—\*” represents amounts less than US\$1,000.

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

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### *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 (Cap. 134).

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.



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### *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%.

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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
				Unaudited	
<b>Profit before income tax</b>	8,923	1,394	41,186	10,742	34,146
Tax calculated at applicable tax rates	1,485	280	7,083	1,885	6,271
Expenses not deductible for taxation purposes	—	30	241	48	39
Exempted losses	—	518	—	77	74
Tax effect of share of profits of associates and joint ventures	(42)	40	(712)	(97)	(776)
Exempted gains	(954)	(198)	(5,431)	(1,616)	(4,352)
Income tax expense	489	670	1,181	297	1,256

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We recorded income tax expenses of approximately USD0.5 million, USD0.7 million, USD1.2 million, USD0.3 million and USD1.3 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Our effective tax rate was approximately 5.5%, 48.0%, 2.9%, 2.8% and 3.7% for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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 relatively stable at approximately 2.8% and 3.7% for the five months ended May 31, 2021 and 2022.

As at the Latest Practicable Date, save for Seacon 7 which has been delayed in filing its profits tax return, 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 non-compliance in filing of profit return.

### 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

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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

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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

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- *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.

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### *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.

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### 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.

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### *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



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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) and recognition of [REDACTED] expenses of approximately USD[REDACTED] 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.

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### *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 five months ended May 31, 2022 compared to the five months ended May 31, 2021**

### *Revenue*

Our revenue increased by approximately USD53.2 million or 42.3% from approximately USD125.8 million for the five months ended May 31, 2021 to approximately USD179.0 million for the five months ended May 31, 2022. Such increase was mainly a result of the combined effect of:

- *Shipping services*: An increase in revenue by approximately USD47.5 million or 44.0% from approximately USD107.9 million for the five months ended May 31, 2021 to approximately USD155.4 million for the five months ended May 31, 2022

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primarily due to (i) an increase in the number of our controlled vessels from 16 as at May 31, 2021 to 22 as at May 31, 2022, and (ii) an increase in the average daily BDI from 2,111 points for the five months ended May 31, 2021 to 2,258 points for the five months ended May 31, 2022 which greatly increased the charter hire we received from our customers for the five months ended May 31, 2022 compared to the same period in 2021. In particular, revenue derived from our controlled vessels increased from approximately USD18.7 million for the five months ended May 31, 2021 to approximately USD45.1 million for the five months ended May 31, 2022, representing a growth of approximately 141.2% which significantly outpaced the growth in revenue derived from our chartered-in vessels which increased from approximately USD89.1 million for the five months ended May 31, 2021 to approximately USD110.2 million for the five months ended May 31, 2022, representing an increase of 23.7%. We recorded comparatively greater 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, thereby allowing us to receive higher levels of charter hire from our customers for the five months ended May 31, 2022 compared to the corresponding period in 2021. Accordingly, revenue derived from our period-based time charters increased from approximately USD14.7 million for the five months ended May 31, 2021 to approximately USD41.7 million for the five months ended May 31, 2022, representing a growth of approximately 183.7% which outpaced the growth of our revenue derived from voyage charters and COA which only increased by approximately 8.4% for the five months ended May 31, 2022 compared to the same period in 2021. Additionally, we recorded comparatively greater growth in revenue derived from our controlled vessels as we had chartered-in several oil tankers gradually throughout late 2021 to early 2022 which contributed to our revenue for the five months ended May 31, 2022 compared to the five months ended May 31, 2021.

- *Ship management services:* An increase in revenue by approximately USD5.7 million or 31.8% from approximately USD17.9 million for the five months ended May 31, 2021 to approximately USD23.6 million for the five months ended May 31, 2022 primarily due to (i) an increase in the aggregate number of third party-owned vessels under our management for the five months ended May 31, 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 USD0.5 million for the five months ended May 31, 2021 to approximately USD2.5 million for the five months ended May 31, 2022, representing an increase of approximately 433.2% as a large majority of our shipbuilding supervision projects commenced in the latter half of 2021 which contributed to our revenue for the five months ended May 31, 2022.

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### *Cost of sales*

Our cost of sales increased by approximately USD35.8 million or 32.2% from approximately USD111.2 million for the five months ended May 31, 2021 to approximately USD147.0 million for the five months ended May 31, 2022. 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 USD59.0 million for the five months ended May 31, 2021 to USD70.9 million for the five months ended May 31, 2022 and an increase in bunker costs from approximately USD15.7 million for the five months ended May 31, 2021 to USD24.0 million for the five months ended May 31, 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 USD15.9 million for the five months ended May 31, 2021 to USD22.9 million for the five months ended May 31, 2022, and (iii) the addition of several controlled vessels in the latter half of 2021 and early 2022 which increased our overall operating costs for the five months ended May 31, 2022.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by approximately USD17.3 million or 118.5% from approximately USD14.6 million for the five months ended May 31, 2021 to approximately USD31.9 million for the five months ended May 31, 2022. Our overall gross profit margin increased from approximately 11.6% for the five months ended May 31, 2021 to 17.8% for the five months ended May 31, 2022. Such increase was mainly a result of the combined effect of:

- *Shipping services:* The gross profit from our shipping services increased by approximately USD14.2 million or 110.9% from approximately USD12.8 million for the five months ended May 31, 2021 to approximately USD27.0 million for the five months ended May 31, 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 generally higher daily rates of the BDI for the five months ended May 31, 2022 compared to the same period in 2021, with the daily average rates having increased from approximately 2,111 points for the five months ended May 31, 2021 to 2,258 points for the five months ended May 31, 2022. 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. In particular, we recorded comparatively greater 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 when the BDI recorded multi-year peaks, thereby allowing us to receive higher levels of charter hire from our customers for the five months ended May 31, 2022 and greatly increased the gross profit margins of our controlled vessels from 19.4% for the five months ended May 31, 2021 to 25.1% for the five months ended May 31, 2022. The gross profit margins of our chartered-in vessels also increased from 10.2% for the five months ended May 31, 2021 to 14.2% for

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the five months ended May 31, 2022 as we were able to benefit from periods of increasing market charter hire and freight rates and capitalize on such increasing rates to charter out our shipping capacity at higher charter rates. Accordingly, in light of the foregoing, our gross profit margin for our shipping services increased from 11.8% for the five months ended May 31, 2021 to 17.4% for the five months ended May 31, 2022; and

- *Ship management services:* The gross profit from our ship management services increased by approximately USD3.1 million or 170.4% from approximately USD1.8 million for the five months ended May 31, 2021 to approximately USD4.9 million for the five months ended May 31, 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 10.1% for the five months ended May 31, 2021 to 20.7% for the five months ended May 31, 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 five months ended May 31, 2022 compared to the same period in 2021.

### *Selling, general and administrative expenses*

Our selling, general and administrative expenses increased by approximately USD2.3 million or 85.2% from approximately USD2.7 million for the five months ended May 31, 2021 to approximately USD5.0 million for the five months ended May 31, 2022 mainly due to (i) the recognition of [REDACTED] expenses of approximately USD0.9 million for the five months ended May 31, 2022, (ii) an increase in employee benefit expenses from approximately USD0.7 million for the five months ended May 31, 2021 to USD1.5 million for the same period in 2022 primarily owing to an increase in our headcount of administration and operations personnel during the five months ended May 31, 2022; and (iii) an increase in brokerage fee paid to shipbrokers from approximately USD1.2 million for the five months ended May 31, 2021 to USD1.6 million for the same period in 2022 which was generally in line with the revenue growth of our shipping services business segment.

### *Net impairment losses on financial assets*

We recognized net impairment losses on financial assets of approximately USD55,000 for the five months ended May 31, 2021 and approximately USD91,000 for the five months ended May 31, 2022 primarily due to increase in our trade and other receivables from approximately USD25.6 million as at December 31, 2021 to approximately USD36.6 million as at May 31, 2022.

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### *Other income*

Our other income for five months ended May 31, 2021 and 2022 remained relatively stable at approximately USD19,000 and USD15,000, respectively.

### *Other gains and losses*

We recorded other losses of approximately USD0.3 million for the five months ended May 31, 2021 and recorded other gains of approximately USD5.1 million for the five months ended May 31, 2022, representing an increase of approximately USD5.4 million or 1,800.0% between the five months ended May 31, 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 USD5.7 million for the five months ended May 31, 2022 arising from the disposal of SEACON BRAZIL one of our controlled vessels during the five months ended May 31, 2022.

### *Finance costs*

Our finance costs increased by approximately USD1.1 million or 84.6% from approximately USD1.3 million for the five months ended May 31, 2021 to approximately USD2.4 million for the five months ended May 31, 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 five months ended May 31, 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 USD4.0 million or 666.7% from approximately USD0.6 million for the five months ended May 31, 2021 to approximately USD4.6 million for the five months ended May 31, 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; and (ii) Hongkong Xinyihai recorded a strong financial performance for the five months ended May 31, 2022 compared to the same period in 2021.

### *Income tax expenses*

Our income tax expense increased by approximately USD1.0 million or 333.3% from approximately USD0.3 million for the five months ended May 31, 2021 to approximately USD1.3 million for the five months ended May 31, 2022 primarily due to an increase in our tax payable for the five months ended May 31, 2022 owing to higher profits recorded for the five months ended May 31, 2022 compared to the same period in 2021.

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### *Profit for the period*

As a result of the foregoing, our profit for the period increased significantly by approximately USD22.4 million or 214.9% from approximately USD10.4 million for the five months ended May 31, 2021 to approximately USD32.9 million for the five months ended May 31, 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
	2019	2020	2021	May 31, 2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
Vessels	56,041	46,300	53,459	90,515
Buildings	1,104	1,147	1,140	1,074
Transportation equipment	206	231	242	245
Office equipment and other equipment	54	30	7	3
<b>Total</b>	<b><u>57,405</u></b>	<b><u>47,708</u></b>	<b><u>54,848</u></b>	<b><u>91,837</u></b>

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 USD91.8 million as at May 31, 2022 mainly due to the acquisition of SEACON FUZHOU and SEACON ATHENS in or around January 2022.

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### 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 USD106.2 million as at May 31, 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 May 31, 2022.

Name of entity	Ownership interest (%)				Nature of ownership	Carrying amount (USD'000)			
	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022		As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022
MSM Ships	50%	50%	50%	50%	Joint venture	—*	35	48	131
Hongkong Xinyihai	35%	35%	35%	35%	Associate	346	69	1,172	1,720
Seacon 6	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	732	2,613
Seacon 7	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	242	659
Seacon 8	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	1,308	1,791
Seacon 9	N/A	N/A	49.5%	49.5%	Associate	N/A	N/A	1,731	2,885
Seacon Tankers	49%	N/A	N/A	N/A	Associate	—*	N/A	N/A	N/A
						<b>346</b>	<b>104</b>	<b>5,233</b>	<b>9,799</b>

*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 May 31, 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 USD9.8 million as at May 31, 2022 mainly due to the increase in carrying value of Seacon 6 as a result of the sale of our jointly owned vessel SEACON 6 as well as the improved profitability of each of Seacon 7, Seacon 8 and Seacon 9 and Hongkong Xinyihai during the five months ended May 31, 2022.



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### **Financial assets at fair value through profit or loss**

As at December 31, 2019, 2020 and 2021 and as at May 31, 2022, our financial assets at fair value through profit or loss was approximately USD2.0 million, USD2.4 million, USD3.3 million, and USD1.7 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. For further details of our financial assets at fair value through profit or loss, please refer to Note 15 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 USD1.7 million as at May 31, 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 May 31, 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***

We have established and implemented rules and procedures relating to the valuation of level 3 financial assets at fair value through profit or loss. Our Directors review the fair value measurement of our financial assets taking into account of the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurement of level 3 investments is in compliance with the applicable HKFRS. Having performed these procedures, our Directors consider, and the Sole Sponsor and Reporting Accountants concur, that the carrying amount of the level 3 investments at fair value through profit or loss were reasonable.

The details on the fair value measurement of the financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Notes 3.3(ii) and 3.3(iii) of the Accountant’s Report in Appendix I which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on our historical financial information for the Track Record Period as a whole is set out on page I-1 to I-3 of Appendix I to this Document.

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In assessing the valuation of our financial assets measured at fair value through profit or loss categorized within level 3 of fair value measurement, the Sole Sponsor has performed the following independent due diligence work: (i) discussed with our Directors on the key basis and assumptions for the valuation of the financial asset; (ii) reviewed the relevant notes in the Accountant’s Report included in Appendix I to this Document; and (iii) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of level 3 financial assets for the purpose of reporting on our historical financial information for the Track Record Period as a whole. Having considered the work performed by our management, our Directors and the unqualified opinion on our historical financial information for the Track Record Period as a whole issued by the Reporting Accountant, and the relevant due diligence work as stated above, nothing material has come to the Sole Sponsor’s attention that indicates that our Directors have not undertaken independent and sufficient investigation and due diligence.

### 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 May 31, 2022 increased to approximately USD13.0 million largely due to an increase in our bunker fuel to approximately USD11.6 million as at May 31, 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 prior to May 31, 2022 and was subsequently chartered out under voyage charter which meant that the bunker fuel stored in SEACON AFRICA was recognized as our inventory as at May 31, 2022.

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

	<b>Year ended December 31,</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Five months ended May 31, 2022</b>
Average turnover days of our inventories <sup>(Note)</sup>	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).

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Our inventory turnover days were approximately 10, 12, 6 and 9 for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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 September 30, 2022, 100.0% of our inventories as at May 31, 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
	2019	2020	2021	May 31,
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
Prepayments for:				
— Vessels under short term time charters and office rental	325	2,204	3,943	2,830
— Insurance expenses	251	320	426	879
— Purchase of spare parts	—	15	516	310
— [REDACTED] expense	—	—	385	610
— Others	118	413	864	327
<b>Total</b>	<b>694</b>	<b>2,952</b>	<b>6,134</b>	<b>4,956</b>

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 USD5.0 million as at May 31, 2022 primarily due to a decrease in prepayments made for our vessels under short term time charters.

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### 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
	2019	2020	2021	May 31,
	(USD'000)	(USD'000)	(USD'000)	2022
				(USD'000)
<b>Trade receivables —</b>				
<b>Shipping services</b>				
— Third parties	5,184	11,652	11,363	22,300
— Related parties	—	217	32	—
<i>Less: Provision for impairment</i>	<u>(2)</u>	<u>(30)</u>	<u>(25)</u>	<u>(30)</u>
<b>Subtotal:</b>	<b><u>5,182</u></b>	<b><u>11,839</u></b>	<b><u>11,370</u></b>	<b><u>22,270</u></b>
<b>Trade receivables — Ship management services</b>				
— Third parties	3,389	3,587	5,486	2,446
— Related parties	74	827	121	451
<i>Less: Provision for impairment</i>	<u>(1)</u>	<u>(11)</u>	<u>(17)</u>	<u>(6)</u>
<b>Subtotal:</b>	<b><u>3,462</u></b>	<b><u>4,403</u></b>	<b><u>5,590</u></b>	<b><u>2,891</u></b>
<b>Total trade receivables:</b>	<b><u>8,644</u></b>	<b><u>16,242</u></b>	<b><u>16,960</u></b>	<b><u>25,161</u></b>
<b>Other receivables</b>				
— Amount due from related parties	5,518	5,148	3,623	2,344
— Deposits to related parties	—	11	50	—
— Amount due from third parties	458	—	—	—
— Deposits and guarantees	1,818	2,722	3,496	4,779
— Others	1,788	2,955	1,478	4,280
<i>Less: Provision for impairment</i>	<u>(81)</u>	<u>(115)</u>	<u>(65)</u>	<u>(162)</u>
<b>Subtotal:</b>	<b><u>9,501</u></b>	<b><u>10,721</u></b>	<b><u>8,582</u></b>	<b><u>11,241</u></b>
<b>Total:</b>	<b><u>18,145</u></b>	<b><u>26,963</u></b>	<b><u>25,542</u></b>	<b><u>36,402</u></b>

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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 increased even further to approximately USD25.2 million as at May 31, 2022. The increase in our trade receivables from 2019 to 2021 and to May 31, 2022 was generally in line with our revenue growth throughout the Track Record Period. 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
	2019	2020	2021	May 31, 2022
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
Within three months	8,067	15,143	13,604	24,371
Three to six months	395	499	1,058	719
Six to twelve months	185	610	853	85
One to two years	—	31	1,465	—
Two to three years	—	—	22	22
<b>Total:</b>	<b><u>8,647</u></b>	<b><u>16,283</u></b>	<b><u>17,002</u></b>	<b><u>25,197</u></b>

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.

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

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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 May 31 2022, all the trade receivables from Seacon Shipping Group has been settled.

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 increased to approximately USD11.4 million as at May 31, 2022 primarily due to our share of the proceeds to be received by us from the sale of our controlled vessel SEACON SINGAPORE in May 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
	2019	2020	2021	May 31, 2022
	(USD'000)	(USD'000)	(USD'000)	(USD'000)
Within one year	9,083	8,805	8,092	11,162
One to two years	87	2,030	495	52
Two to three years	412	1	60	150
Over three years	—	—	—	39
<b>Total:</b>	<b><u>9,582</u></b>	<b><u>10,836</u></b>	<b><u>8,647</u></b>	<b><u>11,403</u></b>

The payment periods and credit terms offered by us to our customers are generally in line with industry norms. We generally required prepayments, but we typically granted a grace period of up to one month 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,			Five months ended
	2019	2020	2021	May 31, 2022
Average turnover days of our trade receivables <sup>(Note)</sup>	<u>16</u>	<u>25</u>	<u>16</u>	<u>18</u>

*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).

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Our trade receivable turnover days were approximately 16, 25, 16 and 18 for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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 five months ended May 31, 2022 remained relatively stable at 18 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 September 30, 2022, approximately USD23.3 million (or approximately 92.8%) of our trade receivables outstanding as at May 31, 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.

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**FINANCIAL INFORMATION**

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**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
	2019	2020	2021	May 31,
	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>	<i>(USD'000)</i>
<b>Trade payables</b>				
— Third parties	11,227	17,984	15,712	23,181
— Related parties	<u>1,295</u>	<u>4,511</u>	<u>4,137</u>	<u>3,078</u>
<b>Subtotal:</b>	<u>12,522</u>	<u>22,495</u>	<u>19,849</u>	<u>26,259</u>
<b>Other payables</b>				
— Amount due to related parties	34,971	33,946	26,850	8,033
— Deposits from related parties	8	60	154	156
— Amount due to third parties	—	472	—	—
— Deposits and guarantees	882	1,598	2,025	1,616
— Salaries and staff welfare payables	1,155	664	2,524	546
— Provisions for legal proceeding	—	—	784	1,430
— [REDACTED] expenses	—	—	935	320
— Others	<u>142</u>	<u>111</u>	<u>126</u>	<u>160</u>
<b>Subtotal:</b>	<u>37,158</u>	<u>36,851</u>	<u>33,398</u>	<u>12,261</u>
<b>Total:</b>	<u><u>49,680</u></u>	<u><u>59,346</u></u>	<u><u>53,247</u></u>	<u><u>38,520</u></u>



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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 increased to approximately USD26.3 million as at May 31, 2022 primarily due to the scaling up of our shipping services business segment during the period and an increase in associated operating expenses such as bunker costs, charter hire costs, crew manning expenses etc. which increased our trade payables. 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
	2019	2020	2021	May 31, 2022
	(USD'000)	(USD'000)	(USD'000)	(USD'000)
Less than one year	12,499	22,245	19,670	26,134
One to two years	23	250	176	104
Two to three years	—	—	3	21
<b>Total</b>	<u>12,522</u>	<u>22,495</u>	<u>19,849</u>	<u>26,259</u>

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			Five months ended
	2019	2020	2021	May 31, 2022
Average turnover days of our payables <sup>(Note)</sup>	<u>38</u>	<u>38</u>	<u>25</u>	<u>24</u>

*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).

Our payables turnover days were approximately 38, 38, 25 and 24 for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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 five months ended May 31, 2022 remained relatively stable at 24 days.

As at September 30, 2022, approximately USD22.4 million, or approximately 85.2% of our trade and other payables as at May 31, 2022, were subsequently settled.

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## FINANCIAL INFORMATION

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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 USD12.3 million as at May 31, 2022 mainly due to the decrease in amounts due to related parties. Such balance will be fully settled before [REDACTED]. Such decrease was partially offset by the increase in salaries and staff welfare payable resulting in the substantial increase in bonus paid to employees of our Group as a result of substantial increase in revenue for both shipping services business segment and ship management service business segment.

### **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 USD100.2 million as at May 31, 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.

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## FINANCIAL INFORMATION

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### 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,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
				(Unaudited)	
Net cash generated from operating activities	9,559	24,473	88,147	17,699	26,926
Net cash generated from/ (used for) investing activities	500	2,027	(6,004)	(5,208)	(2,474)
Net cash used for financing activities	(9,849)	(24,015)	(61,515)	(9,799)	(29,764)
Effects of exchange rate changes on cash and cash equivalents	(8)	(8)	(18)	(23)	(38)
Net increase in cash and cash equivalents	210	2,485	20,628	2,692	(5,312)
Cash and cash equivalents at the beginning of the year	1,741	1,943	4,420	4,420	25,030
<b>Cash and cash equivalents at the end of the year</b>	<b>1,943</b>	<b>4,420</b>	<b>25,030</b>	<b>7,089</b>	<b>19,680</b>

### *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.

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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 five months ended May 31, 2022 amounted to approximately USD26.9 million, which primarily reflected our profit before tax of approximately USD34.1 million as adjusted for (i) certain non-cash gains and expenses which mainly included depreciation and amortization of approximately USD12.4 million and finance costs of approximately USD2.4 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 USD5.4 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.

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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 five months ended May 31, 2022 amounted to approximately USD2.5 million, which primarily reflected payments for property, plant and equipment and other non-current assets of approximately USD17.4 million and advances to related parties of approximately USD6.7 million which was partially offset by proceeds from disposal of property, plant and equipment of approximately USD16.0 million and repayments from related parties of approximately USD5.7 million.

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### *Net cash generated from/(used in) 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 of approximately USD22.5 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 five months ended May 31, 2022 amounted to approximately USD29.8 million, which primarily reflected repayments to related parties of approximately USD26.3 million, repayment of principal and interest of lease liabilities of approximately USD10.5 million, and repayment of borrowings of approximately USD5.5 million which was partially offset by advances from related parties of approximately USD8.7 million and proceeds from borrowings of approximately USD7.0 million.

## FINANCIAL INFORMATION

### 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	As at
	2019	2020	2021	May 31,	September 30,
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
					(Unaudited)
<b>Current assets</b>					
Financial assets at fair value through profit or loss	—	—	3,285	1,662	1,662
Inventories	4,895	5,702	4,651	13,049	7,279
Prepayment and other current assets	694	2,952	6,134	4,956	3,789
Trade and other receivables	18,145	26,963	25,542	36,402	22,670
Current portion of other non-current assets	3,258	3,903	—	—	—
Restricted bank deposits	—	72	31	64	4
Cash and cash equivalents	1,943	4,420	25,030	19,680	26,588
Assets classified as held for sale	—	7,318	—	—	—
<b>Total current assets</b>	<b>28,935</b>	<b>51,330</b>	<b>64,673</b>	<b>75,813</b>	<b>61,992</b>
<b>Current liabilities</b>					
Advances and contract liabilities	1,616	4,551	4,448	5,217	5,098
Trade and other payables	49,680	59,346	53,247	38,520	17,918
Current tax liabilities	94	737	1,840	1,763	1,504
Borrowings	10,830	12,289	5,369	9,841	9,458
Lease liabilities	9,880	9,385	21,073	24,053	21,068
<b>Total current liabilities</b>	<b>72,100</b>	<b>86,308</b>	<b>85,977</b>	<b>79,394</b>	<b>55,046</b>
<b>Net current (liabilities)/assets</b>	<b>(43,165)</b>	<b>(34,978)</b>	<b>(21,304)</b>	<b>(3,581)</b>	<b>6,946</b>

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.

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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.

We recorded net current liabilities of approximately USD3.6 million as at May 31, 2022, compared to net current liabilities of approximately USD21.3 million as at December 31, 2021, representing a further decrease of approximately USD17.7 million or 83.1% primarily due to the increase in trade and other receivables from approximately USD25.5 million as at December 31, 2021 to USD36.4 million as at May 31, 2022 primarily owing to our strong financial performance for the five months ended May 31, 2022 and the sale of our controlled vessel SEACON BRAZIL in April 2022 which we utilized to settle our existing liabilities, and a decrease in our current liabilities from approximately USD86.0 million as at December 31, 2021 to USD79.4 million as at May 31, 2022 owing to a decrease of our trade and other payables from approximately USD53.2 million to USD38.5 million, respectively for the corresponding periods.

As at September 30, 2022, we recorded net current assets of approximately USD6.9 million compared to our net current liabilities of approximately USD3.6 million as at May 31, 2022. 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.

### **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 did not have any unutilized committed bank facilities.

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], 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.



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### 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 May 31,	As at September 30,
	2019	2020	2021	2022	2022
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
					(Unaudited)
<b>Non-current portion of long-term borrowings</b>					
— Secured	47,932	37,428	27,289	66,142	63,358
— Unsecured	—	291	261	234	209
<b>Subtotal:</b>	<b><u>47,932</u></b>	<b><u>37,719</u></b>	<b><u>27,476</u></b>	<b><u>66,376</u></b>	<b><u>63,567</u></b>
<b>Current portion of long term borrowings</b>					
— Secured	10,830	12,289	5,295	9,841	9,458
— Unsecured	—	—	74	—	—
<b>Subtotal:</b>	<b><u>10,830</u></b>	<b><u>12,289</u></b>	<b><u>5,369</u></b>	<b><u>9,841</u></b>	<b><u>9,458</u></b>
<b>Lease liabilities</b>					
— Current	9,880	9,385	21,073	24,053	21,068
— Non-current	32,490	23,121	65,586	76,187	70,873
<b>Subtotal:</b>	<b><u>42,370</u></b>	<b><u>32,506</u></b>	<b><u>86,659</u></b>	<b><u>100,240</u></b>	<b><u>91,941</u></b>
<b>Total:</b>	<b><u>101,132</u></b>	<b><u>82,514</u></b>	<b><u>119,504</u></b>	<b><u>176,457</u></b>	<b><u>164,966</u></b>

### Borrowings

As at December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022, our total borrowings amounted to approximately USD58.8 million, USD50.0 million, USD32.8 million, USD76.2 million and USD73.0 million, respectively. Our total borrowings significantly increased from approximately USD32.8 million as at December 31, 2021 to approximately USD76.2 million as at May 31, 2022 mainly due to the finance leases we had entered into with respect to our controlled vessels SEACON ATHENS and SEACON FLORA in January 2022 of this year and the re-financing of our controlled vessel SEACON SHANGHAI in February 2022. Our total borrowings as at September 30, 2022 remained relatively stable at approximately USD73.0 million. As at December 31, 2019, 2020 and 2021 and May 31, 2022, our borrowings of approximately USD58.8 million, USD49.7 million, USD32.6 million

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and USD72.8 million, respectively were secured by vessels and properties such as buildings. For further details as to these secured borrowings, please refer to Note 23(a) to the Accountant’s Report in Appendix I to this document.

As at the Latest Practicable Date, eight 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 May 31, 2022, our lease liabilities were approximately USD42.4 million, USD32.5 million, USD86.7 million and USD100.2 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.

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### 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 May 31, 2022, our capital commitments amounted to approximately USD57.0 million, USD107.1 million, USD216.4 million and USD159.2 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 May 31, 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 May 31, 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 May 31/ Five months ended May 31, 2022
	2019	2020	2021	
Return on equity <sup>(1)</sup>	206.1%	8.5%	65.4%	37.8%
Return on total assets <sup>(2)</sup>	5.0%	0.3%	14.6%	10.4%
Current ratio <sup>(3)</sup>	0.4	0.6	0.8	1.0
Quick ratio <sup>(4)</sup>	0.3	0.5	0.7	0.8
Net debt to equity ratio <sup>(5)</sup>	2,638.7%	1,475.7%	183.8%	185.9%

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*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 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 37.8% for the five months ended May 31, 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 decreased from approximately 14.6% for the year ended December 31, 2021 to approximately 10.4% for the five months ended

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## FINANCIAL INFORMATION

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May 31, 2022, which was mainly due to the increase in our total assets for the five months ended May 31, 2022 owing to the purchase of SEACON FUZHOU and SEACON ATHENS in January 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 1.0 as at May 31, 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 0.8 as at May 31, 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 remained stable at approximately 185.9% as at May 31, 2022.

## FINANCIAL INFORMATION

### 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 will be fully settled on or before the [REDACTED]. 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 May 31, 2022, respectively.

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>
<b>Trade receivables</b>				
— Joint ventures and associates	74	121	102	378
— Guo’s Controlled Companies	—	923	51	73
	<b>74</b>	<b>1,044</b>	<b>153</b>	<b>451</b>
<b>Other receivables</b>				
<i>Amounts due from:</i>				
— Joint ventures and associates	868	1,218	259	2,240
— Guo’s Controlled Companies	3,707	3,178	3,364	104
— Other related parties	943	752	—	—
<i>Deposits to:</i>				
— Guo’s Controlled Companies	—	11	50	—
	<b>5,518</b>	<b>5,159</b>	<b>3,673</b>	<b>2,344</b>

We recorded amounts due from joint ventures and associates in the amount of USD2.2 million as May 31, 2022 as we had contributed a sum of approximately USD2.2 million (being our proportional share of the outstanding amount under the finance lease in accordance with our 35% shareholding interest in Hongkong Xinyihai) for the early termination of the finance lease arrangement. Hongkong Xinyihai has fully repaid the USD2.2 million to us in August 2022 with the proceeds from the sale of XINYIHAI 55.

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 May 31, 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

## FINANCIAL INFORMATION

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 will be fully settled on or before the [REDACTED].

	As at December 31,			As at
	2019	2020	2021	May 31,
	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>	2022
				<i>USD’000</i>
<b>Trade payables</b>				
— Joint ventures and associates	—	—	367	—
— Guo’s Controlled Companies	<u>1,295</u>	<u>4,511</u>	<u>3,770</u>	<u>3,078</u>
	<b><u>1,295</u></b>	<b><u>4,511</u></b>	<b><u>4,137</u></b>	<b><u>3,078</u></b>
<b>Other payables</b>				
<i>Amounts due to:</i>				
— Joint ventures and associates	106	—	—	—
— Guo’s Controlled Companies	34,784	33,922	26,826	8,033
— Other related parties	81	24	24	—
<i>Deposits from:</i>				
— Joint ventures and associates	8	3	21	27
— Guo’s Controlled Companies	<u>—</u>	<u>57</u>	<u>133</u>	<u>129</u>
	<b><u>34,979</u></b>	<b><u>34,006</u></b>	<b><u>27,004</u></b>	<b><u>8,189</u></b>

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 May 31, 2022, respectively. The guarantees provided by us for related parties are non-trade in nature and had already been fully settled as at May 31, 2022.

	As at December 31,			As at
	2019	2020	2021	May 31,
	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>	2022
				<i>USD’000</i>
Joint ventures and associates	8,800	8,000	—	—
Directors	674	729	—	—
Guo’s Controlled Companies	<u>1,116</u>	<u>1,777</u>	<u>596</u>	<u>—</u>
	<b><u>10,590</u></b>	<b><u>10,506</u></b>	<b><u>596</u></b>	<b><u>—</u></b>

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## FINANCIAL INFORMATION

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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 May 31, 2022, respectively. The balance of the borrowings and lease liabilities guaranteed by our related parties will be fully settled before the [REDACTED].

	As at December 31,			As at
	2019	2020	2021	May 31,
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>2022</i>
Borrowings	39,942	31,886	23,871	4,997
Lease liabilities	<u>—</u>	<u>—</u>	<u>77,015</u>	<u>87,795</u>
	<u>39,942</u>	<u>31,886</u>	<u>100,886</u>	<u>92,792</u>

Our non-trade balances and guarantees with our related parties will be settled/released before the [REDACTED]. For further details of our related party transactions, see Note 30 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 30 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.



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## FINANCIAL INFORMATION

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### 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 May 31, 2022 (being the date to which our Company’s latest consolidated audited financial results were prepared), and there has been no events since May 31, 2022 which would materially affect the information shown in the Accountant’s Report.

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## FINANCIAL INFORMATION

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### **[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] 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 USD2.9 million (HK\$23.0 million) of [REDACTED] expenses during the Track Record Period, among which approximately USD2.3 million (HK\$18.2 million) was recorded as expenses and approximately USD0.6 million (HK\$4.8 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 II to this document for details.

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## FUTURE PLANS AND [REDACTED]

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### FUTURE PLANS

See the section headed “Business — Our business strategies and future plans” for a detailed description of our future plans.

#### [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming the [REDACTED] being not exercised and an [REDACTED] of HK\$[REDACTED] per Share, which is the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will be approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]). If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the [REDACTED] from the [REDACTED] will be approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]).

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] range, we currently intend to apply these [REDACTED] for the following purposes:

1. approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) is expected be used to expand and optimize our vessel fleet, among which:
  - approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) will be allocated to expand and optimize our controlled vessels fleet. Depending on the availability and suitability of financing channels available to us and market factors such as market charter hire rates and the cost of newbuilding of vessels, we intend to allocate (i) approximately [REDACTED]% of the [REDACTED] under this particular plan to purchase suitable second-hand vessels and charter additional vessels; and (ii) the remaining [REDACTED]% of the [REDACTED] towards settling part of the construction costs of our six new vessels currently under construction. Our six vessels under construction are expected to have a combined weight carrying capacity of approximately [488,600] dwt with an estimated

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**FUTURE PLANS AND [REDACTED]**

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completion dates ranging from 2023 to 2024. Set out below is the estimated total construction costs of our vessels under construction and the portion settled by us as at June 30, 2022:

Vessel	Portion already settled by us (USD'000)	Estimated outstanding construction costs (USD'000)	Total estimated construction costs (USD'000)
Vessel No. 1	1,282.5	[24,367.5]	[25,650.0]
Vessel No. 2	1,282.5	[24,367.5]	[25,650.0]
Vessel No. 3	1,282.5	[24,367.5]	[25,650.0]
Vessel No. 4	1,282.5	[24,367.5]	[25,650.0]
Vessel No. 5	6,720.0	[26,880.0]	[33,600.0]
Vessel No. 6	<u>7,023.1</u>	<u>[28,092.4]</u>	<u>[35,115.5]</u>
<b>Total:</b>	<b><u>18,873.1</u></b>	<b><u>[152,442.4]</u></b>	<b><u>[171,315.5]</u></b>

Our expected implementation plan with respect to settling the estimated construction costs of our six vessels under construction is as follows:

	[REDACTED] up to December 31, 2022 (USD'000)	Year ended December 31, 2023 (USD'000)	Year ended December 31, 2024 (USD'000)	Year ended December 31, 2025 (USD'000)	Total (USD'000)
Vessel No. 1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel No. 2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel No. 3	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel No. 4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel No. 5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel No. 6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Given that the [REDACTED] allocated to this particular plan does not fully cover the total estimated construction costs of the six vessels under construction, we intend to utilize other financing channels available to us such as bank loans, finance lease arrangements as well as the income from our business operations to finance the remaining portion of the construction costs not covered by the [REDACTED].

**FUTURE PLANS AND [REDACTED]**

With respect to the [REDACTED]% intended to be put towards the purchase of second-hand vessels and/or chartering additional vessels through bareboat charters under the [REDACTED]% allocated to expand and optimize our controlled vessels fleet, we intend to retain a certain degree of flexibility in either putting this [REDACTED]% towards settling the purchase costs of our six vessels under construction depending on the attractiveness of market rates for second-hand vessels and bareboat charters as at the material time. Given that the market rates for second-hand vessels and bareboat charters are largely influenced by market fluctuations which are inherently unpredictable and subject to macroeconomic conditions, our Directors are of the view that a set timeframe for utilization of this [REDACTED]% is impracticable; and

- approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) will be used to increase the scale of our chartered-in vessel fleet by entering into 20 to 25 chartered-in engagements predominantly through time charters. Similar to the [REDACTED] intended to be put towards the purchase of second-hand vessels and/or chartering additional vessels through bareboat charters, the market rates for the chartering of vessels are largely governed by market fluctuations, meaning it is difficult to devise a specific timeframe and implementation plan. However, in view of the importance of having adequate shipping capacity in the maritime shipping services industry, the Directors are of the view that the [REDACTED]% allocated to this particular plan should be utilized as soon as practicable, in any event no later than the latter half of 2023, in order to build up the necessary critical size of our total available shipping capacity. Our implementation plan in this regard is set out below:

	[REDACTED] up to December 31, 2022 <i>(USD'000)</i>	Year ended December 31, 2023 <i>(USD'000)</i>	Total <i>(USD'000)</i>
Chartering in vessels under time charter	[REDACTED]	[REDACTED]	[REDACTED]

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**FUTURE PLANS AND [REDACTED]**

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2. approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) is expected to be allocated to (i) reinforcing our ship management capabilities by setting up new offices in strategic locations such as Shanghai, Greece, Philippines and Japan by renting office premises, and (ii) expanding our current ship management operations in Qingdao, Ningbo and Fuzhou. Our expected implementation plan in respect of our ship management services business is as follows:

	[REDACTED] up to December 31, 2022 (USD'000)	Year ended December 31, 2023 (USD'000)	Year ended December 31, 2024 (USD'000)	Year ended December 31, 2025 (USD'000)	Total (USD'000)
(1) Setting up new ship management offices					
— Philippines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Japan	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Greece	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Shanghai	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal:	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
(2) Reinforcing existing ship management offices	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

As the scale of our ship management service offerings is largely predicated on the number of qualified ship management staff with experience in the high technical field of ship management, a significant portion of the [REDACTED] allocated to expanding our ship management business is expected to be put towards the recruitment and retention of such qualified staff. For our new ship management offices which we intend to set up around 2023, we expect a portion of the [REDACTED] to be allocated towards rental expenses and one-off refurbishment fees on top of recruiting qualified staff.

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**FUTURE PLANS AND [REDACTED]**

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3. approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) will be used to adopt digital technologies and implement advanced information technology in our business operations such as (i) the adoption of new operational management systems which utilizes big data to improve our customer relationship management, and (ii) introducing new and upgrading existing IT systems such as training software and shift management software for our crew members to ensure compliance with regulatory requirements. We also intend to recruit additional staff members to support in the implementation and roll-out of such digitalization initiatives. Our expected implementation plan in respect of our digitalization initiatives is as follows:

	[REDACTED] up to December 31, 2022 (USD'000)	Year ended December 31, 2023 (USD'000)	Year ended December 31, 2024 (USD'000)	Year ended December 31, 2025 (USD'000)	Total (USD'000)
(1) Adoption of new digital technologies and systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(2) Upgrading and optimizing existing digital software and systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(3) Recruitment of IT support personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

To ensure that our business operations are in line with the burgeoning trend towards digitalization in the maritime shipping industry, we will devote our [REDACTED] to the adoption of new technologies and to upgrade our existing digital systems. We intend to continue to cooperate and utilize third party software providers to develop and upgrade our informational technology systems. Examples of new digital technologies and systems include new operational management systems for both our ship management and shipping services business segments such as a customer relationship management system and a big data platform to comprehensively analyse data garnered from our integrated services. Examples of upgrades to our existing software include upgrades to the LMS Online Crew Training System, our internal administrative and financial software as well as upgrades to our cloud storage and servers. We intend to implement such upgrades shortly after the [REDACTED], with the bulk of such upgrades to be conducted in or around 2024. We also intend to hire around five to eight IT support staff in total during 2023 to 2024 to oversee the implementation process of our new software and upgrades. Please see “Business — Our business strategies” for further details as to our planned digitalization initiatives. We intend to adopt and integrate such new platforms and software shortly after the [REDACTED] with major implementation to take place in or around 2023 and 2024.

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## FUTURE PLANS AND [REDACTED]

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4. approximately [REDACTED]% or approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]) will be allocated for our general working capital and other general corporate purpose to support our business operations.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED] (equivalent to approximately USD[REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

The possible use of the [REDACTED] of the [REDACTED] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material re-allocation or modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report in accordance with the Listing Rules.

To the extent that the [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in bank deposits at authorized financial institutions and/or licensed banks. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.



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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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**APPENDIX I****ACCOUNTANT’S REPORT**

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*The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

**[Letterhead of PricewaterhouseCoopers]**

**[Draft]**

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SEACON SHIPPING GROUP HOLDINGS LIMITED AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Seacon Shipping Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[4] to I-[89], which comprises the consolidated balance sheets as at 31 December 2019, 2020, 2021 and 31 May 2022, the company balance sheets as at 31 December 2021 and 31 May 2022, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[4] to I-[89] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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**APPENDIX I****ACCOUNTANT’S REPORT**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 December 2021 and 31 May 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020, 2021 and 31 May 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial

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**APPENDIX I****ACCOUNTANT’S REPORT**

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Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

*Dividends*

We refer to Note [26] to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong  
[Date]



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**APPENDIX I****ACCOUNTANT’S REPORT**

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**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

The Historical Financial Information is presented in United States dollar (“US\$”) and all values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

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## APPENDIX I

## ACCOUNTANT’S REPORT

### Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Five months ended 31 May	
		2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Revenue	5	135,607	178,929	372,738	125,767	178,952
Cost of sales	7	(119,553)	(166,202)	(315,088)	(111,207)	(147,037)
<b>Gross profit</b>		<u>16,054</u>	<u>12,727</u>	<u>57,650</u>	<u>14,560</u>	<u>31,915</u>
Selling, general and administrative expenses	7	(4,484)	(5,708)	(17,215)	(2,738)	(4,958)
Net impairment reversal/ (losses) on financial assets		106	(120)	205	(55)	(91)
Other income		47	161	51	19	15
Other (losses)/gains, net	6	(278)	(1,514)	(369)	(339)	5,088
<b>Operating profit</b>		<u>11,445</u>	<u>5,546</u>	<u>40,322</u>	<u>11,447</u>	<u>31,969</u>
Finance income	9	2	3	1	—*	—*
Finance costs	9	(2,777)	(3,913)	(3,451)	(1,277)	(2,389)
Finance costs, net	9	(2,775)	(3,910)	(3,450)	(1,277)	(2,389)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	14	<u>253</u>	<u>(242)</u>	<u>4,314</u>	<u>572</u>	<u>4,566</u>
<b>Profit before income tax</b>		<u>8,923</u>	<u>1,394</u>	<u>41,186</u>	<u>10,742</u>	<u>34,146</u>
Income tax expenses	10	(489)	(670)	(1,181)	(297)	(1,256)
<b>Profit for the year/period</b>		<u><u>8,434</u></u>	<u><u>724</u></u>	<u><u>40,005</u></u>	<u><u>10,445</u></u>	<u><u>32,890</u></u>
<b>Profit attributable to:</b>						
— Shareholders of the Company		7,747	451	33,617	7,726	31,840
— Non-controlling interests		<u>687</u>	<u>273</u>	<u>6,388</u>	<u>2,719</u>	<u>1,050</u>
		<u><u>8,434</u></u>	<u><u>724</u></u>	<u><u>40,005</u></u>	<u><u>10,445</u></u>	<u><u>32,890</u></u>

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

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Consolidated Statements of Comprehensive Income (Continued)**

	<i>Note</i>	Year ended 31 December			Five months ended 31 May	
		2019 <i>US\$'000</i>	2020 <i>US\$'000</i>	2021 <i>US\$'000</i>	2021 <i>US\$'000</i> unaudited	2022 <i>US\$'000</i>
<b>Other comprehensive income:</b>						
<i>Items that may be reclassified to profit or loss</i>						
— Exchange differences on translation of foreign operations		4	14	5	5	(43)
<b>Other comprehensive income for the year/period, net of tax</b>		<u>4</u>	<u>14</u>	<u>5</u>	<u>5</u>	<u>(43)</u>
<b>Total comprehensive income for the year/period</b>		<u>8,438</u>	<u>738</u>	<u>40,010</u>	<u>10,450</u>	<u>32,847</u>
<b>Total comprehensive income attributable to:</b>						
— Shareholders of the Company		7,751	465	33,622	7,731	31,797
— Non-controlling interests		687	273	6,388	2,719	1,050
		<u>8,438</u>	<u>738</u>	<u>40,010</u>	<u>10,450</u>	<u>32,847</u>
<b>Earnings per share attributable to shareholders of the Company for the year/period</b>						
Basic earnings per share	11	0.77	0.05	3.36	0.77	3.18
Diluted earnings per share	11	0.77	0.05	3.36	0.77	3.18

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Consolidated Balance Sheets**

		As at 31 December			As at
		2019	2020	2021	31 May
	Note	US\$’000	US\$’000	US\$’000	2022
					US\$’000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	57,405	47,708	54,848	91,837
Right-of-use assets	13	47,464	33,383	91,932	106,186
Intangible assets		16	60	114	102
Interests in associates and joint ventures	14	346	104	5,233	9,799
Deferred tax assets		51	24	71	67
Financial assets at fair value through profit or loss	15	1,997	2,365	—	—
Other non-current assets	16	20,067	17,466	13,575	22,493
		<u>127,346</u>	<u>101,110</u>	<u>165,773</u>	<u>230,484</u>
<b>Current assets</b>					
Financial assets at fair value through profit or loss	15	—	—	3,285	1,662
Inventories	17	4,895	5,702	4,651	13,049
Prepayment and other current assets	18	694	2,952	6,134	4,956
Trade and other receivables	19	18,145	26,963	25,542	36,402
Current portion of other non-current assets	16	3,258	3,903	—	—
Restricted bank deposits	20	—	72	31	64
Cash and cash equivalents	20	1,943	4,420	25,030	19,680
Assets classified as held for sale	21	—	7,318	—	—
		<u>28,935</u>	<u>51,330</u>	<u>64,673</u>	<u>75,813</u>
<b>Total assets</b>		<u>156,281</u>	<u>152,440</u>	<u>230,446</u>	<u>306,297</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Consolidated Balance Sheets (Continued)**

		As at 31 December			As at
		2019	2020	2021	31 May
	Note	US\$’000	US\$’000	US\$’000	2022
					US\$’000
<b>Equity</b>					
Share capital	1.2(i)	—	—	—	—*
Treasury stock	1.2(i)	—	—	—	—*
Combined capital		785	785	785	—
Reserves	22	(1,163)	(500)	8,839	9,667
Retained earnings		<u>3,645</u>	<u>4,096</u>	<u>37,696</u>	<u>69,536</u>
Equity attributable to shareholders of the Company		3,267	4,381	47,320	79,203
Non-controlling interests		<u>492</u>	<u>911</u>	<u>4,087</u>	<u>5,137</u>
<b>Total equity</b>		<u>3,759</u>	<u>5,292</u>	<u>51,407</u>	<u>84,340</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	23	47,932	37,719	27,476	66,376
Lease liabilities	13	<u>32,490</u>	<u>23,121</u>	<u>65,586</u>	<u>76,187</u>
		<u>80,422</u>	<u>60,840</u>	<u>93,062</u>	<u>142,563</u>
<b>Current liabilities</b>					
Advances and contract liabilities	24	1,616	4,551	4,448	5,217
Trade and other payables	25	49,680	59,346	53,247	38,520
Current tax liabilities		94	737	1,840	1,763
Borrowings	23	10,830	12,289	5,369	9,841
Lease liabilities	13	<u>9,880</u>	<u>9,385</u>	<u>21,073</u>	<u>24,053</u>
		<u>72,100</u>	<u>86,308</u>	<u>85,977</u>	<u>79,394</u>
<b>Total liabilities</b>		<u>152,522</u>	<u>147,148</u>	<u>179,039</u>	<u>221,957</u>
<b>Total equity and liabilities</b>		<u>156,281</u>	<u>152,440</u>	<u>230,446</u>	<u>306,297</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Balance Sheet of the Company**

	<i>Note</i>	<b>As at 31 December 2021 US\$'000</b>	<b>As at 31 May 2022 US\$'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	22	<u>—</u>	<u>65,144</u>
<b>Current assets</b>			
Cash and cash equivalents		—	48
Prepayment		385	610
Other receivables		<u>—*</u>	<u>138</u>
		<u>385</u>	<u>796</u>
<b>Total assets</b>		<u><u>385</u></u>	<u><u>65,940</u></u>
<b>Equity</b>			
Share capital	1.2(i)	—*	—*
Treasury stock	1.2(i)	—	—*
Reserves	22	5,635	70,779
Accumulated losses		<u>(7,015)</u>	<u>(7,884)</u>
<b>Total equity</b>		<u>(1,380)</u>	<u>62,895</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables		<u>1,765</u>	<u>3,045</u>
<b>Total equity and liabilities</b>		<u><u>385</u></u>	<u><u>65,940</u></u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Consolidated Statements of Changes in Equity**

	Note	Attributable to shareholders of the Company				Non-controlling interests	Total equity
		Combined capital	Reserves	(Accumulated deficits)/ retained earnings	Sub-total		
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2019</b>		785	(1,167)	(4,102)	(4,484)	(155)	(4,639)
<b>Comprehensive income</b>							
Profit for the year		—	—	7,747	7,747	687	8,434
Other comprehensive income	22	—	4	—	4	—	4
<b>Total comprehensive income</b>		—	4	7,747	7,751	687	8,438
<b>Transactions with shareholders in their capacity as shareholders</b>							
Dividends declared to non-controlling interests in subsidiaries	26	—	—	—	—	(40)	(40)
		—	—	—	—	(40)	(40)
<b>Balance at 31 December 2019</b>		<u>785</u>	<u>(1,163)</u>	<u>3,645</u>	<u>3,267</u>	<u>492</u>	<u>3,759</u>
<b>Balance at 1 January 2020</b>		785	(1,163)	3,645	3,267	492	3,759
<b>Comprehensive income</b>							
Profit for the year		—	—	451	451	273	724
Other comprehensive income	22	—	14	—	14	—	14
<b>Total comprehensive income</b>		—	14	451	465	273	738
<b>Transactions with shareholders in their capacity as shareholders</b>							
Dividends declared to non-controlling interests in subsidiaries	26	—	—	—	—	(120)	(120)
Deemed contribution	22	—	915	—	915	—	915
Transaction with non-controlling interests	22	—	(266)	—	(266)	266	—
		—	649	—	649	146	795
<b>Balance at 31 December 2020</b>		<u>785</u>	<u>(500)</u>	<u>4,096</u>	<u>4,381</u>	<u>911</u>	<u>5,292</u>

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## ACCOUNTANT’S REPORT

	Note	Attributable to shareholders of the Company				Non-controlling interests US\$'000	Total equity US\$'000
		Combined capital US\$'000	Reserves US\$'000	Retained earnings US\$'000	Sub-total US\$'000		
<b>Balance at 1 January 2021</b>		785	(500)	4,096	4,381	911	5,292
<b>Comprehensive income</b>							
Profit for the year		—	—	33,617	33,617	6,388	40,005
Other comprehensive income	22	—	5	—	5	—	5
<b>Total comprehensive income</b>		—	5	33,617	33,622	6,388	40,010
<b>Transactions with shareholders in their capacity as shareholders</b>							
Profit appropriation to statutory reserves	22	—	17	(17)	—	—	—
Dividends declared to non-controlling interests in subsidiaries	26	—	—	—	—	(3,200)	(3,200)
Deemed contribution	22	—	3,670	—	3,670	—	3,670
Transaction with non-controlling interests	22	—	12	—	12	(12)	—
Employee share schemes — value of employee services	22	—	5,635	—	5,635	—	5,635
		—	9,334	(17)	9,317	(3,212)	6,105
<b>Balance at 31 December 2021</b>		<b>785</b>	<b>8,839</b>	<b>37,696</b>	<b>47,320</b>	<b>4,087</b>	<b>51,407</b>
<b>(Unaudited)</b>							
<b>Balance at 1 January 2021</b>		785	(500)	4,096	4,381	911	5,292
<b>Comprehensive income</b>							
Profit for the period		—	—	7,726	7,726	2,719	10,445
Other comprehensive income	22	—	5	—	5	—	5
<b>Total comprehensive income</b>		—	5	7,726	7,731	2,719	10,450
<b>Balance at 31 May 2021</b>		<b>785</b>	<b>(495)</b>	<b>11,822</b>	<b>12,112</b>	<b>3,630</b>	<b>15,742</b>



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Note	Attributable to shareholders of the Company					Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Combined capital US\$'000	Reserves US\$'000	Retained earnings US\$'000	Sub-total US\$'000		
<b>Balance at 1 January 2022</b>	—	785	8,839	37,696	47,320	4,087	51,407
<b>Comprehensive income</b>							
Profit for the period	—	—	—	31,840	31,840	1,050	32,890
Other comprehensive income	22	—	(43)	—	(43)	—	(43)
<b>Total comprehensive income</b>		—	(43)	31,840	31,797	1,050	32,847
<b>Transactions with shareholders in their capacity as shareholders</b>							
Merger reserves arising from the re-organisation		—*	(785)	(53)	(838)	—	(838)
Capital injection		—	—	10	10	—	10
Debt waive from shareholders of the Company	22	—	—	914	914	—	914
		—*	(785)	871	86	—	86
<b>Balance at 31 May 2022</b>		—*	—	9,667	69,536	5,137	84,340

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**ACCOUNTANT’S REPORT**

**Consolidated Statements of Cash Flows**

	<i>Note</i>	Year ended 31 December			Five months ended 31 May	
		2019 <i>US\$’000</i>	2020 <i>US\$’000</i>	2021 <i>US\$’000</i>	2021 <i>US\$’000</i> unaudited	2022 <i>US\$’000</i>
<b>Cash flows from operating activities</b>						
Cash generated from operations	27(a)	9,557	24,470	88,271	17,718	28,255
Interest received		2	3	1	—*	—*
Income tax paid		—	—	(125)	(19)	(1,329)
<b>Net cash from operating activities</b>		<u>9,559</u>	<u>24,473</u>	<u>88,147</u>	<u>17,699</u>	<u>26,926</u>
<b>Cash flows from investing activities</b>						
Repayments from third parties		5,836	1,083	5,061	1,349	—
Repayments from related parties		18,295	20,295	4,560	1,054	5,712
Proceeds from disposal of property, plant and equipment	27(b)	5,854	—	7,346	7,318	15,980
Dividends from joint ventures and associates		—	—	1,485	—	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	—	180	—	—
Payments for property, plant and equipment and other non-current assets		(16,042)	(3,525)	(19,672)	(13,071)	(17,437)
Cash paid for financial assets at fair value through profit or loss		(2,000)	—	(176)	(176)	—
Advances to third parties		(1,800)	—	—	—	—
Advances to related parties		(9,643)	(15,826)	(4,788)	(1,682)	(6,729)
<b>Net cash from/(used for) investing activities</b>		<u>500</u>	<u>2,027</u>	<u>(6,004)</u>	<u>(5,208)</u>	<u>(2,474)</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**Consolidated Statements of Cash Flows (Continued)**

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
<b>Cash flows from financing activities</b>					
Capital injection received	—	—	—	—	10
Proceeds from borrowings	12,557	2,701	16,476	9,514	6,992
Deemed contribution/distribution	—	915	(1,237)	—	(837)
Advances from third parties	—	956	867	754	—
Advances from related parties	23,365	12,669	3,755	3,608	8,705
Repayments to third parties	—	(441)	(154)	(869)	—
Repayments to related parties	(18,696)	(17,659)	(31,242)	(9,747)	(26,269)
Repayments of borrowings	(12,045)	(9,205)	(20,420)	(6,134)	(5,486)
Dividends paid to non-controlling interests in subsidiaries	(40)	(120)	(3,200)	—	—
Repayments of principal and interest of lease liabilities	(13,340)	(11,582)	(22,459)	(6,229)	(10,483)
Payments of deposits for right-of-use assets	—	—	(1,140)	—	—
Interests paid of borrowings	(1,650)	(2,249)	(1,934)	(696)	(938)
Payments for [REDACTED] fees	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Net cash used for financing activities</b>	<u>(9,849)</u>	<u>(24,015)</u>	<u>(61,515)</u>	<u>(9,799)</u>	<u>(29,764)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>210</u>	<u>2,485</u>	<u>20,628</u>	<u>2,692</u>	<u>(5,312)</u>
Cash and cash equivalents at the beginning of year/period	1,741	1,943	4,420	4,420	25,030
Effects of exchange rate changes on cash and cash equivalents	<u>(8)</u>	<u>(8)</u>	<u>(18)</u>	<u>(23)</u>	<u>(38)</u>
<b>Cash and cash equivalents at end of the year/period</b>	<u><u>1,943</u></u>	<u><u>4,420</u></u>	<u><u>25,030</u></u>	<u><u>7,089</u></u>	<u><u>19,680</u></u>

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## ACCOUNTANT’S REPORT

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### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

##### 1.1 General information

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

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

##### 1.2 Reorganisation

Prior to the incorporation of the Company and a reorganisation (the “Reorganisation”) in preparation for the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited as described below, the [REDACTED] Businesses were operated by a series of companies incorporated in Singapore, Hong Kong, Republic of the Marshall Islands, Liberia and the People’s Republic of China (the “PRC”) etc., which were all ultimately owned by Mr. Guo.

Prior to the Reorganisation, there were also certain subsidiaries engaged in other businesses not relating to the [REDACTED] Businesses (the “Non-[REDACTED] Businesses”), including crew manning services, supply services, agent services, as well as shipping services for both of domestic and foreign trade by the five-star flag vessels. The [REDACTED] Businesses and the Non-[REDACTED] Businesses are operated autonomously and managed by different management teams. The Reorganisation mainly involved the followings:

##### *(i) Incorporation of the Company*

On 22 October 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised capital of Hong Kong Dollar (“HK\$”) 380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. After initial and subsequent allotment and issuance, Mr. Guo owned 8,000 shares through Jin Chun Holding Ltd. (“Jin Chun Holding”, wholly owned by Mr. Guo), and Mr. Chen Zekai (“Mr. Chen”) owned 2,000 shares through CZK Holding Ltd. (“CZK Holding”, wholly owned by Mr. Chen), representing 80% and 20% of the issued share capital of the Company, respectively. Jin Chun Holding and CZK Holding were incorporated in British Virgin Islands (“BVI”) on 19 October 2021. As at 31 May 2022, the paid-up share capital of the Company is HK\$100, which is equivalent to US\$13.

Jin Chun Holding then transferred 66% of shareholding interests in the Company to Jin Qiu Holding Ltd. (“Jin Qiu Holding”) which is ultimately controlled by Mr. Guo; 2% of shareholding interests to Ruigao Holding Ltd. (“Ruigao Holding”) held by Mr. Zhao Yong (“Mr. Zhao”), the General Manager of shipping management business, and 1% to Passion Wealth Ltd. (“Passion Wealth”) held by Mr. He Gang (“Mr. He”), the Chief Financial Officer. All above transactions were without any consideration and any service restriction and were completed in 2021. CZK Holding then transferred 19% of shareholding interests in the Company to Kaimei Holding Ltd. (“Kaimei Holding”) which is ultimately controlled by Mr. Chen in 2021.

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## ACCOUNTANT’S REPORT

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After above shares issuance and transfer and at 31 December 2021, Jin Chun Holding (owned by Mr. Guo), Jin Qiu Holding (owned by Mr. Guo), CZK Holding (owned by Mr. Chen), Kaimei Holding (owned by Mr. Chen), Ruigao Holding (owned by Mr. Zhao) and Passion Wealth (owned by Mr. He) held 11%, 66%, 1%, 19%, 2% and 1% of shareholding interests in the Company respectively.

On 22 February 2022, the Company, as the settlor, established the Share Award Trust (being a discretionary trust) with Tricor Trust (Hong Kong) Limited, acting as the trustee, for incentivizing and rewarding selected grantees under the Share Award Plan. The beneficiaries of the Share Award Trust are selected grantees under the Share Award Plan.

Subsequently, Jin Chun Holding transferred 8% of shareholding interests of the Company to Jovial Alliance Limited (“Jovial Alliance”) with Tricor Trust (Hong Kong) Limited as trustee for future post-[REDACTED] (“post-[REDACTED]”) employee share scheme purpose on 22 February 2022, which was accounted for as treasury stock (amounted to US\$1). After above shares issuance and transfer and at 31 May 2022, Jin Chun Holding (owned by Mr. Guo), Jin Qiu Holding (owned by Mr. Guo), CZK Holding (owned by Mr. Chen), Kaimei Holding (owned by Mr. Chen), Ruigao Holding (owned by Mr. Zhao), Passion Wealth (owned by Mr. He) and Jovial Alliance held 3%, 66%, 1%, 19%, 2%, 1% and 8% of shareholding interests in the Company respectively.

**(ii) Incorporation of Seacon Ships Management Group (BVI) Ltd., (“Seacon Ships Group (BVI)”) and Seacon Marine Ltd., (“Seacon Marine (BVI)”)**

On 27 October 2021, Seacon Ships Group (BVI) and Seacon Marine (BVI) were incorporated in the BVI, which were authorised to issue up to a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the date of incorporation, Seacon Ships Group (BVI) and Seacon Marine (BVI) allotted and issued one ordinary share respectively, credited as fully paid at par, to the Company, representing the only issued share of Seacon Ships Group (BVI) and Seacon Marine (BVI). As a result, Seacon Ships Group (BVI) and Seacon Marine (BVI) have become directly wholly-owned subsidiaries of the Company.

**(iii) Incorporation of Seacon Ships Management Group (HK) Limited (“Seacon Ships Group (HK)”)**

On 8 November 2021, Seacon Ships Group (HK) was incorporated in Hong Kong as a limited liability company. On the date of incorporation, Seacon Ships Group (HK) allotted and issued 10,000 shares to Seacon Ships Group (BVI), representing the entire issued share capital of Seacon Ships Group (HK). As a result, Seacon Ships Group (HK) has become a directly wholly-owned subsidiary of Seacon Ships Group (BVI) and an indirectly wholly-owned subsidiary of the Company.

**(iv) Establishment of Seacon Ships Technology Co., Limited (Shanghai) (“Seacon Ships Shanghai”, WFOE)**

On 21 December 2021, Seacon Ships Shanghai was established as a wholly foreign-owned enterprise in the PRC with an initial registered capital of US\$2,000,000. Seacon Ships Shanghai is a directly wholly-owned subsidiary of Seacon Ships Management Pte. Ltd. (“Seacon Ships Management (SG)”, which is a wholly-owned subsidiary of Seacon Ships Group (HK)) engaged in ship management business and incorporated on 14 May 2019 in Singapore. Consequently, Seacon Ships Shanghai is an indirectly wholly-owned subsidiary of the Company.

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**ACCOUNTANT’S REPORT**

*(v) The transfer of [REDACTED] Businesses*

*The transfer of [REDACTED] Businesses outside of the PRC:*

In November and December 2021, the shareholding interests in certain subsidiaries and a joint venture that engage in the ship management business outside of the PRC were transferred to Seacon Ships Group (HK); the shareholding interests in certain subsidiaries and associates that engage in the shipping business outside of the PRC were transferred to Seacon Marine (BVI).

*The transfer of [REDACTED] Businesses in the PRC:*

Seacon Ships Management Co., Limited (Qingdao) (“Seacon Ships Qingdao”) and its subsidiaries were engaged in the ship management business in the PRC. Seacon Ships Qingdao was previously owned by Mr. Guo and Mr. Chen with the shareholding interests of 80% and 20%, respectively. Pursuant to the investment agreement dated 6 October 2021 entered into between Mr. Shi Yi (“Mr. Shi”) and Mr. Chen, Mr. Shi acquired 3% of shareholding interests in Seacon Ships Qingdao from Mr. Chen with a cash consideration of RMB108,000 which was fully paid off on 6 December 2021. It was treated as a transaction with non-controlling interests.

In February 2022, 97% of shareholding interests in Seacon Ships Qingdao were transferred to Seacon Ships Shanghai.

All the Non-[REDACTED] Businesses were retained and collectively called the “Seacon Group”.

Pursuant to the Reorganisation, the shareholding interests in Seacon Shipping Group Limited (“Seacon Shipping Group”) was not transferred to the Group, but retained in Seacon Group as it will not be engaged in the [REDACTED] Businesses in the future. However, as Seacon Shipping Group was engaged in the [REDACTED] Businesses in the years ended 31 December 2019, 2020 and 2021, thus the Historical Financial Information should include the assets, liabilities and results of Seacon Shipping Group up to 31 December 2021. Therefore, the net liabilities of Seacon Shipping Group was treated as deemed contribution of the shareholders on 31 December 2021. The assets and liabilities are listed as below:

	<b>As at 31 December 2021 US\$’000</b>
Trade and other receivables	27,215
— the 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)
— the Group and other related parties	(26,545)
— third parties	(3,291)
	<u>(1,370)</u>

Upon the completion of the Reorganisation on 28 February 2022, the Company became the holding company of subsidiaries now comprising the Group.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/establishment and operations*	Principal activities	Registered/Issued and paid-up capital	Effective interest held				As at the date of this report	Note
				31 December		31 May			
				2019	2020	2021	2022		
<b>Directly Held</b>									
Seacon Ships Group (BVI)	BVI, 27 October 2021	Investment holding	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Marine (BVI)	BVI, 27 October 2021	Investment holding	US\$50,000/-	N/A	N/A	100%	100%	100%	
<b>Indirectly Held</b>									
Seacon Ships Group (HK)	Hong Kong, 8 November 2021	Investment holding	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Seacon Ships Management (SG)	Singapore, 14 May 2019	Ship management	SG\$50,000/SG\$2	100%	100%	100%	100%	100%	(b)
Seacon Ships Management Co., Limited (“Seacon Ships Management (HK)”)	Hong Kong, 14 December 2012	Ship management	HK\$10,000/ HK\$10,000	100%	100%	100%	100%	100%	(b)
Seacon Marine Technical Pte. Ltd. (“Seacon Marine Technical”)	Singapore, 20 June 2020	Shipbuilding consultation	SG\$100,000/SG\$2	N/A	100%	100%	100%	100%	(b)
Seacon Tankers Shipmanage Pte. Ltd. (“Seacon Tankers”)	Singapore, 17 July 2019	Ship management	US\$10,000/ US\$10,000	N/A	100%	100%	100%	100%	(c)
Seacon Ships Management (Ningbo) Ltd. (“Seacon Ships Management (Ningbo)”)	Republic of the Marshall Islands, 12 May 2021	Ship management	US\$50,000/-	N/A	N/A	100%	100%	100%	
Ocean Fleet Shipmanage Limited (“Ocean Fleet Shipmanage”)	Hong Kong, 1 November 2021	Ship management	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Seacon Ships Shanghai	PRC, 21 December 2021	Investment holding	US\$2,000,000/-	N/A	N/A	100%	100%	100%	
Seacon Ships Qingdao	PRC, 12 April 2013	Ship management	RMB10,000,000/ RMB5,000,000	100%	100%	97%	97%	97%	(d)
Seacon Ships Management Co., Limited (Zhejiang) (“Seacon Ships Zhejiang”)	PRC, 27 June 2018	Ship management	RMB20,000,000/ RMB2,600,000	100%	100%	100%	100%	100%	(e)
Seacon Ships Management (Europe) SA (“Seacon Ships Management (Europe)”)	Republic of the Marshall Islands, 19 April 2022	Ship management	US\$100/—	N/A	N/A	N/A	51%	51%	(l)
Seacon Marine Technical Company Limited (Qingdao) (“Seacon Marine Technical (Qingdao)”)	PRC, 15 June 2020	Shipbuilding consultation	RMB1,000,000/-	N/A	100%	100%	100%	100%	
Seacon Ningbo Company Limited (“Seacon Ships Ningbo”)	PRC, 25 March 2021	Ship management	RMB5,000,000/-	N/A	N/A	100%	100%	100%	
Seacon Ships Management Co., Limited (Fujian) (“Seacon Ships Fujian”)	PRC, 3 November 2021	Ship management	RMB10,000,000/-	N/A	N/A	100%	100%	100%	
Seacon Marine Pte. Ltd. (“Seacon Marine (SG)”)	Singapore, 20 January 2020	Investment holding	SG\$100,000/-	N/A	100%	100%	100%	100%	(b)
Seacon Shipping Pte. Ltd. (“Seacon Shipping”)	Singapore, 29 January 2020	Vessel holding and chartering services	SG\$100,000/SG\$2	N/A	100%	100%	100%	100%	(b)
Golden Lotus Ltd (“Golden Lotus”)	Republic of the Marshall Islands, 24 November 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Golden Violet Ltd (rename from Estar Shipping Ltd) (“Golden Violet”)	Republic of the Marshall Islands, 3 November 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Rizhao Ltd (“Seacon Rizhao”)	Republic of the Marshall Islands, 3 February 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Jasper Shipping Ltd (rename from Sky Height Shipping Ltd) (“Jasper Shipping”)	Republic of the Marshall Islands, 19 February 2021	Vessel holding and chartering services	US\$50,000/US\$1	N/A	N/A	100%	100%	100%	
Seacon Ningbo Ltd (“Seacon Ningbo”)	Liberia, 5 June 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	100%	100%	100%	
Seacon Shanghai Ltd (“Seacon Shanghai”)	Liberia, 11 June 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	100%	100%	100%	
Seacon Brazil Ltd (“Seacon Brazil”)	Liberia, 18 April 2019	Vessel holding and chartering services	US\$500/US\$1	100%	100%	100%	100%	100%	
Seacon Star Shipping (Qingdao) Co., Limited (“Seacon Star Shipping (Qingdao)”)	PRC, 10 May 2022	Vessel holding and chartering services	US\$2,000,000/—	N/A	N/A	N/A	100%	100%	

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Company name	Place and date of incorporation/establishment and operations*	Principal activities	Registered/Issued and paid-up capital	Effective interest held				As at the date of this report	Note
				31 December		31 May			
				2019	2020	2021	2022		
Seacon Qingdao Ltd (“Seacon Qingdao”)	Republic of the Marshall Islands, 8 April 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	100%	100%	100%	
Seacon Singapore Ltd (“Seacon Singapore”)	Republic of the Marshall Islands, 8 April 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	100%	100%	100%	
Golden Bridge Ships Limited (“Golden Bridge”)	Hong Kong, 22 October 2018	Vessel holding and chartering services	HK\$10,000/ HK\$10,000	100%	100%	100%	100%	100%	(b), (f)
Golden River Ships Limited (“Golden River”)	Hong Kong, 22 October 2018	Vessel holding and chartering services	HK\$10,000/ HK\$10,000	100%	100%	100%	100%	100%	(b), (f)
Seacon Peru Ltd (“Seacon Peru”)	Republic of the Marshall Islands, 27 May 2019	Vessel holding and chartering services	US\$50,000/US\$1	100%	100%	100%	100%	100%	
Golden Orchid Ltd. (“Golden Orchid”)	Republic of the Marshall Islands, 6 April 2017	Vessel holding and chartering services	US\$50,000/ US\$50,000	100%	100%	100%	100%	100%	(g)
Seacon Africa Ltd (“Seacon Africa”)	Republic of the Marshall Islands, 31 March 2021	Vessel holding and chartering services	US\$50,000/US\$1	N/A	N/A	100%	100%	100%	
Golden Camellia Limited (“Golden Camellia”)	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Golden Dahlia Limited (“Golden Dahlia”)	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Golden Daisy Limited (“Golden Daisy”)	Hong Kong, 13 September 2021	Vessel holding and chartering services	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Golden Lavender Limited (“Golden Lavender”)	Hong Kong, 13 September 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Enterprise Pte. Ltd. (“Seacon Enterprise”)	Singapore, 19 April 2017	Chartering services	SG\$800,000/ SG\$800,000	60%	60%	60%	60%	60%	(b)
Seacon Shipping Japan Co., Ltd (“Seacon Shipping Japan”)	Japan, 25 October 2018	Vessel holding and chartering services	JPY98,000,000/ JPY98,000,000	100%	100%	100%	100%	100%	
Seacon Victory Ltd (“Seacon Victory”)	Republic of the Marshall Islands, 8 April 2015	Vessel holding and chartering services	US\$50,000/-	100%	100%	100%	100%	100%	
Seacon Kobe Ltd (“Seacon Kobe”)	Republic of the Marshall Islands, 20 January 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Osaka Ltd (“Seacon Osaka”)	Republic of the Marshall Islands, 20 January 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Manila Ltd (“Seacon Manila”)	Republic of the Marshall Islands, 23 February 2021	Vessel holding and chartering services	US\$50,000/-	N/A	N/A	100%	100%	100%	
Seacon Logistics Co., Ltd (“Seacon Logistics Japan”)	Japan, 25 May 2021	Chartering services	JPY20,000,000/-	N/A	N/A	100%	100%	100%	
Seacon Shipping (Qingdao) Co., Limited (“Seacon Shipping (Qingdao)”)	Hong Kong, 29 December 2021	Vessel holding and chartering services	HK\$10,000/-	N/A	N/A	100%	100%	100%	
Bao Feng Ltd (“Bao Feng”)	Republic of the Marshall Islands, 27 August 2018	Vessel holding and chartering services	US\$50,000/-	100%	100%	N/A	N/A	N/A	(h)
Bao Glory Ltd (“Bao Glory”)	Republic of the Marshall Islands, 27 August 2018	Vessel holding and chartering services	US\$50,000/-	100%	100%	N/A	N/A	N/A	(h)
Bao Grand Ltd (“Bao Grand”)	Republic of the Marshall Islands, 27 August 2018	Vessel holding and chartering services	US\$50,000/-	100%	100%	N/A	N/A	N/A	(h)
Star Wealth Ltd	Republic of the Marshall Islands, 23 August 2016	Vessel holding and chartering services	US\$50,000/-	52%	100%	100%	N/A	N/A	(i)
Seacon Shipping Group	Hong Kong, 1 February 2013	Vessel holding and chartering services	HK\$20,000,000/-	100%	100%	N/A	N/A	N/A	(b),(j)
Golden Tulip Ltd	Liberia, 7 April 2017	Vessel holding and chartering services	US\$50,000/-	100%	100%	N/A	N/A	N/A	(k)
Shin Sunny Ltd	Republic of the Marshall Islands, 6 January 2016	Vessel holding and chartering services	US\$500/-	100%	100%	N/A	N/A	N/A	(k)
Glory Hangzhou Ltd	Republic of the Marshall Islands, 12 March 2010	Vessel holding and chartering services	US\$50,000/-	100%	100%	N/A	N/A	N/A	(k)

Note:

\* The Group’s shipping business and ship management business are all operated worldwide.



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- (a) All companies comprising the Group have adopted 31 December as the financial year end.
- (b) The financial statements of Seacon Ships Management (SG) for the financial year ended 30 April 2021 was audited by CKS Assurance PAC.

The financial statements of Seacon Ships Management (HK) for the years ended 31 December 2019, 2020 and 2021 were audited by Richful CPA Limited.

The financial statements of Seacon Marine Technical for the period from 17 June 2020 (date of incorporation) to 31 May 2021 was audited by CKS Assurance PAC.

The financial statements of Seacon Marine (SG) and its subsidiaries for the period from 20 January 2020 (date of incorporation) to 31 December 2020 and the financial statements of Seacon Marine (SG) for the year ended 31 December 2021 were audited by CKS Assurance PAC.

The financial statements of Golden Bridge and Golden River for the years ended 31 December 2019 and 2020 were audited by BOFA CPA Limited and for the year ended 31 December 2021 was audited by Richful CPA Limited.

The financial statements of Seacon Enterprise for the year ended 31 December 2019 was audited by Moore Stephens LLP and for the years ended 31 December 2020 and 2021 were audited by CKS Assurance PAC.

The financial statements of Seacon Shipping Group for the years ended 31 December 2019, 2020 and 2021 were audited by Richful CPA Limited.

The financial statements of Seacon Shipping and its subsidiaries for the period from 29 January 2020 (date of incorporation) to 31 December 2020 and the financial statements of Seacon Shipping for the year ended 31 December 2021 were audited by CKS Assurance PAC.

The financial statements of the remaining companies for the years ended 31 December 2019, 2020 and 2021 were not audited as no statutory audits were required.

- (c) Seacon Tankers was incorporated in Singapore on 17 July 2019, and its 51% and 49% of shareholding interests were owned by Shun Yuen Group (Hong Kong) Limited and Seacon Ships Management (SG), respectively. On 7 January 2020, Shun Yuen Group (Hong Kong) Limited transferred 51% shareholding interest to the Group with consideration of US\$10,000. As Seacon Tankers were engaging in the [REDACTED] business, pursuant to the Reorganisation, it was treated as a wholly owned subsidiary of the Group after the transfer.
- (d) As mentioned above, the non-controlling interests in Seacon Ships Qingdao is Mr. Shi.
- (e) Seacon Ships Zhejiang was established in the PRC on 27 June 2018 and its 75% and 25% shareholding interests were owned by Seacon Ships Qingdao and one independent third party individual, respectively. On 8 April 2019, individual shareholder transferred 25% equity interests in Seacon Ships Zhejiang to Seacon Ships Qingdao with nil consideration as Seacon Ships Zhejiang has not commenced operation with no paid-up capital before the transfer. As Seacon Ships Zhejiang were engaging in the [REDACTED] business, pursuant to the Reorganisation, it was treated as a wholly owned subsidiary of the Group after the transfer.

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- (f) On 10 June 2019, Mississippi Fortune Hong Kong Company Limited transferred its 100% shareholding interests in Golden Bridge and Golden River to Seacon Shipping Group with consideration of HK\$10,000 and HK\$10,000 respectively. As Golden Bridge and Golden River were engaging in the [REDACTED] business, pursuant to the Reorganisation, they were treated as wholly owned subsidiaries of the Group after the transfer.
- (g) On 9 May 2019, an independent third party individual, Sea Harvest Investment Ltd. (an independent third party) and Mr. Chen transferred their 70%, 20% and 10% shareholding interests in Golden Orchid to Seacon Star Group Ltd (a related party of the Group and its 80% and 20% of shareholding interests owned by Mr. Guo and Mr. Chen, respectively) with consideration of US\$50,000. As Golden Orchid were engaging in the [REDACTED] business, pursuant to the Reorganisation, it was treated as a wholly owned subsidiary of the Group after the transfer.
- (h) Bao Feng, Bao Glory and Bao Grand were dissolved on 2 November 2021 since they had no business operation.
- (i) Star Wealth Ltd was incorporated in the Marshall Islands on 23 August 2016, and its 48% and 52% of shareholding interests were owned by one independent third party individual (“Individual A”) and Seacon Star Group Ltd respectively. On 30 June 2020, 48% shareholding interests was transferred to Seacon Star Group Ltd with consideration of US\$1 which is good and valuable consideration from the management’s perspective, and it is treated as a transaction with non-controlling interests. As Star Wealth Ltd was engaging in the [REDACTED] business, pursuant to the Reorganisation, it was treated as the wholly owned subsidiary of the Group after the transfer. It was dissolved on 6 January 2022.
- (j) As mentioned above, the shareholding interests in Seacon Shipping Group was not transferred to the Group, and the net liabilities was accounted for as a deemed contribution of the shareholders on 31 December 2021.
- (k) Those companies were dissolved in 2021.

The English names of the subsidiaries incorporated in the PRC and Japan referred to above in this note represent management’s best efforts in translating the Chinese names and the Japanese names of those companies as no English names have been registered or are available.

- (l) Seacon Ships Management (Europe) was incorporated in the Marshall Islands on 19 April 2022, and its 49% and 51% of shareholding interests were owned by China Maritime General Service Limited and Seacon Ships Group (HK), respectively. It has not commenced operation with no paid-up capital.

### **1.3 Basis of presentation**

Pursuant to the Reorganisation, the [REDACTED] Businesses are transferred to and controlled by the Company. The Company and those companies newly set up during the Reorganisation have not been involved in any other business prior to Reorganisation. The Company and Seacon Group are both ultimately controlled and owned by Mr. Guo. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control, and for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis.

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Due to the different nature of the services and business, the [REDACTED] Businesses and Non-[REDACTED] Businesses have been operated as stand-alone businesses and have separate operation teams. Also, separable accounting records and management accounts were maintained and available to capture the results and performance of each business.

The Historical Financial Information has been prepared by including the historical financial information of the Group as if the current group structure had been existence throughout the Track Record Period and as if the [REDACTED] Businesses were transferred to the Group at the beginning of the earliest period presented or when such businesses were established, whichever is the shorter period, but exclude the Non-[REDACTED] Businesses which are not a part of the Group pursuant to the Reorganisation and have historically been managed separately from the [REDACTED] Businesses.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies within the Group are eliminated on consolidation.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Report Period, unless otherwise stated.

#### 2.1 Basis of preparation

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

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

##### 2.1.1 Going concern

As at 31 December 2019, 2020, 2021 and 31 May 2022, the Group’s current liabilities exceeded its current assets by US\$43,165,000, US\$34,978,000, US\$21,304,000, US\$3,581,000, respectively. The current liabilities include lease liabilities of US\$9,880,000, US\$9,385,000, US\$21,073,000, US\$24,053,000 and amount due to related parties of US\$34,971,000, US\$33,946,000, US\$26,850,000 and US\$8,033,000, respectively.

Management has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. A number of measures have been put in place by management to improve the financial position and alleviate the liquidity pressure. Management has prepared cash flow projections of the Group covering a period of not less than twelve months from 31 May 2022. Taking into account the Group’s future operational performance and the expected future operating cash inflows as well as the financing and investing cash inflows, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 31 May 2022.

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The Directors have reviewed the Group’s cash flow projection and have made due and careful enquiry and considered the basis and assumptions of management’s projections. The Directors are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

### 2.1.2 New and amended standards adopted

The HKICPA has issued a number of new and amended HKFRSs which have been effective during the Track Record Period. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and amended HKFRSs including HKFRS 9 Financial Instruments (“HKFRS 9”), HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) and HKFRS 16 Leases (“HKFRS 16”) throughout the Track Record Period. The Group applies the simplified transition approach of HKFRS 16 and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

### 2.1.3 New standards and interpretations not yet adopted

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

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

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

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### 2.2 Principles of consolidation

#### 2.2.1 *Subsidiaries*

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

Apart from the business combination under common control including the Reorganisation referred to in Note 1.2 above which has been accounted for by regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the Group, where there is a shorter period, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

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

#### 2.2.2 *Changes in ownership interests*

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

#### 2.2.3 *Associates and Joint arrangements*

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

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

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

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### *2.2.4 Equity method*

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

### **2.3 Separate financial statements**

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

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

### **2.4 Segment reporting**

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

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

### **2.5 Foreign currency translation**

#### *2.5.1 Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The functional currency of the Company and its major subsidiaries located in Hong Kong, Singapore, Japan and other countries except the PRC is US\$, while the functional currency of the subsidiaries in the PRC is RMB respectively. The Historical Financial Information is presented in US\$, which is the Group’s presentation currency.

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### *2.5.2 Transactions and balances*

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

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

### *2.5.3 Group companies*

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

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

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

## **2.6 Property, plant and equipment**

### *2.6.1 Vessels*

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

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

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

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

- Vessels 25 years
- Dry-docking 2.5 years

### **2.6.2 Other property, plant and equipment**

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

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

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

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

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

## **2.7 Leases**

### ***The Group as a lessee***

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

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



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

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

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

To determine the IBR, the Group:

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

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

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

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

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

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

***The Group as a lessor***

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

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

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

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

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

The lease receivables under lease arrangements are included as “trade receivables” in the consolidated balance sheets. Please refer to Note 2.13.

***The Group as a sublease lessor***

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

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

- (a) if the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

- (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease as finance lease or operating lease.

## **2.8 Impairment of non-financial assets**

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

## **2.9 Non-current assets held for sale**

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

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

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

## **2.10 Investments and other financial assets**

### ***2.10.1 Classification***

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

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

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

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

As at 31 December 2019, 2020 and 2021 and 31 May 2022, the Group has financial assets in the category of financial assets at amortised cost and at fair value through profit and loss.

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### *2.10.2 Recognition and derecognition*

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

### *2.10.3 Measurement*

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

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

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

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

### *2.10.4 Impairment*

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for details.

## **2.11 Offsetting financial instruments**

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

## **2.12 Inventories**

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

## **2.13 Trade and other receivables**

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

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

Trade receivables and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group’s accounting for trade receivables and Note 3.1(b) for a description of the Group’s impairment policies.

### **2.14 Cash and cash equivalents**

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

### **2.15 Share capital and shares held for employee share scheme**

Ordinary shares are classified as equity.

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

### **2.16 Trade and other payables**

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

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

### **2.17 Borrowings**

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

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

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

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

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

### **2.18 Borrowing costs**

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

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

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

### **2.19 Current and deferred income tax**

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

#### ***2.19.1 Current income tax***

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

#### ***2.19.2 Deferred income tax***

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

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

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

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

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

### **2.20 Employee benefits**

#### *2.20.1 Wages and salaries*

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

#### *2.20.2 Other employee benefit obligations*

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

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

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

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

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

### ***2.20.3 Bonus plans***

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

### ***2.20.4 Share-based compensation***

Share-based compensation benefits are provided to employees via employee share scheme. As mentioned in Note 1.2, Mr. Guo transferred 2% and 1% of shareholding interests in the Company to Mr. Zhao and Mr. He in November 2021 without any consideration or service restriction, which lead to share-based compensation. Mr. Guo also transferred 8% of shareholding interests in the Company to Jovial Alliance for future post-[REDACTED] employee share scheme purpose in 2022, however, there is no specific employee share scheme plan yet.

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

## **2.21 Revenue recognition**

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

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

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

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

### ***Revenue from ship management business***

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



*Rental and service income from shipping business*

The Group also generates revenue from shipping activities. Shipping revenue is derived from various charter arrangements including shipping service income and rental income.

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

For charter arrangement which contains a lease, the Group separately accounts for the rental income from lease components and shipping services income from non-lease components for the charter contracts. Please refer to Note 2.7 for details.

**2.22 Earnings per share**

*2.22.1 Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

*2.22.2 Diluted earnings per share*

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

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

**2.23 Dividend distribution**

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

**2.24 Government grants**

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

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### 2.25 Interest income

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

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

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### *(a) Market risk*

##### *(i) Market freight rate risk*

The freight rates of the Group’s shipping business are very sensitive to economic fluctuations. The Group’s revenue from operations of shipping business may be impacted if freight rates will have any significant changes. Had the freight rates been decreased/increased by 10% for the years ended 31 December 2019, 2020 and 2021 and five months ended 31 May 2021 and 2022 with all other variables held constant, the revenue would have been US\$8,230,000, US\$11,827,000 and US\$26,600,000, US\$9,319,000 and US\$11,364,000, respectively, lower or higher.

##### *(ii) Foreign exchange risk*

The Group operates internationally with most of the transactions settled in US\$. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Group’s assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk, other than certain trade and other receivables, cash and cash equivalents, trade and other payables and borrowings denominated in RMB, JPY and SG\$, details of which have been disclosed in Note 19, Note 20, Note 25 and Note 23, respectively.

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

Assets	As at 31 December 2019		As at 31 December 2020		As at 31 December 2021		As at 31 May 2022	
	RMB	Others	RMB	Others	RMB	Others	RMB	Others
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Trade and other receivables	440	259	1,206	57	416	422	254	50
Cash and cash equivalents	3	280	7	493	35	968	33	427
	<u>443</u>	<u>539</u>	<u>1,213</u>	<u>550</u>	<u>451</u>	<u>1,390</u>	<u>287</u>	<u>477</u>
Liabilities	As at 31 December 2019		As at 31 December 2020		As at 31 December 2021		As at 31 May 2022	
	RMB	Others	RMB	Others	RMB	Others	RMB	Others
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Trade and other payables	1,986	64	3,404	76	857	1,579	142	77
Borrowings	—	75	—	1,314	—	1,337	—	1,122
	<u>1,986</u>	<u>139</u>	<u>3,404</u>	<u>1,390</u>	<u>857</u>	<u>2,916</u>	<u>142</u>	<u>1,199</u>

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

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
US\$/RMB exchange rate — increase	77	110	20	101	(7)
US\$/RMB exchange rate — decrease	(77)	(110)	(20)	(101)	7

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

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

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
<b>Financial instruments with floating rate</b>				
Borrowings	58,687	48,839	26,250	70,075
<b>Financial instruments with fixed rate</b>				
Borrowings	75	1,169	6,595	6,142
Lease liabilities	42,370	32,506	86,659	100,240
	<u>42,445</u>	<u>33,675</u>	<u>93,254</u>	<u>106,382</u>
<b>Interest-free financial instruments</b>				
Amount due to related parties	34,971	33,946	26,850	8,033
Amount due to third parties	—	472	—	—
	<u>34,971</u>	<u>34,418</u>	<u>26,850</u>	<u>8,033</u>

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

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

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Impact on post-tax profit at 50 basis point higher	(293)	(244)	(131)	(257)	(350)
Impact on post-tax profit at 50 basis point lower	293	244	131	257	350

(iv) *Effect of IBOR reform*

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

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

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

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

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

	<b>Carrying value at 31 May 2022</b>
	<b>Liabilities</b>
	<i>US\$ '000</i>
<b>Liabilities measured at amortised cost</b>	
Borrowings — exposed to US\$ LIBOR	69,233
Borrowings — exposed to JPY TIBOR	<u>271</u>
Total liabilities exposed to US\$ LIBOR and JPY TIBOR	<u><u>69,504</u></u>

**(b) Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables, and loans to third parties which represented as non-current assets.

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

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

There is no significant concentration of the Group’s credit losses as no individual balance of trade receivables exceeding 10% of the Group’s total trade receivables as at 31 December 2019, 2020 and 2021 and 31 May 2022. During the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022, no revenue from a single customer accounted for more than 10% of the Group’s total revenue.

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

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

*(i) Trade receivables*

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

As is mentioned in Note 1.2, Seacon Shipping Group was not transferred to the Group, but retained in Seacon Group, thus it was out of the consolidation scope, amounts due from Seacon Shipping Group at 31 December 2021 are reflected as trade receivables, and provision of which are made on individual basis with loss rate of 0.51% after consideration of its long-aging status, the good credit standing and the settlement plan. There were no provision made on individual basis as at 31 December 2019 and 2021 and 31 May 2022. The remaining trade receivables have been grouped to measure the expected credit losses based on shared credit risk characteristics. The average loss rate applied for trade receivables from ship management business as at 31 December 2019, 2020 and 2021 and 31 May 2022 were 0.03%, 0.25%, 0.04% and 0.21% respectively. The average loss rate applied for trade receivables from shipping business on collective basis as at 31 December 2019, 2020 and 2021 and 31 May 2022 were 0.04%, 0.25%, 0.22% and 0.13% respectively. The expected credit losses have incorporated forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

*(ii) Other receivables and loans to third parties which are represented as non-current assets.*

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

In view of the history of cooperation with the debtors and collection from them, the management of the Group believes that all of the Group’s other receivables and loans to third parties are classified in Stage 1 as at 31 December 2019, 2020 and 2021 and 31 May 2022. The average loss rate applied for other receivables as at 31 December 2019, 2020 and 2021 and 31 May 2022 were 0.85%, 1.06%, 0.76% and 1.42% respectively. The average loss rate applied for loans to third parties as at the 31 December 2019 and 2020 were 0.50% and 0.85% respectively.

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(iii) *Loss allowance provision movement*

During the years of 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022, the movement of loss allowance provision of trade receivables, other receivables and loans to third parties is as follow:

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Loss allowance provision:					
At beginning of the year/period	298	192	312	312	107
Provision	—	120	16	55	107
Reversal	<u>(106)</u>	<u>—</u>	<u>(221)</u>	<u>—</u>	<u>(16)</u>
At the end of the year/period	<u>192</u>	<u>312</u>	<u>107</u>	<u>367</u>	<u>198</u>

(e) *Liquidity risk*

As mentioned in Note 2.1.1, the Group’s current liabilities exceeded its current assets. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through borrowing from the banks and leasing companies. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by funding from banks and leasing companies.

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

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

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

	Less than 1 year US\$ '000	Between 1 and 2 years US\$ '000	Between 2 and 5 years US\$ '000	Over 5 years US\$ '000	Total US\$ '000
<b>As at 31 December 2019</b>					
Borrowings	13,299	10,473	18,491	30,547	72,810
Lease liabilities	11,315	9,557	20,240	5,000	46,112
Trade and other payables (note (i))	<u>48,498</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>48,498</u>
	<u>73,112</u>	<u>20,030</u>	<u>38,731</u>	<u>35,547</u>	<u>167,420</u>
<b>As at 31 December 2020</b>					
Borrowings	14,224	9,331	14,565	23,468	61,588
Lease liabilities	9,558	7,031	16,772	978	34,339
Trade and other payables (note (i))	<u>58,630</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,630</u>
	<u>82,412</u>	<u>16,362</u>	<u>31,337</u>	<u>24,446</u>	<u>154,557</u>
<b>As at 31 December 2021</b>					
Borrowings	6,868	6,278	14,757	14,667	42,570
Lease liabilities	22,111	15,754	31,627	22,232	91,724
Trade and other payables (note (i))	<u>50,646</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50,646</u>
	<u>79,625</u>	<u>22,032</u>	<u>46,384</u>	<u>36,899</u>	<u>184,940</u>
<b>As at 31 May 2022</b>					
Borrowings	12,656	11,052	29,555	36,675	89,938
Lease liabilities	24,762	18,224	38,225	23,825	105,036
Trade and other payables (note (i))	<u>37,946</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>37,946</u>
	<u>75,364</u>	<u>29,276</u>	<u>67,780</u>	<u>60,500</u>	<u>232,920</u>

(i) Trade and other payables exclude salaries and staff welfare payable, taxes payable.

### 3.2 Capital management

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

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



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As at 31 December 2019, 2020 and 2021 and 31 May 2022, the net debt to total equity ratios were as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Total borrowings	58,762	50,008	32,845	76,217
Lease liabilities	42,370	32,506	86,659	100,240
Amount due to related parties	34,971	33,946	26,850	8,033
Amount due to third parties	—	472	—	—
Less: cash and cash equivalents (Note 20)	<u>(1,943)</u>	<u>(4,420)</u>	<u>(25,030)</u>	<u>(19,680)</u>
Net debt	134,160	112,512	121,324	164,810
Total equity	<u>3,759</u>	<u>5,292</u>	<u>51,407</u>	<u>84,340</u>
<b>Gearing ratio (%)</b>	<u><u>3,569</u></u>	<u><u>2,126</u></u>	<u><u>236</u></u>	<u><u>195</u></u>

The decrease in gearing ratio from 31 December 2019 to 31 December 2020 was resulted from the repayment of borrowings and lease liabilities.

The decrease in gearing ratio from 31 December 2020 to 31 December 2021 was resulted from the significant increase of total equity due to the increase of net profit in 2021.

### 3.3 Fair value estimation

#### (i) Fair value hierarchy

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

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

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

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

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

The Group has no level 1 and level 2 financial instruments as at 31 December 2019, 2020 and 2021 and 31 May 2022.

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

The following table presents the Group’s financial assets that are measured at fair value as at 31 December 2019, 2020 and 2021 and 31 May 2022:

	<b>Financial assets using unobservable inputs</b>			
	<b>As at 31 December</b>			<b>As at 31 May</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Financial assets at fair value through profit or loss	<u>1,997</u>	<u>2,365</u>	<u>3,285</u>	<u>1,662</u>

Financial assets at fair value through profit or loss represent the Group’s right of gain/loss sharing from vessel disposal and the right to receive the returning deposit (collectively the “Identified Financial Assets”). Please refer to Note 15 for details.

There were no transfers among different categories during the Track Record Period.

The Group has used the binomial option-pricing model to estimate the fair value of the Identified Financial Assets as at 31 December 2019 and 31 December 2020, and used income approach to estimate the fair value of the Identified Financial Assets as at 31 December 2021 and 31 May 2022. The following table presents the changes of the fair value of the Identified Financial Assets for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022:

	<b>Year ended 31 December</b>			<b>Five months ended</b>	
				<b>31 May</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
				unaudited	
Fair value of Identified Financial Assets					
At beginning of the year/period	—	1,997	2,365	2,365	3,285
Purchase of financial assets at FVPL	2,000	—	182	182	—
Change in fair value through profit or loss	(3)	368	920	67	383
Disposal of financial assets at FVPL	<u>—</u>	<u>—</u>	<u>(182)</u>	<u>—</u>	<u>(2,006)</u>
At the end of the year/period	<u>1,997</u>	<u>2,365</u>	<u>3,285</u>	<u>2,614</u>	<u>1,662</u>

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*(iii) Valuation inputs and relationships to fair value*

The valuation inputs as at 31 December 2019 and 31 December 2020 include risk-free interest rate and volatility:

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2020</b>
Risk-free interest rate	1.78%	0.40%
Volatility	40%	45%

The higher the risk-free interest rate the higher the fair value of the right of gain/loss sharing from vessel disposal. The higher the risk-free interest rate the lower the fair value of the right to receive the returning deposit. The higher the volatility, the higher the fair value of the right of gain/loss sharing from vessel disposal and the right to receive the returning deposit.

For the right of gain/loss sharing from vessel disposal, if risk-free interest rates had increased/decreased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been higher or lower US\$1,000 and US\$-(less than US\$1,000) respectively; If volatility had increased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been higher US\$216,000 and US\$185,000 respectively; If volatility had decreased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been lower US\$153,000 and US\$209,000 respectively,

For the right to receive the returning deposit, if risk-free interest rates had increased/decreased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been lower or higher US\$18,000 and US\$3,000 respectively; If volatility had increased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been higher US\$20,000 and US\$3,000 respectively; If volatility had decreased by 10% for the year ended 31 December 2019 and 31 December 2020 with all other variables held constant, the fair value would have been lower US\$15,000 and US\$5,000 respectively.

The Group has used income approach to estimate the fair value of Identified Financial Assets as at 31 December 2021 and 31 May 2022. The valuation inputs as at 31 December 2021 and 31 May 2022 include discount rate:

	<b>As at 31 December 2021</b>	<b>As at 31 May 2022</b>
Discount rate	0.06% and 0.22% respectively for each vessel	1.64% for the remaining one vessel

If discount rates had increased by 10% for the year ended 31 December 2021 and the five months ended 31 May 2022 with all other variables held constant, the fair value of the Identified Financial Assets would have been lower US\$-(less than US\$1,000) and US\$1,000 respectively. If discount rates had decreased by 10% for the year ended 31 December 2021 and the five months ended 31 May 2022 with all other variables held constant, the fair value of the Identified Financial Assets would have been higher US\$-(less than US\$1,000) and US\$2,000 respectively.

#### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

##### **(a) Estimated useful lives and residual value of vessels**

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

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

Had the useful lives been extended/shortened by 10% from management’s estimates as at 31 December 2019, 2020, 2021 and 31 May 2021 and 2022, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased by US\$136,000, US\$214,000, US\$169,000, US\$58,000 and US\$125,000 respectively or increased by US\$194,000, US\$252,000, US\$200,000, US\$80,000 and US\$152,000 respectively for the year ended 31 December 2019, 2020, 2021 and the five months ended 31 May 2021 and 2022.

Had the residual values been increased/decreased by 10% from management’s estimates as at 31 December 2019, 2020, 2021 and 31 May 2021 and 2022, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by US\$155,000, US\$243,000, US\$176,000 and US\$69,000 and US\$70,000 respectively for the year ended 31 December 2019, 2020, 2021 and the five months ended 31 May 2021 and 2022.

##### **(b) Determination of the lease term**

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

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

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If the market price is much higher than the purchase option price and the Group has the financial capability, the Group is typically reasonably certain to exercise the purchase option right;

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- Otherwise, the Group considers other factors including historical lease duration and the costs and business disruption required to replace the leased asset.

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

### (c) Leases — Estimating the IBR

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

### (d) Impairment of vessels

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

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

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

Management assessed the recoverable amount of the CGU, and determined that there was no impairment for vessels for the year ended at 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

### (e) Provision for impairment of trade receivables

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

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**5 REVENUE AND SEGMENT INFORMATION**

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

- Shipping business
- Ship management business

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

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

	<b>For the year ended 31 December 2019</b>			
	<b>Shipping business</b>	<b>Ship management business</b>	<b>Elimination</b>	<b>Total</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Total reportable segment revenue				
Revenue from external customers	108,855	26,752	—	135,607
Inter-segment revenue	<u>—</u>	<u>352</u>	<u>(352)</u>	<u>—</u>
Total revenue	<u>108,855</u>	<u>27,104</u>	<u>(352)</u>	<u>135,607</u>
Segment results				
Profit before income tax	<u>5,659</u>	<u>3,264</u>	<u>—</u>	<u>8,923</u>
Segment results included:				
Finance income	1	1		2
Finance costs	(2,721)	(56)		(2,777)
Depreciation and amortisation	(8,677)	(250)		(8,927)
Net impairment (losses)/reversal on financial assets	(86)	192		106
Share of profit of associates and joint ventures	253	—		253







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

	<b>As at 31 December 2019</b>			
	<b>Shipping business</b>	<b>Ship management business</b>	<b>Elimination</b>	<b>Total</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Segment assets	<u>147,535</u>	<u>10,593</u>	<u>(1,847)</u>	<u>156,281</u>
Segment liabilities	<u>143,349</u>	<u>11,020</u>	<u>(1,847)</u>	<u>152,522</u>
	<b>As at 31 December 2020</b>			
	<b>Shipping business</b>	<b>Ship management business</b>	<b>Elimination</b>	<b>Total</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Segment assets	<u>143,186</u>	<u>25,795</u>	<u>(16,541)</u>	<u>152,440</u>
Segment liabilities	<u>142,062</u>	<u>21,627</u>	<u>(16,541)</u>	<u>147,148</u>
	<b>As at 31 December 2021</b>			
	<b>Shipping business</b>	<b>Ship management business</b>	<b>Elimination</b>	<b>Total</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Segment assets	<u>213,982</u>	<u>22,058</u>	<u>(5,594)</u>	<u>230,446</u>
Segment liabilities	<u>168,902</u>	<u>15,731</u>	<u>(5,594)</u>	<u>179,039</u>
	<b>As at 31 May 2022</b>			
	<b>Shipping business</b>	<b>Ship management business</b>	<b>Elimination</b>	<b>Total</b>
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Segment assets	<u>292,305</u>	<u>19,171</u>	<u>(5,179)</u>	<u>306,297</u>
Segment liabilities	<u>216,554</u>	<u>10,582</u>	<u>(5,179)</u>	<u>221,957</u>

**(b) Analysis of revenue**

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

The Group’s revenues for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022 are recognised over-time.

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(i) *The revenue is listed as below:*

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000	2022 US\$'000
Revenue from shipping business					
Shipping service income — over time	91,992	128,687	281,385	99,031	124,678
Rental income	<u>16,863</u>	<u>13,692</u>	<u>42,357</u>	<u>8,835</u>	<u>30,676</u>
	<u>108,855</u>	<u>142,379</u>	<u>323,742</u>	<u>107,866</u>	<u>155,354</u>
Revenue from Ship management business					
Ship management income — over time	<u>27,104</u>	<u>44,158</u>	<u>60,103</u>	<u>22,858</u>	<u>24,660</u>

(ii) *Information about major customers*

During the Track Record Period, there were no sales to any single customer which contributed 10% or more of the Group’s revenue.

(c) **Unsatisfied performance obligations**

There is no significant long-term unsatisfied performance obligations in the Track Record Period. For the above contracts with customers, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

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**6 OTHER LOSSES/(GAINS), NET**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Foreign exchange losses/(gains), net	163	545	242	242	(29)
Bank charges	133	140	258	160	337
Provision for legal proceedings (note (i))	—	—	803	—	680
Impairment loss of held-for-sale assets (note (ii))	—	1,244	—	—	—
Net gains on disposal of property, plant and equipment	(65)	—	(3)	—	(5,683)
Net fair value losses/(gains) on financial assets at fair value through profit or loss	3	(368)	(920)	(67)	(383)
Others	<u>44</u>	<u>(47)</u>	<u>(11)</u>	<u>4</u>	<u>(10)</u>
	<u>278</u>	<u>1,514</u>	<u>369</u>	<u>339</u>	<u>(5,088)</u>

- (i) Provision for legal proceedings represents the provision made for one on-going legal proceedings in connection with a dispute over a bareboat charter contract based on the estimated compensation amount.
- (ii) Impairment loss of held-for-sale assets in 2020 was mainly due to the disposal of two vessels which were not under good condition. Please refer to Note 21 for details.

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**7 EXPENSES BY NATURE**

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

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Charter hire cost ( <i>note (a)</i> )	53,339	60,808	176,683	59,035	70,870
Crew manning expenses ( <i>note (b)</i> )	25,109	33,335	47,837	15,921	22,941
Bunker consumed	16,166	28,711	36,468	15,650	23,982
Port charges	4,774	11,934	13,919	6,230	5,861
Depreciation and amortisation ( <i>note (c), note (d)</i> )	8,927	15,412	18,264	5,338	12,368
Brokerage	1,353	1,923	4,154	1,212	1,601
Insurance	1,589	2,270	2,581	1,005	1,264
Employee benefit expenses ( <i>Note 8</i> )	3,965	3,402	13,096	1,677	3,258
Lubricating oil and spare parts costs	2,459	4,557	5,562	3,132	2,718
Repair expense	914	2,232	1,374	465	395
Shipbuilding supervision outsourced fee	2	2,013	3,592	1,199	1,397
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Vessel take over fee	670	118	980	341	554
Vessel certificate and inspection related cost	434	1,165	914	584	579
Business development and entertainment expenses	282	137	407	211	223
Others	4,054	3,893	5,095	1,945	3,036
<b>Total cost of sales, selling, general and administrative expenses</b>	<b>124,037</b>	<b>171,910</b>	<b>332,303</b>	<b>113,945</b>	<b>151,995</b>

- (a) Charter hire costs mainly comprise the cost of short-term charters with a term of 12 months or less.
- (b) Crew manning expenses represent the wages of the crew members charged by the crew manning agencies.

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(c) Depreciation charged to profit or loss is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Depreciation for the year/ period					
— Property, plant and equipment (Note 12)	1,713	2,675	2,261	874	1,694
— Right-of-use assets (Note 13)	<u>7,119</u>	<u>12,079</u>	<u>14,998</u>	<u>4,139</u>	<u>10,114</u>
Amount charged to profit or loss	<u>8,832</u>	<u>14,754</u>	<u>17,259</u>	<u>5,013</u>	<u>11,808</u>
Charged to:					
— Cost of sales	8,473	14,225	16,817	4,839	11,574
— Selling, general and administrative expenses	<u>359</u>	<u>529</u>	<u>442</u>	<u>174</u>	<u>234</u>
	<u>8,832</u>	<u>14,754</u>	<u>17,259</u>	<u>5,013</u>	<u>11,808</u>

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

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Amortisation for the year/ period					
— Dry-docking of right-of-use assets	94	652	997	324	553
— Intangible assets	<u>1</u>	<u>6</u>	<u>8</u>	<u>1</u>	<u>7</u>
Amount charged to profit or loss	<u>95</u>	<u>658</u>	<u>1,005</u>	<u>325</u>	<u>560</u>
Charged to:					
— Cost of sales	94	652	997	321	516
— Selling, general and administrative expenses	<u>1</u>	<u>6</u>	<u>8</u>	<u>4</u>	<u>44</u>
	<u>95</u>	<u>658</u>	<u>1,005</u>	<u>325</u>	<u>560</u>

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**8 EMPLOYEE BENEFIT EXPENSES**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Wages, salaries, bonuses and allowances	3,674	3,166	6,987	1,537	2,968
Share based compensation (note (a))	—	—	5,635	—	—
Social security funds	68	42	264	84	149
Housing funds	55	78	109	28	65
Other welfare expenses	168	116	101	28	76
	<u>3,965</u>	<u>3,402</u>	<u>13,096</u>	<u>1,677</u>	<u>3,258</u>

(a) As mentioned in Note 1.2, in November 2021, Mr. Guo transferred 2% and 1% shareholding interests of the Company to Mr. Zhao and Mr. He respectively without any consideration or any service restriction, which led to share-based compensation. Base on the valuation report issued by an independent institution, the fair value for the grant of the shares amounted to US\$5,635,000 is recognised as an expense and reserves. The valuation inputs include P/E ratio and discount for lack of marketability, which were 10 and 30% respectively.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019, 2020, 2021 and five months ended 31 May 2021 and 2022 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Directors (Note 31)	346	249	5,924	—	122
Non-directors	414	520	1,291	309	244
	<u>760</u>	<u>769</u>	<u>7,215</u>	<u>309</u>	<u>366</u>

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The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022 includes three, two, two, nil and two directors whose emoluments are reflected in the analysis presented in Note 31. The emoluments payable to the remaining individuals during the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Wages and salaries	413	508	508	298	234
Bonus	—	—	730	—	—
Social security funds	1	12	19	11	10
Other welfare expenses	—	—	34	—	—
	<u>414</u>	<u>520</u>	<u>1,291</u>	<u>309</u>	<u>244</u>

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

Emolument bands (in HK\$)	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
				unaudited	
Less than HKD1,000,000	—	—	—	5	3
HK\$1,000,001 to HK\$1,500,000	1	2	—	—	—
HK\$1,500,001 to HK\$2,000,000	1	1	—	—	—
HK\$2,000,001 to HK\$2,500,000	—	—	—	—	—
HK\$2,500,001 to HK\$3,000,000	—	—	2	—	—
HK\$3,500,001 to HK\$4,000,000	—	—	—	—	—
HK\$4,000,001 to HK\$4,500,000	—	—	—	—	—
HK\$4,500,001 to HK\$5,000,000	—	—	1	—	—

### 9 FINANCE COSTS, NET

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Finance income	(2)	(3)	(1)	—*	—*
Finance costs:					
— borrowings	1,650	2,249	1,934	696	1,554
— lease liabilities	<u>1,127</u>	<u>1,664</u>	<u>1,517</u>	<u>581</u>	<u>835</u>
Finance costs expensed	<u>2,777</u>	<u>3,913</u>	<u>3,451</u>	<u>1,277</u>	<u>2,389</u>
Finance costs, net	<u>2,775</u>	<u>3,910</u>	<u>3,450</u>	<u>1,277</u>	<u>2,389</u>

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**10 INCOME TAX EXPENSES**

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Current income tax:					
— Hong Kong profits tax	94	520	398	193	187
— PRC enterprise income tax	—	1	28	—	16
— Japan income tax	—	31	500	111	777
— Singapore income tax	—*	91	302	—*	272
Deferred income tax	395	27	(47)	(7)	4
	<u>489</u>	<u>670</u>	<u>1,181</u>	<u>297</u>	<u>1,256</u>

For the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022, taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates.

**(i) Cayman Islands Income Tax**

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

**(ii) British Virgin Islands Income Tax**

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

**(iii) Marshall Islands Income Tax**

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

**(iv) Liberia Income Tax**

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

**(v) Singapore Income Tax**

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

For subsidiaries which are engaged in ship management business, the partial tax exemption scheme applies on the first SG\$300,000 of normal chargeable income for years of assessment 2010 to 2019; and specifically 75% of up to the first SG\$10,000 of a company’s normal chargeable income, and 50% of up to the next SG\$290,000 is exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at 17%. From year of assessment 2020 onwards, the partial tax exemption scheme applies on the first SG\$200,000 of normal chargeable income; and specifically 75% of up to the first SG\$10,000 of a company’s normal chargeable income, and 50% of up to the next SG\$190,000 is exempt from corporate tax.



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**(vi) Hong Kong Income Tax**

Certain subsidiaries engaged in ship management business and shipping business are registered in Hong Kong or are Hong Kong tax resident. The provision for Hong Kong profits tax of shipping management services for the years ended 31 December 2019, 2020, 2021 and five months ended 31 May 2021 and 2022 are calculated in accordance with the two-tiered profit 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%. A group of “connected entities” can only nominate one entity within the group to enjoy the two-tier rates for a given year of assessment. The profits of corporation which is not qualifying for the two-tiered profits tax rates regime is taxed at a flat rate of 16.5%. The profits from shipping business which are not derived from or arising in Hong Kong meets the criteria of Inland Revenue Ordinance of Hong Kong Section 23B and should be exempt from profits tax.

**(vii) Japan Income Tax**

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

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

Certain subsidiaries engaged in ship management business are registered in the PRC. The statutory rate for PRC enterprise income tax is 25% except for certain subsidiaries which are taxed at preferential tax rate. According to Cai Shui [2019] No.13, certain PRC subsidiaries of the Company were small low-profit enterprises. The portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and the EIT shall be prepaid at the rate of 20%; the annual taxable income exceeds RMB1 million but no more than RMB3 million shall be deducted into the taxable income by 50%, and the EIT shall be prepaid at the rate of 20%.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. Except one PRC subsidiary has retained earning of US\$170,000, there was still accumulated loss of other PRC subsidiaries with foreign investor during the Track Record Period, the Group did not have any plan to require the PRC subsidiaries to distribute their retained earnings to any foreign investor in the foreseeable future. Accordingly, no tax liability on withholding tax was accrued as of the end of each reporting period.

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

	Year ended 31 December			Five months ended	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
				unaudited	
<b>Profit before income tax</b>	8,923	1,394	41,186	10,742	34,146
Tax calculated at applicable tax rates	1,485	280	7,083	1,885	6,271
Expenses not deductible for taxation purposes	—	30	241	48	39
Exempted losses	—	518	—	77	74
Tax effect of share of profits of associates and joint ventures	(42)	40	(712)	(97)	(776)
Exempted gains ( <i>note (i)</i> )	<u>(954)</u>	<u>(198)</u>	<u>(5,431)</u>	<u>(1,616)</u>	<u>(4,352)</u>
<b>Income tax expense</b>	<u>489</u>	<u>670</u>	<u>1,181</u>	<u>297</u>	<u>1,256</u>

- (i) As is disclosed in note 10 (v) and note 10 (vi), certain profit from shipping business derived by the Group’s Singapore-incorporated subsidiaries is exempted from tax under Section 13F of the Singapore Income Tax Act, and certain profit from shipping business derived by the Group’s Hong Kong-incorporated subsidiaries which is not derived from or arising in Hong Kong should be exempt from profits tax, tax effect of such profit which was largely exempted from income tax were reflected as exempted gains.

### 11 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2019, 2020 and 2021 and five months ended 31 May 2021 and 2022 are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issue of shares in connection with the Reorganization completed in February 2022.

	Year ended 31 December			Five months ended	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
				unaudited	
Profit attributable to the owners of the Company	7,747	451	33,617	7,726	31,840
Weighted average number of ordinary shares in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings per share	0.77	0.05	3.36	0.77	3.18

As the Company has no dilutive instruments for the Track Record Period, the Group’s diluted earnings per share equals to its basic earnings per share.

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**12 PROPERTY, PLANT AND EQUIPMENT**

<b>Year ended 31 December 2019</b>	<b>Vessels</b> <i>US\$'000</i>	<b>Buildings</b> <i>US\$'000</i>	<b>Transportation equipment</b> <i>US\$'000</i>	<b>Office equipment and other equipment</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Cost</b>					
Opening balance	24,605	1,205	187	94	26,091
Additions	41,002	—	81	38	41,121
Disposals	(6,400)	—	—	(49)	(6,449)
Currency translation differences	—	(20)	(1)	—	(21)
Closing balance	<u>59,207</u>	<u>1,185</u>	<u>267</u>	<u>83</u>	<u>60,742</u>
<b>Accumulated depreciation</b>					
Opening balance	(2,184)	(51)	(29)	(21)	(2,285)
Depreciation charge	(1,621)	(31)	(32)	(29)	(1,713)
Disposals	639	—	—	21	660
Currency translation differences	—	1	—	—	1
Closing balance	<u>(3,166)</u>	<u>(81)</u>	<u>(61)</u>	<u>(29)</u>	<u>(3,337)</u>
<b>Net book amount</b>					
<b>As at 1 January 2019</b>	<u>22,421</u>	<u>1,154</u>	<u>158</u>	<u>73</u>	<u>23,806</u>
<b>As at 31 December 2019</b>	<u>56,041</u>	<u>1,104</u>	<u>206</u>	<u>54</u>	<u>57,405</u>
<b>Year ended 31 December 2020</b>	<b>Vessels</b> <i>US\$'000</i>	<b>Buildings</b> <i>US\$'000</i>	<b>Transportation equipment</b> <i>US\$'000</i>	<b>Office equipment and other equipment</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Cost</b>					
Opening balance	59,207	1,185	267	83	60,742
Additions	1,389	—	68	2	1,459
Disposal	—	—	(34)	—	(34)
Assets classified as held for sale	(10,415)	—	—	—	(10,415)
Currency translation differences	—	82	8	1	91
Closing balance	<u>50,181</u>	<u>1,267</u>	<u>309</u>	<u>86</u>	<u>51,843</u>
<b>Accumulated depreciation</b>					
Opening balance	(3,166)	(81)	(61)	(29)	(3,337)
Depreciation charge	(2,568)	(32)	(48)	(27)	(2,675)
Disposal	—	—	34	—	34
Assets classified as held for sale	1,853	—	—	—	1,853
Currency translation differences	—	(7)	(3)	—	(10)
Closing balance	<u>(3,881)</u>	<u>(120)</u>	<u>(78)</u>	<u>(56)</u>	<u>(4,135)</u>
<b>Net book amount</b>					
<b>As at 31 December 2019</b>	<u>56,041</u>	<u>1,104</u>	<u>206</u>	<u>54</u>	<u>57,405</u>
<b>As at 31 December 2020</b>	<u>46,300</u>	<u>1,147</u>	<u>231</u>	<u>30</u>	<u>47,708</u>

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Year ended 31 December 2021	Vessels <i>US\$'000</i>	Buildings <i>US\$'000</i>	Transportation equipment <i>US\$'000</i>	Office equipment and other equipment <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Cost</b>					
Opening balance	50,181	1,267	309	86	51,843
Additions	9,299	—	96	1	9,396
Disposal	—	—	(37)	—	(37)
Currency translation differences	—	30	3	—	33
Closing balance	<u>59,480</u>	<u>1,297</u>	<u>371</u>	<u>87</u>	<u>61,235</u>
<b>Accumulated depreciation</b>					
Opening balance	(3,881)	(120)	(78)	(56)	(4,135)
Depreciation charge	(2,140)	(34)	(63)	(24)	(2,261)
Disposal	—	—	12	—	12
Currency translation differences	—	(3)	—	—	(3)
Closing balance	<u>(6,021)</u>	<u>(157)</u>	<u>(129)</u>	<u>(80)</u>	<u>(6,387)</u>
<b>Net book amount</b>					
As at 31 December 2020	<u>46,300</u>	<u>1,147</u>	<u>231</u>	<u>30</u>	<u>47,708</u>
As at 31 December 2021	<u>53,459</u>	<u>1,140</u>	<u>242</u>	<u>7</u>	<u>54,848</u>
<b>Five months ended 31 May 2021</b>					
	Vessels <i>US\$'000</i>	Buildings <i>US\$'000</i>	Transportation equipment <i>US\$'000</i>	Office equipment and other equipment <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Unaudited Cost</b>					
Opening balance	50,181	1,267	309	86	51,843
Additions	9,299	—	—	—	9,299
Currency translation differences	—	32	3	—	35
Closing balance	<u>59,480</u>	<u>1,299</u>	<u>312</u>	<u>86</u>	<u>61,177</u>
<b>Accumulated depreciation</b>					
Opening balance	(3,881)	(120)	(78)	(56)	(4,135)
Depreciation charge	(827)	(14)	(23)	(10)	(874)
Currency translation differences	—	(3)	—	—	(3)
Closing balance	<u>(4,708)</u>	<u>(137)</u>	<u>(101)</u>	<u>(66)</u>	<u>(5,012)</u>
<b>Net book amount</b>					
As at 31 December 2020	<u>46,300</u>	<u>1,147</u>	<u>231</u>	<u>30</u>	<u>47,708</u>
As at 31 May 2021	<u>54,772</u>	<u>1,162</u>	<u>211</u>	<u>20</u>	<u>56,165</u>

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Five months ended 31 May 2022	Vessels <i>US\$'000</i>	Buildings <i>US\$'000</i>	Transportation equipment <i>US\$'000</i>	Office equipment and other equipment <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Cost</b>					
Opening balance	59,480	1,297	371	87	61,235
Additions	49,000	—	39	—	49,039
Disposal	(11,440)	—	—	—	(11,440)
Currency translation differences	—	(56)	(10)	—	(66)
Closing balance	<u>97,040</u>	<u>1,241</u>	<u>400</u>	<u>87</u>	<u>98,768</u>
<b>Accumulated depreciation</b>					
Opening balance	(6,021)	(157)	(129)	(80)	(6,387)
Depreciation charge	(1,647)	(14)	(29)	(4)	(1,694)
Disposal	1,143	—	—	—	1,143
Currency translation differences	—	4	3	—	7
Closing balance	<u>(6,525)</u>	<u>(167)</u>	<u>(155)</u>	<u>(84)</u>	<u>(6,931)</u>
<b>Net book amount</b>					
As at 31 December 2021	<u>53,459</u>	<u>1,140</u>	<u>242</u>	<u>7</u>	<u>54,848</u>
As at 31 May 2022	<u>90,515</u>	<u>1,074</u>	<u>245</u>	<u>3</u>	<u>91,837</u>

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

	Year ended 31 December			Five months ended 31 May	
	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>	2021 <i>US\$'000</i>	2021 <i>US\$'000</i>	2022 <i>US\$'000</i>
Cost of sales	1,647	2,595	2,168	841	1,647
Selling, general and administrative expenses	<u>66</u>	<u>80</u>	<u>93</u>	<u>33</u>	<u>47</u>
	<u>1,713</u>	<u>2,675</u>	<u>2,261</u>	<u>874</u>	<u>1,694</u>

As at 31 December 2019, 2020 and 2021 and 31 May 2022, property, plant and equipment with the carrying amounts of US\$49,640,000, US\$45,992,000, US\$53,461,000 and US\$91,507,000 respectively were pledged to secure borrowings (Note 23).

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**13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

	As at 31 December			As at 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Right-of-use assets</b>					
Vessels	46,564	32,878	91,500		105,074
Building	900	505	432		1,112
	<u>47,464</u>	<u>33,383</u>	<u>91,932</u>		<u>106,186</u>
<b>Lease liabilities</b>					
Current	9,880	9,385	21,073		24,053
Non-current	32,490	23,121	65,586		76,187
	<u>42,370</u>	<u>32,506</u>	<u>86,659</u>		<u>100,240</u>
	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
<b>Right-of-use assets</b>					
<b>Cost</b>					
Opening balance	6,084	54,583	50,162	50,162	111,698
Additions ( <i>note (i)</i> )	48,499	54	85,726	13,815	24,368
Expiration of lease	—	—	(4,488)	—	(1,160)
Disposals/written off ( <i>note (ii)</i> )	—	(4,475)	—	—	—
Change of lease term ( <i>note (iii)</i> )	—	—	(19,702)	—	—
Closing balance	<u>54,583</u>	<u>50,162</u>	<u>111,698</u>	<u>63,977</u>	<u>134,906</u>
<b>Accumulated depreciation</b>					
Opening balance	—	(7,119)	(16,779)	(16,779)	(19,766)
Depreciation charge	(7,119)	(12,079)	(14,998)	(4,139)	(10,114)
Expiration of lease	—	—	4,488	—	1,160
Disposals/written off ( <i>note (ii)</i> )	—	2,419	—	—	—
Change of lease term ( <i>note (iii)</i> )	—	—	7,523	—	—
Closing balance	<u>(7,119)</u>	<u>(16,779)</u>	<u>(19,766)</u>	<u>(20,918)</u>	<u>(28,720)</u>
<b>Net book amount</b>	<u>47,464</u>	<u>33,383</u>	<u>91,932</u>	<u>43,059</u>	<u>106,186</u>

(i) Additions to the right-of-use assets were mainly attributable to the new lease agreements entered into for vessels.

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- (ii) Disposals/written off were mainly caused by disposal of one leased-in vessel, which was leased out and met the criteria of a finance lease in 2020.
- (iii) Change of lease term were mainly caused by two vessels which would be terminated within one year, please refer to Note 15 for details.
- (iv) The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				unaudited	
<b>Depreciation charge of right-of-use assets</b>					
Vessels	6,826	11,631	14,648	3,982	9,927
Buildings	<u>293</u>	<u>448</u>	<u>350</u>	<u>157</u>	<u>187</u>
	<u>7,119</u>	<u>12,079</u>	<u>14,998</u>	<u>4,139</u>	<u>10,114</u>
Interest expense (included in finance cost)	1,127	1,664	1,517	581	835
Expense relating to short-term leases (included in cost of sales and administrative expenses)	53,339	60,827	176,707	59,129	70,941

The total cash outflow for leases for the years ended 31 December 2019, 2020 and 2021 and five months ended 31 May 2021 and 2022 was US\$67,882,000, US\$68,528,000, US\$204,456,000, US\$61,642,000 and US\$80,488,000 respectively.

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

	As at 31 December			As at 31 May	
	2019	2020	2021	2021	2022
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Guarantor:</b>					
Seacon Shipping Group**	40,324	32,010	31,345	29,612	
Sunny Star Shipping Ltd./ Seacon Marine (SG)**/					
Mr. Guo/Mr. Chen	—	—	45,670	—	
The Company	—	—	—	519	
The Company/Mr. Guo/ Mr. Chen	—	—	—	58,183	
Seacon Ships Qingdao**/ The Company	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,929</u>	
	<u>40,324</u>	<u>32,010</u>	<u>77,015</u>	<u>95,243</u>	

\*\* These companies are the subsidiaries of the Group, except that Seacon Shipping Group was retained in Seacon Group on 31 December 2021 and became a related party of the Group since then. The rest of guarantors are all related parties. Management will change those related party guarantors to the Company or replace the relevant guarantors before the [REDACTED].

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(vi) The Group’s leasing activities and how these are accounted for

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

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

(vii) Variable lease payments

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

(viii) Extension and purchase options

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

### 14 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the joint ventures and associates of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of Incorporation/ establishment and operations	Principal activities	% of ownership interest				Nature of relationship	Measurement method	Carrying amount				Note
			31 December 2019	31 December 2020	31 December 2021	31 May 2022			31 December 2019	31 December 2020	31 December 2021	31 May 2022	
			US\$'000	US\$'000	US\$'000	US\$'000			US\$'000	US\$'000	US\$'000	US\$'000	
Msm Ship Management Pte. Ltd.	Singapore	Ship management	50%	50%	50%	50%	Joint venture	Equity method	—*	35	48	131	(1)
Hongkong Xinyihai 55 Co., Limited	Hong Kong	Vessel holding and chartering services	35%	35%	35%	35%	Associate	Equity method	346	69	1,172	1,720	(2)
Seacon 6 Limited (“Seacon 6”)	Hong Kong	Vessel holding and chartering services	N/A	N/A	49.5%	49.5%	Associate	Equity method	N/A	N/A	732	2,613	(3)
Seacon 7 Limited (“Seacon 7”)	Hong Kong	Vessel holding and chartering services	N/A	N/A	49.5%	49.5%	Associate	Equity method	N/A	N/A	242	659	(3)
Seacon 8 Limited (“Seacon 8”)	Hong Kong	Vessel holding and chartering services	N/A	N/A	49.5%	49.5%	Associate	Equity method	N/A	N/A	1,308	1,791	(3)
Seacon 9 Limited (“Seacon 9”)	Hong Kong	Vessel holding and chartering services	N/A	N/A	49.5%	49.5%	Associate	Equity method	N/A	N/A	1,731	2,885	(3)
Seacon Tankers	Singapore	Ship management	49%	N/A	N/A	N/A	Associate	Equity method	—*	N/A	N/A	N/A	(4)
									<u>346</u>	<u>104</u>	<u>5,233</u>	<u>9,799</u>	

(1) Msm Ship Management Ltd (ultimately controlled by Mr. Guo) and Ocean Wealth Enterprise Pte. Ltd. jointly established Msm Ship Management Pte. Ltd. in September 2019 and held its 50% equity interest respectively. As Msm Ship Management Pte. Ltd. was engaging in the [REDACTED] business, pursuant to the Reorganisation, it was treated as a joint venture of the Group.



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- (2) Seacon Shipping Group and a third party Hongkong Zhoushan Yihai Shipping Co., Limited jointly established Hongkong Xinyihai 55 Co., Limited in April 2018 and held its 35% and 65% equity interests respectively. As Hongkong Xinyihai 55 Co., Limited was engaging in the [REDACTED] business, pursuant to the Reorganisation, it was accounted for as an associate of the Group.
- (3) Seacon Star Group Ltd (ultimately controlled by Mr. Guo) acquired the 100% equity interests in Hongkong Zengzhou Co., Limited (“Hongkong Zengzhou”, which is a holding company) with a consideration of US\$2,300,000 in July 2021. Hongkong Zengzhou held 49.5% equity interests in Seacon 6, Seacon 7, Seacon 8 and Seacon 9 respectively. Pursuant to the Reorganisation, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 were treated as the associates of the Group, thus the consideration of US\$2,300,000 paid by Seacon Star Group Ltd was accounted for as a deemed contribution by shareholders to the Group. The Group received a dividend of US\$1,485,000 from Seacon 6 in 2021.
- (4) As mentioned in Note 1.2(v)(c), Seacon Tankers became a wholly owned subsidiary in 2020.

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

The Company had no directly owned associates or joint ventures as at 31 December 2019, 2020, 2021 and 31 May 2022.

There is no associate or joint venture that is individually material to the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022. The financial information below, after making necessary adjustments to conform to the Group’s significant accounting policies, represents the Group’s respective interests in the associates and joint ventures:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
				unaudited	
Aggregate carrying amount of individually immaterial associates and joint ventures	346	104	5,233	676	9,799
Aggregate amounts of the Group’s share of:					
Net profit	253	(242)	4,314	572	4,566
Other comprehensive income	—	—	—	—	—
Total comprehensive income	253	(242)	4,314	572	4,566
Dividend received	—	—	(1,485)	—	—

**15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 31 December			As at 31 May	
	2019	2020	2021	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000	US\$’000
Identified Financial Assets	1,997	2,365	3,285	1,662	
Less: current portion	—	—	(3,285)	(1,662)	
	<u>1,997</u>	<u>2,365</u>	<u>—</u>	<u>—</u>	

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In 2019, the Group entered into lease agreements for two vessels under bare-boat charter arrangement with a third party leasing company (“Leasing Company A”). According to the lease agreements, the Group paid US\$1,000,000 for each vessel to Leasing Company A upfront. During or at the end of the charter period, if Leasing Company A sells the vessel to any third party and the net sale proceeds exceeds its net book value, Leasing Company A shall pay 10% of disposal gain and return US\$1,000,000 to the Group for each vessel. However, if the net sale proceeds are less than its net book value, the Group should share the disposal loss under the cap of US\$1,000,000 for each vessel. The Group treated this arrangement including both the right of gain/loss sharing from vessel disposal and the right to receive the returning deposit as financial assets at fair value through profit or loss (“Identified Financial Assets”). In September 2021, the Group received the termination notice from Leasing Company A that the two vessels are to be sold in 2022. Consequently, the Group reclassified the Identified Financial Assets as current assets as at 31 December 2021, and accounted for the change of lease term as a deduction of right-of-use assets in 2021. In May 2022, one of the vessels was sold by Leasing Company A.

**16 OTHER NON-CURRENT ASSETS**

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
Loans to third parties ( <i>note (a)</i> )	21,555	18,280	—	—	
Less: current portion	<u>(3,275)</u>	<u>(3,937)</u>	<u>—</u>	<u>—</u>	
	18,280	14,343	—	—	
Provision for impairment	(108)	(156)	—	—	
Less: current portion	<u>17</u>	<u>34</u>	<u>—</u>	<u>—</u>	
	(91)	(122)	—	—	
Loans to third parties — net	18,189	14,221	—	—	
Prepayment for dry-docking and equipment purchased	1,430	1,631	2,288	1,315	
Prepayment for vessels purchased ( <i>note (b)</i> )	400	1,583	10,030	20,041	
Prepayment for right-of-use assets	—	—	1,140	—	
Deposits and guarantees	—	—	—	1,000	
Others	<u>48</u>	<u>31</u>	<u>117</u>	<u>137</u>	
	<u>20,067</u>	<u>17,466</u>	<u>13,575</u>	<u>22,493</u>	

(a) Loans to third parties represented the loans receivable from a third party company (“Company A”), a third party individual (“Individual B”) and another third party company (“Company B”).

In 2018, the Group entered into a tripartite cooperation agreement with Company A and Individual B whereby Company A transferred to the Group its legal title over two vessels, and Individual B transferred to the Group its legal title over one vessel without any consideration. Such vessels were subsequently transferred to a third party leasing company (“Leasing Company B”) to obtain financing of US\$27,000,000 by way of sale and leaseback arrangement. The term of the loans are all 8 years and the interest rate is the aggregate of margin (4.1%) and London Interbank Offered Rate (“LIBOR”). Except the pledge of the related vessels, Mr. Guo and Mr. Chen also provided personal guarantee. Among the loans obtained, US\$18,000,000 was allocated to Company A in 2018, US\$3,600,000 and US\$1,800,000 were allocated to Individual B in 2018 and 2019, respectively, with the same term and interest rate.

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The loans to Company A and Individual B and the loans from Leasing Company B have been settled in October 2021.

In 2017, the Group entered into a sale and lease back arrangement of one vessel with a third party leasing company (“Leasing Company C”) to obtain loans of US\$5,370,000, while Company B provided mortgage guarantee using its two vessels. The term of the loan is 8 years and the interest rate is the aggregate of margin (4.8%) and three months LIBOR. Except the pledge of the related 3 vessels, Seacon Shipping Group also provided guarantee. The Group allocated loans amounted to US\$2,000,000 to Company B with the same term and interest rate. Subsequently, Company B repaid its principals and interest to the Group. The loans to Company B and the loans from Leasing Company C have been settled in January 2021.

- (b) The Group entered into two, two, two vessels purchase contracts in 2019, 2020 and 2021 respectively, the expected delivery date of 5 vessels will be in 2023 and 1 vessel will be in 2024. The Group prepaid for vessels purchased according to the payment schedule of the purchase contracts.

### 17 INVENTORIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Lubricating oil and spare parts	1,192	627	715	1,411
Fuels	<u>3,703</u>	<u>5,075</u>	<u>3,936</u>	<u>11,638</u>
	4,895	5,702	4,651	13,049
Less: provision for impairment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>4,895</u></u>	<u><u>5,702</u></u>	<u><u>4,651</u></u>	<u><u>13,049</u></u>

The cost of inventories recognised as cost of sales amounted to approximately US\$18,625,000, US\$33,268,000, US\$42,030,000, US\$18,782,000 and US\$26,700,000 for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022, respectively.

### 18 PREPAYMENT AND OTHER CURRENT ASSETS

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Prepayments for:				
— vessels under short term charter basis and office rental	325	2,204	3,943	2,830
— insurance expenses	251	320	426	879
— spare parts purchase	—	15	516	310
— [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— others	<u>118</u>	<u>413</u>	<u>864</u>	<u>327</u>
	<u><u>694</u></u>	<u><u>2,952</u></u>	<u><u>6,134</u></u>	<u><u>4,956</u></u>

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**19 TRADE AND OTHER RECEIVABLES**

	As at 31 December		As at 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2022 US\$'000
Trade receivables — ship management business				
— third parties	3,389	3,587	5,486	2,446
— related parties ( <i>Note 30(i)</i> )	74	827	121	451
Less: provision for impairment	<u>(1)</u>	<u>(11)</u>	<u>(17)</u>	<u>(6)</u>
Trade receivables — net	<u>3,462</u>	<u>4,403</u>	<u>5,590</u>	<u>2,891</u>
Trade receivables — shipping business				
— third parties	5,184	11,652	11,363	22,300
— related parties ( <i>Note 30(i)</i> )	—	217	32	—
Less: provision for impairment	<u>(2)</u>	<u>(30)</u>	<u>(25)</u>	<u>(30)</u>
Trade receivables — net	<u>5,182</u>	<u>11,839</u>	<u>11,370</u>	<u>22,270</u>
Other receivables				
— amount due from related parties ( <i>Note 30(i)</i> )	5,518	5,148	3,623	2,344
— deposits to related parties ( <i>Note 30(i)</i> )	—	11	50	—
— amount due from third parties	458	—	—	—
— deposits and guarantees	1,818	2,722	3,496	4,779
— others	<u>1,788</u>	<u>2,955</u>	<u>1,478</u>	<u>4,280</u>
	9,582	10,836	8,647	11,403
Less: provision for impairment of other receivables	<u>(81)</u>	<u>(115)</u>	<u>(65)</u>	<u>(162)</u>
Other receivables — net	<u>9,501</u>	<u>10,721</u>	<u>8,582</u>	<u>11,241</u>
	<u>18,145</u>	<u>26,963</u>	<u>25,542</u>	<u>36,402</u>

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables — ship management business				
Within 3 months	2,883	3,498	2,942	2,744
3–6 months	395	431	347	140
6–12 months	185	476	853	13
1–2 years	—	9	1,465	—
	<u>3,463</u>	<u>4,414</u>	<u>5,607</u>	<u>2,897</u>
Less: provision for impairment	<u>(1)</u>	<u>(11)</u>	<u>(17)</u>	<u>(6)</u>
	<u>3,462</u>	<u>4,403</u>	<u>5,590</u>	<u>2,891</u>
	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables — shipping business				
Within 3 months	5,184	11,645	10,662	21,627
3–6 months	—	68	711	579
6–12 months	—	134	—	72
1–2 years	—	22	—	—
2–3 years	—	—	22	22
	<u>5,184</u>	<u>11,869</u>	<u>11,395</u>	<u>22,300</u>
Less: provision for impairment	<u>(2)</u>	<u>(30)</u>	<u>(25)</u>	<u>(30)</u>
	<u>5,182</u>	<u>11,839</u>	<u>11,370</u>	<u>22,270</u>

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

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

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

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					unaudited
Trade receivables — ship management business					
At beginning of the year/period	—	(1)	(11)	(11)	(17)
Provision	(1)	(10)	(16)	(5)	(5)
Reversal	—	—	10	—	16
At the end of the year/period	<u>(1)</u>	<u>(11)</u>	<u>(17)</u>	<u>(16)</u>	<u>(6)</u>

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					unaudited
Trade receivables — shipping business					
At beginning of the year/period	(1)	(2)	(30)	(30)	(25)
Provision	(1)	(28)	—	(69)	(5)
Reversal	—	—	5	—	—
At the end of the year/period	<u>(2)</u>	<u>(30)</u>	<u>(25)</u>	<u>(99)</u>	<u>(30)</u>

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
US\$	7,968	14,828	16,012	24,433
RMB	<u>676</u>	<u>1,414</u>	<u>948</u>	<u>728</u>
	<u>8,644</u>	<u>16,242</u>	<u>16,960</u>	<u>25,161</u>

All carrying amounts of trade receivables approximate their fair values.

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Within 1 year	9,083	8,805	8,092	11,162
1-2 years	87	2,030	495	52
2-3 years	412	1	60	150
Over 3 years	—	—	—	39
	<u>9,582</u>	<u>10,836</u>	<u>8,647</u>	<u>11,403</u>

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

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
At beginning of the year/period	(198)	(81)	(115)	(115)	(65)
Provision	—	(34)	—	(24)	(97)
Reversal	117	—	50	—	—
At the end of the year/period	<u>(81)</u>	<u>(115)</u>	<u>(65)</u>	<u>(139)</u>	<u>(162)</u>

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

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
US\$	8,315	8,157	6,985	9,752	
RMB	929	2,478	1,033	1,439	
SG\$	235	54	242	50	
JPY	22	32	311	—	
EUR	—	—	11	—	
	<u>9,501</u>	<u>10,721</u>	<u>8,582</u>	<u>11,241</u>	

All other receivables’ carrying amounts approximate their fair values.

**20 CASH AND BANK BALANCES**

**(a) Restricted bank deposits**

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
Restricted bank deposits — current					
— Security deposits for letter of guarantee	—	72	31	64	

**(b) Cash and cash equivalents**

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
Cash in hand	44	59	62	24	
Cash at banks	1,899	4,361	24,968	19,656	
	<u>1,943</u>	<u>4,420</u>	<u>25,030</u>	<u>19,680</u>	

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
US\$	1,533	2,599	22,850	18,958
SG\$	191	453	260	199
RMB	130	1,037	1,243	359
JPY	81	403	708	195
HK\$	8	—	—	33
	<u>1,943</u>	<u>4,492</u>	<u>25,061</u>	<u>19,744</u>

The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the RMB held by the PRC subsidiaries amounted to US\$127,000, US\$959,000, US\$1,177,000 and US\$266,000 respectively.

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

**21 ASSETS CLASSIFIED AS HELD FOR SALE**

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Vessels	<u>—</u>	<u>7,318</u>	<u>—</u>	<u>—</u>

In December 2020, upon the approval from the Directors, the Group entered into two agreements with third parties to sell two vessels. The sales were completed in 2021. The assets are presented within total assets of the shipping business segment in Note 5.

Vessels classified as held for sale during the Track Record Period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a write-down of US\$1,244,000 as other losses, net in the consolidated statements of comprehensive income. The fair value of the vessels was based upon the sales value as agreed in the sales contracts.



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**22 RESERVES**

**The Group**

	<b>Reserves</b> <i>US\$’000</i>	<b>Statutory reserve</b> <i>US\$’000</i>	<b>Share-based compensation</b> <i>US\$’000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$’000</i>	<b>Total</b> <i>US\$’000</i>
Balance at 1 January 2019 <i>(note (a))</i>	(1,174)	—	—	7	(1,167)
Exchange differences on translation of foreign operations	—	—	—	4	4
Balance at 31 December 2019	<u>(1,174)</u>	<u>—</u>	<u>—</u>	<u>11</u>	<u>(1,163)</u>

	<b>Reserves</b> <i>US\$’000</i>	<b>Statutory reserve</b> <i>US\$’000</i>	<b>Share-based compensation</b> <i>US\$’000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$’000</i>	<b>Total</b> <i>US\$’000</i>
Balance at 1 January 2020	(1,174)	—	—	11	(1,163)
Exchange differences on translation of foreign operations	—	—	—	14	14
Contribution by shareholders <i>(note (a))</i>	915	—	—	—	915
Transaction with non-controlling interests <i>(note (b))</i>	(266)	—	—	—	(266)
Balance at 31 December 2020	<u>(525)</u>	<u>—</u>	<u>—</u>	<u>25</u>	<u>(500)</u>

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	<b>Reserves</b> <i>US\$'000</i>	<b>Statutory reserve</b> <i>US\$'000</i>	<b>Share-based compensation</b> <i>US\$'000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Balance at 1 January 2021	(525)	—	—	25	(500)
Exchange differences on translation of foreign operations	—	—	—	5	5
Profit appropriation to statutory reserves	—	17	—	—	17
Deemed contribution — Seacon Shipping Group ( <i>note (c)</i> )	1,370	—	—	—	1,370
Deemed contribution — Seacon 6, Seacon 7, Seacon 8, Seacon 9 ( <i>note (d)</i> )	2,300	—	—	—	2,300
Transaction with non-controlling interests ( <i>note (e)</i> )	12	—	—	—	12
Employee share schemes — value of employee services ( <i>note (f)</i> )	—	—	5,635	—	5,635
Balance at 31 December 2021	<u>3,157</u>	<u>17</u>	<u>5,635</u>	<u>30</u>	<u>8,839</u>
				<b>Exchange differences on translation of foreign operations</b>	<b>Total</b>
	<b>Reserves</b> <i>US\$'000</i>	<b>Statutory reserve</b> <i>US\$'000</i>	<b>Share-based compensation</b> <i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Unaudited</b>					
Balance at 1 January 2021	(525)	—	—	25	(500)
Exchange differences on translation of foreign operations	—	—	—	5	5
Balance at 31 May 2021	<u>(525)</u>	<u>—</u>	<u>—</u>	<u>30</u>	<u>(495)</u>

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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## ACCOUNTANT’S REPORT

	<b>Reserves</b> <i>US\$'000</i>	<b>Statutory reserve</b> <i>US\$'000</i>	<b>Share-based compensation</b> <i>US\$'000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Balance at					
1 January 2022	3,157	17	5,635	30	8,839
Exchange differences on translation of foreign operations	—	—	—	(43)	(43)
Debt waive from shareholders of the Company ( <i>note (g)</i> )	914	—	—	—	914
Merger reserves arising from the re-organisation ( <i>note (h)</i> )	(53)	—	—	—	(53)
Capital injection	<u>10</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10</u>
Balance at 31 May 2022	<u><u>4,028</u></u>	<u><u>17</u></u>	<u><u>5,635</u></u>	<u><u>(13)</u></u>	<u><u>9,667</u></u>

### The Company

	<b>Reserves</b> <i>US\$'000</i>	<b>Statutory reserve</b> <i>US\$'000</i>	<b>Share-based compensation</b> <i>US\$'000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Balance upon incorporation	—	—	—	—	—
Employee share schemes — value of employee services ( <i>note (f)</i> )	<u>—</u>	<u>—</u>	<u>5,635</u>	<u>—</u>	<u>5,635</u>
Balance at 31 December 2021	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>5,635</u></u>	<u><u>—</u></u>	<u><u>5,635</u></u>

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	<b>Reserves</b> <i>US\$'000</i>	<b>Statutory reserve</b> <i>US\$'000</i>	<b>Share-based compensation</b> <i>US\$'000</i>	<b>Exchange differences on translation of foreign operations</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Balance at 1 January 2022	—	—	5,635	—	5,635
Merger reserves arising from the re-organisation (note (i))	<u>65,144</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>65,144</u>
Balance at 31 May 2022	<u><u>65,144</u></u>	<u><u>—</u></u>	<u><u>5,635</u></u>	<u><u>—</u></u>	<u><u>70,779</u></u>

- (a) As part of the Reorganisation mentioned in Note 1.2, Shandong Seacon Crew Manning Co., Limited (“Shandong Crew Manning”) was engaged in the Non-[REDACTED] Businesses. In accordance with the basis of presentation as set out in Note 1.3, the financial results and positions of the Non-[REDACTED] Businesses have not been included in this Historical Financial Information. Accordingly, the investment in Shandong Crew Manning held by Seacon Ships Qingdao has been excluded from this Historical Financial Information and been accounted for as deemed distribution at the beginning of the earliest period presented, and the cash received by Seacon Ships Qingdao amounted to US\$915,000 from disposal of Shandong Crew Manning in 2020 has been treated as contribution by shareholders. On 25 April 2022, Shandong Crew Manning renamed to Qingdao Sinostar Crew Manning Co., Limited.
- (b) As mentioned in Note 1.2(v), on 30 June 2020, 48% shareholding interests of Star Wealth Ltd was transferred to Seacon Star Group Ltd with nil consideration and it is treated as a transaction with non-controlling interests. 48% of the net liabilities of Star Wealth Ltd was recognised as deemed distribution to non-controlling interests.
- (c) As mentioned in Note 1.2(v), Seacon Shipping Group was retained in Seacon Group, the net liabilities of Seacon Shipping Group are treated as a deem contribution of the shareholders on 31 December 2021.
- (d) As mentioned in Note 14, Seacon 6, Seacon 7, Seacon 8 and Seacon 9 were treated as the associates of the Group, thus the consideration of US\$2,300,000 paid by Seacon Star Group Ltd were accounted for as a deemed contribution by shareholders to the Group.
- (e) As mentioned in Note 1.2(v), Mr. Shi acquired 3% of equity interests in Seacon Ships Qingdao from Mr. Chen on 6 December 2021, as the consideration were paid to Mr. Chen, 3% of the net liabilities of Seacon Ships Qingdao was treated as deemed distribution to non-controlling interests and recognised in reserves.

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- (f) As mentioned in Note 1.2(i), in November 2021, Mr. Guo transferred 2% and 1% shareholding of the Company to Mr. Zhao and Mr. He respectively. There is no any consideration or any service restriction, which led to share-based compensation. The fair value of the services received in exchange for the grant of the shares amounted to US\$5,635,000 is recognised as expense and reserves.
- (g) Star Wealth Ltd was dissolved on 6 January 2022, the debt of Star Wealth Ltd was waived from shareholders of the Company and treated as reserves.
- (h) As mentioned in Note 1.2(v), in February 2022, 97% shareholding interests amounted to US\$784,000 of Seacon Ships Qingdao was transferred to Seacon Ships Shanghai with the consideration of US\$837,000, the excess portion amounted to US\$53,000 was treated as merger reserves arising from the re-organisation.
- (i) Merger reserves arising from the re-organisation of the Company represent the net asset value of the subsidiaries comprising the Group acquired by the Company in excess of the nominal value of the Company’s shares issued for the interests of the subsidiaries pursuant to the re-organisation.

**23 BORROWINGS**

	As at 31 December		As at 31 May	
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
<b>Non-current</b>				
Long-term borrowings				
— secured ( <i>note (a)</i> )	58,762	49,717	32,584	76,052
— unsecured	—	291	261	165
	58,762	50,008	32,845	76,217
Less: borrowings due within one year				
— secured	(10,830)	(12,289)	(5,295)	(9,817)
— unsecured	—	—	(74)	(24)
	<u>47,932</u>	<u>37,719</u>	<u>27,476</u>	<u>66,376</u>

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

		As at 31 December		2021 US\$'000	As at 31 May 2022 US\$'000
		2019 US\$'000	2020 US\$'000		
<b>Guarantor:</b>	<b>Pledge:</b>				
Seacon Shipping Group**	Vessels	18,745	17,628	16,442	—
Seacon Shipping Group**/ Mr. Guo/Mr. Chen/ Individual C/Individual D	Vessels	6,567	4,951	1,607	—
Mr. Guo/Mr. Chen		2,439	1,985	—	—
Golden Tulip Ltd/Glory Hangzhou Ltd/Seacon Ships Management (HK)**/Qingdao Wantong Shipping Co., Ltd./Mr. Guo/Mr. Chen/Individual C/ Individual D/Individual A/ Individual E	Vessels	3,472	1,103	—	—
Seacon Shipping Group**/ Mr. Guo/Mr. Chen	Vessels	26,747	22,498	—	—
Seacon Shipping Group**/ Sunny Star Shipping Ltd./Seacon Marine (SG)**/Mr. Guo/Mr. Chen	Vessels	—	—	4,708	—
Seacon Kobe**	Vessels	—	—	2,633	2,340
Seacon Osaka**	Vessels	—	—	3,060	2,700
Seacon Victory**	Vessels	—	—	2,462	2,173
Mr. Guo, Mr. Wang Guangfu	N/A	—	674	518	451
Mr. Guo	N/A	—	—	596	—
Individual F	N/A	—	145	520	506
Mr. Guo	Buildings owned by Mr. Guo	717	675	—	—
N/A	Car	75	58	38	—
The Company	Vessels	—	—	—	43,135
The Company/Mr. Guo/ Mr. Chen	Vessels	—	—	—	4,546
The Company/Seacon Shipping	Vessels	—	—	—	19,630
N/A	Buildings	—	—	—	571
		<u>58,762</u>	<u>49,717</u>	<u>32,584</u>	<u>76,052</u>

\*\* These companies are the subsidiaries of the Group, except that Seacon Shipping Group was retained in Seacon Group on 31 December 2021 and became a related party of the Group since then. The rest of guarantors are all related parties. Management will change those related party guarantors to the Company or replace the relevant guarantors before the [REDACTED].

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- (b) The Group’s borrowings were repayable as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
Within 1 year	10,830	12,289	5,369	9,841
1–2 years	8,538	7,841	5,071	8,544
2–5 years	14,878	11,779	12,604	23,908
Over 5 years	<u>24,516</u>	<u>18,099</u>	<u>9,801</u>	<u>33,924</u>
	<u>58,762</u>	<u>50,008</u>	<u>32,845</u>	<u>76,217</u>

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
Within 1 year	58,705	49,019	27,556	71,443
1–2 years	19	184	1,334	1,131
2–5 years	38	538	3,750	3,484
Over 5 years	<u>—</u>	<u>267</u>	<u>205</u>	<u>159</u>
	<u>58,762</u>	<u>50,008</u>	<u>32,845</u>	<u>76,217</u>

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

- (e) The Group was required to maintain cash on deposit in respect of certain borrowings under sales and lease back arrangement. The cash cannot be withdrawn or used by the Group for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the Group and the lender intend to net settle. As a result, the Group’s borrowings have been presented net of the cash on deposit, as the requirements under HKFRS to offset have been met. The offsetting amounts were US\$600,000 and US\$809,000 as at 31 December 2019 and 31 May 2022, respectively, and there was no offsetting of assets and liabilities as at 31 December 2020 and 2021.

- (f) The Group’s borrowings are denominated in the following currencies:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
US\$	57,970	48,020	30,912	74,524
RMB	717	674	596	571
JPY	—	582	781	671
SG\$	<u>75</u>	<u>732</u>	<u>556</u>	<u>451</u>
	<u>58,762</u>	<u>50,008</u>	<u>32,845</u>	<u>76,217</u>

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- (g) The average rates of the Group’s borrowings for the respective years/period are summarised as below:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
Borrowings	<u>7.98%</u>	<u>6.08%</u>	<u>4.60%</u>	<u>1.48%</u>

### 24 ADVANCES AND CONTRACT LIABILITIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
Contract liabilities — ship management business	201	292	464	938
Advances and contract liabilities — shipping business	<u>1,415</u>	<u>4,259</u>	<u>3,984</u>	<u>4,279</u>
	<u>1,616</u>	<u>4,551</u>	<u>4,448</u>	<u>5,217</u>

Advances and contract liabilities balance amounted to US\$1,616,000, US\$4,551,000, US\$4,448,000 and US\$5,217,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022 has been or will be recognised as revenue in the year ended 31 December 2020, 2021 and 2022, respectively.

### 25 TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
Trade payables ( <i>note (a)</i> )				
— third parties	11,227	17,984	15,712	23,181
— related parties ( <i>Note 30(i)</i> )	<u>1,295</u>	<u>4,511</u>	<u>4,137</u>	<u>3,078</u>
	12,522	22,495	19,849	26,259
Other payables ( <i>note (c)</i> )				
— amount due to related parties ( <i>Note 30(i)</i> )	34,971	33,946	26,850	8,033
— deposits from related parties ( <i>Note 30(i)</i> )	8	60	154	156
— amount due to third parties	—	472	—	—
— deposits and guarantees	882	1,598	2,025	1,616
— salaries and staff welfare payable	1,155	664	2,524	546
— provisions for legal proceeding	—	—	784	1,430
— [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— others	<u>142</u>	<u>111</u>	<u>126</u>	<u>160</u>
	<u>37,158</u>	<u>36,851</u>	<u>33,398</u>	<u>12,261</u>
	<u>49,680</u>	<u>59,346</u>	<u>53,247</u>	<u>38,520</u>



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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Less than 1 year	12,499	22,245	19,670	26,134
1–2 years	23	250	176	104
2–3 years	—	—	3	21
	<u>12,522</u>	<u>22,495</u>	<u>19,849</u>	<u>26,259</u>

- (b) The carrying amounts of trade payables of the Group are denominated in the following currencies:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
US\$	10,699	20,185	18,979	25,835
RMB	1,819	2,273	774	355
Others	<u>4</u>	<u>37</u>	<u>96</u>	<u>69</u>
	<u>12,522</u>	<u>22,495</u>	<u>19,849</u>	<u>26,259</u>

- (c) Aging analysis of other payables of the Group on each balance sheet date was as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
Less than 1 year	37,127	36,055	32,452	11,797
1–2 years	<u>31</u>	<u>796</u>	<u>946</u>	<u>464</u>
	<u>37,158</u>	<u>36,851</u>	<u>33,398</u>	<u>12,261</u>

- (d) The carrying amounts of other payables of the Group are denominated in the following currencies:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
US\$	33,697	31,258	27,967	9,655
RMB	3,391	5,553	3,949	2,599
Others	<u>70</u>	<u>40</u>	<u>1,482</u>	<u>7</u>
	<u>37,158</u>	<u>36,851</u>	<u>33,398</u>	<u>12,261</u>

- (e) The carrying amounts of trade and other payables of the Group approximate their fair values.

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### 26 DIVIDEND

Seacon Enterprise, a non-wholly owned subsidiary which the Group has 60% shareholding interests, declared cash dividend of US\$100,000, US\$300,000, US\$8,000,000, nil and nil respectively for the year ended 31 December 2019, 2020 and 2021 and five months ended 31 May 2021 and 2022, and paid cash dividend of US\$40,000, US\$120,000, US\$3,200,000, nil and nil respectively to its non-controlling interests for the corresponding periods.

No dividends have been declared or paid by the Company in respect of the Track Record Period.

### 27 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Reconciliation of profit before income tax to net cash flows generated from operations:

	Year ended 31 December			Five months ended	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
<b>Profit before income tax</b>	8,923	1,394	41,186	10,742	34,146
<b>Adjustments for:</b>					
— Net impairment losses on financial assets	(106)	120	(205)	55	91
— Depreciation and amortisation ( <i>Note 7</i> )	8,927	15,412	18,264	5,338	12,368
— Gains on disposal of property, plant and equipment	(65)	—	(3)	—	(5,683)
— Provision of held-for-sale assets	—	1,244	—	—	—
— Gains from finance leasing	—	(76)	—	—	—
— Share of profit/(loss) of associates and joint ventures	(253)	242	(4,314)	(572)	(4,566)
— Finance costs ( <i>Note 9</i> )	2,777	3,913	3,451	1,277	2,389
— Share-based compensation	—	—	5,635	—	—
— Fair value loss/(gain) of financial assets at fair value through profit or loss	3	(368)	(920)	(67)	(383)
— [REDACTED] fees	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Changes in working capital:</b>					
— (Increase)/decrease on restricted cash	—	(72)	41	(1)	(33)
— Inventories	(2,489)	(807)	1,051	(1,701)	(8,398)
— Trade and other receivables	(8,431)	(13,620)	(27,166)	(2,578)	(7,725)
— Advances and contract liabilities	198	(2,935)	103	985	(769)
— Trade and other payables	73	20,023	51,148	4,240	5,360
<b>Cash generated from operations</b>	<u>9,557</u>	<u>24,470</u>	<u>88,271</u>	<u>17,718</u>	<u>28,255</u>

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**(b) Proceeds from sale of property, plant and equipment comprise:**

	Year ended 31 December			Five months ended 31 May	
	2019 US\$'000	2020 US\$'000	2021 US\$'000	2021 US\$'000 unaudited	2022 US\$'000
Net book amount of property, plant and equipment disposal ( <i>Note 12</i> )	5,789	—	25	—	10,297
Net book amount of assets classified as held for sale ( <i>Note 21</i> )	—	—	7,318	7,318	—
Net gains on disposal of property, plant and equipment ( <i>Note 6</i> )	<u>65</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>5,683</u>
Proceeds from disposal of property, plant and equipment	<u><u>5,854</u></u>	<u><u>—</u></u>	<u><u>7,346</u></u>	<u><u>7,318</u></u>	<u><u>15,980</u></u>

**(c) Summary of net debt**

	As at 31 December			As at
	2019 US\$'000	2020 US\$'000	2021 US\$'000	31 May 2022 US\$'000
Cash and cash equivalents	1,943	4,420	25,030	19,680
Borrowings — repayable within 1 year	(10,830)	(12,289)	(5,369)	(9,841)
Borrowings — repayable after 1 year	(47,932)	(37,719)	(27,476)	(66,376)
Lease liabilities — repayable within 1 year	(9,880)	(9,385)	(21,073)	(24,053)
Lease liabilities — repayable after 1 year	(32,490)	(23,121)	(65,586)	(76,187)
Amount due to related parties	(34,971)	(33,946)	(26,850)	(8,033)
Amount due to third parties	<u>—</u>	<u>(472)</u>	<u>—</u>	<u>—</u>
Net debt	<u><u>(134,160)</u></u>	<u><u>(112,512)</u></u>	<u><u>(121,324)</u></u>	<u><u>(164,810)</u></u>
Cash and cash equivalents	1,943	4,420	25,030	19,680
Gross debt — interest free	(34,971)	(34,418)	(26,850)	(8,033)
Gross debt — fixed interest rates	(42,445)	(33,675)	(93,254)	(106,382)
Gross debt — floating interest rates	<u>(58,687)</u>	<u>(48,839)</u>	<u>(26,250)</u>	<u>(70,075)</u>
Net debt	<u><u>(134,160)</u></u>	<u><u>(112,512)</u></u>	<u><u>(121,324)</u></u>	<u><u>(164,810)</u></u>

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**(d) Reconciliation of liabilities arising from financing activities**

	<b>Borrowings</b>	<b>Lease liabilities</b>	<b>Amount due to related parties</b>	<b>Amount due to third parties</b>	<b>Total</b>
As at 1 January 2019	(33,420)	(6,084)	(28,918)	—	(68,422)
Lease liabilities recognised	—	(48,499)	—	—	(48,499)
Cash flows	(512)	12,213	(4,669)	—	7,032
Non-cash transaction	(24,830)	—	(1,384)	—	(26,214)
Interest charged	(1,650)	(1,127)	—	—	(2,777)
Interest paid	1,650	1,127	—	—	2,777
As at 31 December 2019	<u>(58,762)</u>	<u>(42,370)</u>	<u>(34,971)</u>	<u>—</u>	<u>(136,103)</u>
As at 1 January 2020	(58,762)	(42,370)	(34,971)	—	(136,103)
Lease liabilities recognised	—	(54)	—	—	(54)
Cash flows	6,504	9,918	4,990	(515)	20,897
Non-cash transaction	2,250	—	(3,965)	43	(1,672)
Interest charged	(2,249)	(1,664)	—	—	(3,913)
Interest paid	2,249	1,664	—	—	3,913
As at 31 December 2020	<u>(50,008)</u>	<u>(32,506)</u>	<u>(33,946)</u>	<u>(472)</u>	<u>(116,932)</u>
	<b>Borrowings</b>	<b>Lease liabilities</b>	<b>Amount due to related parties</b>	<b>Amount due to third parties</b>	<b>Total</b>
As at 1 January 2021	(50,008)	(32,506)	(33,946)	(472)	(116,932)
Lease liabilities recognised	—	(85,726)	—	—	(85,726)
Change of lease term	—	12,179	—	—	12,179
Cash flows	3,944	20,942	27,487	(713)	51,660
Non-cash transaction	13,219	—	1,104	827	15,150
Effect of Seacon Shipping Group	—	(1,548)	(21,495)	358	(22,685)
Interest charged	(1,934)	(1,517)	—	—	(3,451)
Interest paid	1,934	1,517	—	—	3,451
As at 31 December 2021	<u>(32,845)</u>	<u>(86,659)</u>	<u>(26,850)</u>	<u>—</u>	<u>(146,354)</u>
	<b>Borrowings</b>	<b>Lease liabilities</b>	<b>Amount due to related parties</b>	<b>Amount due to third parties</b>	<b>Total</b>
<b>Unaudited</b>					
As at 1 January 2021	(50,008)	(32,506)	(33,946)	(472)	(116,932)
Lease liabilities recognised	—	(13,815)	—	—	(13,815)
Cash flows	(3,380)	5,648	6,139	115	8,522
Non-cash transaction	845	—	(3,250)	—	(2,405)
Interest charged	(696)	(581)	—	—	(1,277)
Interest paid	696	581	—	—	1,277
As at 31 May 2021	<u>(52,543)</u>	<u>(40,673)</u>	<u>(31,057)</u>	<u>(357)</u>	<u>(124,630)</u>

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	<b>Borrowings</b>	<b>Lease liabilities</b>	<b>Amount due to related parties</b>	<b>Amount due to third parties</b>	<b>Total</b>
As at 1 January 2022	(32,845)	(86,659)	(26,850)	—	(146,354)
Lease liabilities recognised	—	(24,368)	—	—	(24,368)
Cash flows	(1,506)	9,648	17,564	—	25,706
Non-cash transaction	(41,250)	1,139	1,253	—	(38,858)
Interest charged	(1,554)	(835)	—	—	(2,389)
Interest paid	938	835	—	—	1,773
As at 31 May 2022	<u>(76,217)</u>	<u>(100,240)</u>	<u>(8,033)</u>	<u>—</u>	<u>(184,490)</u>

**(e) Major non-cash transactions:**

	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				unaudited	
<b>Cash flows from investing activities</b>					
Vessel purchase payment offset by advances to a third party	3,765	—	—	—	—
Vessel purchase payment offset by borrowings from leasing companies (note (i))	27,080	—	—	—	41,250
<b>Borrowings repayment offset by loans receivable from Company A (note (ii))</b>	2,250	2,250	13,219	845	—
<b>Cash flows from financing activities</b>					
Vessel purchase payment offset by borrowings from leasing companies (note (i))	27,080	—	—	—	41,250
<b>Borrowings repayment offset by loans receivable from Company A (note (ii))</b>	2,250	2,250	13,219	845	—

- (i) The Group purchased vessels from third party sellers in 2019 and 2022, and then got borrowings from leasing companies under sales and lease back arrangements. The leasing companies paid directly to the sellers on behalf of the Group.
- (ii) As mentioned in Note 16, the loans related to two vessels of Company A was repaid directly by Company A to Leasing Company B.
- (iii) For non-cash transactions with related parties paid/received on behalf between the Group and related parties, see note 30(d)(e).

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- (f) During the Track Record Period, the Group’s cash inflows and outflows with certain related parties of which turnover is quick, amounts are large and maturities are short, are net presented on the consolidated statements of cash flows.

### 28 CONTINGENCIES

As mentioned in Note 6, there is a one on-going legal proceedings in connection with a dispute over a bareboat charter contract, management made a provision of US\$803,000 in 2021 based on the estimated compensation amount.

The Group chartered one vessel recognised as right-of-use assets out to one customer (“Claimant A”) under time charter arrangement with a maximum period of approximate 11 months. A dispute arose from the redelivery date of the vessel in 2021. The Claimant A initiated the arbitration proceeding against the Group and claimed for various damages of approximately US\$1,013,000 in February 2022. Based on the legal counsel’s opinion that the Group had a good chance of success to defend the claim, and the maximum risk exposure was US\$384,000. Based on the legal counsel’s opinion, the management made a provision of US\$384,000 in the five months ended 31 May 2022 based on the estimated compensation amount.

The Group chartered one vessel from one supplier (“Claimant B”), and then chartered out to one customer (“Sub-charterer”). A dispute arose from the readiness of the holds of this vessel on arrival in 2021. In February 2022, Claimant B claimed reimbursement of US\$296,000 against the Group for the entire off-hire deduction plus cleaning expenses, while the Group claimed reimbursement of US\$403,000 against the Sub-charterer in March 2022. Based on the legal counsel’s opinion, the management made a provision of US\$296,000 in the five months ended 31 May 2022 based on the estimated compensation amount. However, the contingent assets was not recognised regarding to the claimed reimbursement against the Sub-charterer.

### 29 COMMITMENTS

#### (a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$’000	US\$’000	US\$’000	US\$’000
Property, plant and equipment	57,000	107,118	216,386	159,208

The Group entered into two, two, two vessels purchase contracts in 2019, 2020 and 2021 respectively, the expected delivery date of five vessels will be in 2023 and one vessel will be in 2024.

The Group also entered into two vessels purchase contracts in 2021, which have been delivered to the Group in January 2022.

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**(b) Lease commitments**

Bare-boat charter contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
— Within 1 year	—	—	3,940	—	
— From 1 year to 5 years	—	—	25,774	—	
	<u>—</u>	<u>—</u>	<u>29,714</u>	<u>—</u>	

The Group entered into 2 bare-boat charter contracts in 2021, which have been delivered to the Group in February and May 2022 respectively.

**(c) Non-cancellable operating lease**

At 31 December 2019, 2020 and 2021 and 31 May 2022, the Group had future minimum rental receivable under certain non-cancellable leases as follows:

	As at 31 December			As at 31 May	
	2019	2020	2021	2022	
	US\$'000	US\$'000	US\$'000	US\$'000	
Within 1 year	<u>10,395</u>	<u>23,128</u>	<u>27,176</u>	<u>30,847</u>	

**30 RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholders’ families. Members of key management and their close family member of the Group are also considered as related parties.

The following is a summary of the significant transactions took place between the Group and its related parties at terms as mutually agreed among the parties concerned during the Tracking Record Period.

**(a) Purchases of goods or services**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Seacon Group	<u>12,324</u>	<u>21,397</u>	<u>27,998</u>	<u>12,248</u>	<u>10,743</u>

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**(b) Provide services**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Joint ventures and associates	848	1,225	4,739	711	1,878
Seacon Group	264	925	114	31	205
Other related parties	—	1,831	—	—	—
	<u>1,112</u>	<u>3,981</u>	<u>4,853</u>	<u>742</u>	<u>2,083</u>

**(c) Lease**

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
<b>Rental income</b>					
Seacon Group	<u>23</u>	<u>37</u>	<u>52</u>	<u>13</u>	<u>—</u>

**(d) Advances to related parties**

*Advances to joint ventures and associates*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances to related parties during the year/period					
— Cash	—	8,505	628	19	2,226
— Non cash	—	239	—	—	—
	<u>—</u>	<u>8,744</u>	<u>628</u>	<u>19</u>	<u>2,226</u>
Repayments from related parties during the year/period					
— Cash	(182)	(8,288)	(1,587)	(49)	(245)
— Non cash	—	(106)	—	—	—
	<u>(182)</u>	<u>(8,394)</u>	<u>(1,587)</u>	<u>(49)</u>	<u>(245)</u>



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*Advances to Seacon Group*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances to related parties during the year/period					
— Cash	4,342	5,463	3,750	1,375	4,503
— Non cash	<u>475</u>	<u>18</u>	<u>244</u>	<u>115</u>	<u>1,133</u>
	<u>4,817</u>	<u>5,481</u>	<u>3,994</u>	<u>1,490</u>	<u>5,636</u>
Repayments from related parties during the year/period					
— Cash	(1,762)	(5,707)	(2,547)	(702)	(5,467)
— Non cash	<u>(475)</u>	<u>(302)</u>	<u>(1,448)</u>	<u>(57)</u>	<u>(3,429)</u>
	<u>(2,237)</u>	<u>(6,009)</u>	<u>(3,995)</u>	<u>(759)</u>	<u>(8,896)</u>

*Advances to other related parties*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances to related parties during the year/period					
— Cash	40,821	1,858	410	288	—
— Non cash	<u>16,301</u>	<u>6,243</u>	<u>28</u>	<u>13</u>	<u>—</u>
	<u>57,122</u>	<u>8,101</u>	<u>438</u>	<u>301</u>	<u>—</u>
Repayments from related parties during the year/period					
— Cash	(51,870)	(6,300)	(426)	(303)	—
— Non cash	<u>(8,824)</u>	<u>(1,993)</u>	<u>(249)</u>	<u>(206)</u>	<u>—</u>
	<u>(60,694)</u>	<u>(8,293)</u>	<u>(675)</u>	<u>(509)</u>	<u>—</u>

Advances to related parties also includes amount paid/received on behalf between the Group and related parties.

Advances to related parties were all unsecured and collectable within one year. As mutually agreed with the parties in concern, the Group did not charge any interest on the advances to related parties.

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(e) **Advances from related parties**

*Advances from joint ventures and associates*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances from related parties during the year/period					
— Cash	<u>106</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Repayments to related parties during the year/period					
— Cash	<u>—</u>	<u>(106)</u>	<u>—</u>	<u>—</u>	<u>—</u>

*Advances from Seacon Group*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances from related parties during the year/period					
— Cash	23,178	12,669	3,755	3,608	8,705
— Non cash	<u>1,667</u>	<u>6,219</u>	<u>12,086</u>	<u>4,365</u>	<u>29,673</u>
	<u>24,845</u>	<u>18,888</u>	<u>15,841</u>	<u>7,973</u>	<u>38,378</u>
Repayments to related parties during the year/period					
— Cash	(18,696)	(16,517)	(31,242)	(9,747)	(26,269)
— Non cash	<u>(283)</u>	<u>(3,232)</u>	<u>(13,190)</u>	<u>(1,115)</u>	<u>(30,902)</u>
	<u>(18,979)</u>	<u>(19,749)</u>	<u>(44,432)</u>	<u>(10,862)</u>	<u>(57,171)</u>

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*Advances from other related parties*

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Advances from related parties during the year/period					
— Cash	81	—	—	—	—
— Non cash	—	1,066	—	—	—
	<u>81</u>	<u>1,066</u>	<u>—</u>	<u>—</u>	<u>—</u>
Repayments to related parties during the year/period					
— Cash	—	(1,036)	—	—	—
— Non cash	—	(88)	—	—	(24)
	<u>—</u>	<u>(1,124)</u>	<u>—</u>	<u>—</u>	<u>(24)</u>

Advances from related parties also includes amount paid/received on behalf between the Group and related parties.

Advances from related parties were all unsecured and repayable within one year. As mutually agreed with the parties in concern, the Group did not pay any interest on the advances from related parties.

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**(f) Guarantees provided by related parties**

The information set out below represents the balance of borrowings and lease liabilities guaranteed by related party at the end of each year/period.

	As at 31 December			As at
	2019	2020	2021	31 May
	US\$'000	US\$'000	US\$'000	2022
				US\$'000
<b>For borrowings:</b>				
Seacon Shipping Group**/ Mr. Guo/Mr. Chen /Individual C/Individual D	6,567	4,951	1,607	—
Golden Tulip Ltd/Glory Hangzhou Ltd/Seacon Ships Management (HK)**/Qingdao Wantong Shipping Co., Ltd./Mr. Guo/ Mr. Chen/Individual C/ Individual D/Individual A/ Individual E	3,472	1,103	—	—
Mr. Guo, Mr. Chen	2,439	1,985	—	—
Seacon Shipping Group**, Mr. Guo, Mr. Chen	26,747	22,498	—	—
Mr. Guo	717	674	596	—
Mr. Guo, Mr. Wang Guangfu	—	675	518	451
Seacon Shipping Group**/Sunny Star Shipping Ltd./ Seacon Marine (SG)**/ Mr. Guo/Mr. Chen	—	—	4,708	—
The Company/Mr. Guo/Mr. Chen	—	—	—	4,546
Seacon Shipping Group**	—	—	16,442	—
	<u>39,942</u>	<u>31,886</u>	<u>23,871</u>	<u>4,997</u>
<b>For lease liabilities:</b>				
Seacon Shipping Group**	—	—	31,345	29,612
Sunny Star Shipping Ltd./Seacon Marine (SG)**/Mr. Guo/ Mr. Chen	—	—	45,670	—
The Company/Mr. Guo/Mr. Chen	—	—	—	58,183
	<u>—</u>	<u>—</u>	<u>77,015</u>	<u>87,795</u>
	<u>39,942</u>	<u>31,886</u>	<u>100,886</u>	<u>92,792</u>

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The information set out below represents the amount of new borrowings and lease liabilities guaranteed by related party during the Track Record Period.

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
<b>For borrowings:</b>					
Seacon Shipping Group**/Mr. Guo/ Mr. Chen/Individual C/ Individual D	9,000	1,563	—	—	—
Golden Tulip Ltd/Glory Hangzhou Ltd/Seacon Ships Management (HK)**/Qingdao Wantong Shipping Co., Ltd./Mr. Guo/ Mr. Chen/Individual C/ Individual D/ Individual A/ Individual E	4,340	—	—	—	—
Mr. Guo, Mr. Chen	4,000	—	—	—	—
Mr. Guo	717	—	—	—	—
Mr. Guo, Mr. Wang	—	709	—	—	—
Seacon Shipping Group**/Sunny Star Shipping Ltd./Seacon Marine (SG)**/ Mr. Guo/Mr. Chen	—	—	5,100	—	—
	<u>18,057</u>	<u>2,272</u>	<u>5,100</u>	<u>—</u>	<u>—</u>
<b>For lease liabilities:</b>					
Sunny Star Shipping Ltd./ Seacon Marine (SG)**/Mr. Guo/ Mr. Chen	—	—	52,578	—	—
The Company/Mr. Guo/ Mr. Chen	—	—	—	—	17,526
	<u>—</u>	<u>—</u>	<u>52,578</u>	<u>—</u>	<u>17,526</u>
	<u>18,057</u>	<u>2,272</u>	<u>57,678</u>	<u>—</u>	<u>17,526</u>

\*\* Seacon Shipping Group was retained in Seacon Group on 31 December 2021 and became a related party of the Group since then. Management will change those related party guarantors to the Company or replace the relevant guarantors before the [REDACTED].

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**(g) Guarantees provided for related parties**

	As at 31 December			As at
	2019	2020	2021	31 May
	US\$'000	US\$'000	US\$'000	2022
				US\$'000
Joint ventures and associates	8,800	8,000	—	—
Director	674	729	—	—
Seacon Group	<u>1,116</u>	<u>1,777</u>	<u>596</u>	<u>—</u>
	<u>10,590</u>	<u>10,506</u>	<u>596</u>	<u>—</u>

Management will cancel the guarantees provided to related party before the [REDACTED].

**(h) Key management compensation**

Key management includes directors (executive and non-executive) and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				unaudited	
Salaries, bonuses and other benefits	366	420	599	108	211
Share-based compensation expenses	<u>—</u>	<u>—</u>	<u>5,635</u>	<u>—</u>	<u>—</u>
	<u>366</u>	<u>420</u>	<u>6,234</u>	<u>108</u>	<u>211</u>

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(i) **Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services**

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Receivables from related parties</b>				
<b>Trade receivables:</b>				
— Joint ventures and associates	74	121	102	378
— Seacon Group	<u>—</u>	<u>923</u>	<u>51</u>	<u>73</u>
	<u>74</u>	<u>1,044</u>	<u>153</u>	<u>451</u>
<b>Other receivables</b>				
<b>Amount due from:</b>				
— Joint ventures and associates	868	1,218	259	2,240
— Seacon Group	3,707	3,178	3,364	104
— Other related parties	<u>943</u>	<u>752</u>	<u>—</u>	<u>—</u>
	<u>5,518</u>	<u>5,148</u>	<u>3,623</u>	<u>2,344</u>
<b>Deposits to:</b>				
— Seacon Group	<u>—</u>	<u>11</u>	<u>50</u>	<u>—</u>
	<u>—</u>	<u>11</u>	<u>50</u>	<u>—</u>
<b>Other receivables from related parties</b>	<u>5,518</u>	<u>5,159</u>	<u>3,673</u>	<u>2,344</u>

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	As at 31 December			As at 31 May
	2019	2020	2021	2022
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Payables to related parties</b>				
<b>Trade payables:</b>				
— Joint ventures and associates	—	—	367	—
— Seacon Group	1,295	4,511	3,770	3,078
	<u>1,295</u>	<u>4,511</u>	<u>4,137</u>	<u>3,078</u>
<b>Other payables:</b>				
<b>Amount due to:</b>				
— Joint ventures and associates	106	—	—	—
— Seacon Group	34,784	33,922	26,826	8,033
— Other related parties	81	24	24	—
	<u>34,971</u>	<u>33,946</u>	<u>26,850</u>	<u>8,033</u>
<b>Deposits from:</b>				
— Joint ventures and associates	8	3	21	27
— Seacon Group	—	57	133	129
	<u>8</u>	<u>60</u>	<u>154</u>	<u>156</u>
<b>Other payables to related parties</b>	<u>34,979</u>	<u>34,006</u>	<u>27,004</u>	<u>8,189</u>

Except amount due to and due from Seacon Group which were generated from non-operating activities, all other balances with related parties were generated from normal operating activities. The Group will settle the amount due to and due from Seacon Group before the [REDACTED] of the Company.

**31 BENEFITS AND INTERESTS OF DIRECTORS**

**(a) Directors’ and chief executive’s emoluments**

The remuneration of every Director and the chief executive is set out below:

For the year ended 31 December 2019:

Name	Director’s Fee US\$'000	Salaries US\$'000	Bonus US\$'000	Social benefits US\$'000	Share-based	Total US\$'000
					compensation expenses US\$'000	
<b>Chairman</b>						
Mr. Guo	—	83	—	22	—	105
<b>Executive directors</b>						
Mr. Chen	—	20	—	—	—	20
Mr. Zhao	—	89	44	4	—	137
Mr. He	—	78	20	6	—	104
	<u>—</u>	<u>270</u>	<u>64</u>	<u>32</u>	<u>—</u>	<u>366</u>



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For the year ended 31 December 2020:

Name	Director’s Fee <i>US\$’000</i>	Salaries <i>US\$’000</i>	Bonus <i>US\$’000</i>	Social benefits <i>US\$’000</i>	Share-based compensation expenses <i>US\$’000</i>	Total <i>US\$’000</i>
<b>Chairman</b>						
Mr. Guo	—	83	—	22	—	105
<b>Executive directors</b>						
Mr. Chen	—	66	—	—	—	66
Mr. Zhao	—	61	58	3	—	122
Mr. He	—	61	58	8	—	127
	—	271	116	33	—	420

For the year ended 31 December 2021:

Name	Director’s Fee <i>US\$’000</i>	Salaries <i>US\$’000</i>	Bonus <i>US\$’000</i>	Social benefits <i>US\$’000</i>	Share-based compensation expenses <i>US\$’000</i>	Total <i>US\$’000</i>
<b>Chairman</b>						
Mr. Guo	—	93	39	37	—	169
<b>Executive directors</b>						
Mr. Chen	—	110	31	—	—	141
Mr. Zhao	—	84	53	4	3,757	3,898
Mr. He	—	84	54	10	1,878	2,026
	—	371	177	51	5,635	6,234

For the five months ended 31 May 2021(unaudited):

Name	Director’s Fee <i>US\$’000</i>	Salaries <i>US\$’000</i>	Bonus <i>US\$’000</i>	Social benefits <i>US\$’000</i>	Share-based compensation expenses <i>US\$’000</i>	Total <i>US\$’000</i>
<b>Chairman</b>						
Mr. Guo	—	33	—	8	—	41
<b>Executive directors</b>						
Mr. Chen	—	26	—	—	—	26
Mr. Zhao	—	18	—	2	—	20
Mr. He	—	18	—	3	—	21
	—	95	—	13	—	108

For the five months ended 31 May 2022:

Name	Director’s Fee <i>US\$’000</i>	Salaries <i>US\$’000</i>	Bonus <i>US\$’000</i>	Social benefits <i>US\$’000</i>	Share-based compensation expenses <i>US\$’000</i>	Total <i>US\$’000</i>
<b>Chairman</b>						
Mr. Guo	—	44	—	8	—	52
<b>Executive directors</b>						
Mr. Chen	—	37	—	—*	—	37
Mr. Zhao	—	58	—	2	—	60
Mr. He	—	58	—	4	—	62
	—	197	—	14	—	211

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**APPENDIX I****ACCOUNTANT’S REPORT**

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**(b) Directors’ retirement benefits**

No retirement benefits were paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaken.

**(c) Directors’ termination benefits**

No payment was made to Directors as compensation for the early termination of the appointment for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

**(d) Consideration provided to third parties for making available Directors’ services**

No payment was made to the former employer of Directors for making available the services of them as a Director of the Company during the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

**(e) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors**

There are no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors during the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

**(f) Directors’ material interests in transactions, arrangements or contracts**

Save as disclosed in Note 30, no significant transactions, arrangements and contracts in relation to the Group’s business to which the Group was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

**32 EVENTS AFTER THE REPORTING PERIOD**

The Russian-Ukraine conflict broke out in February 2022, which disrupted global supply chain networks. After the evaluation, the Group was not aware of any material adverse effects on the Historical Financial Information. With the increasing market uncertainty regarding to the impact of the conflict, the Group will pay close attention to the development of the conflict and evaluate the impact on its future financial position and operating results.

Pursuant to the written resolutions of the shareholders of the Company passed on [date], conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issuance of the [REDACTED] pursuant to the [REDACTED], the Directors of the Company are authorised to capitalize HK\$[REDACTED] standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par [REDACTED] Shares (or any such number of Shares any director may determine) for allotment and issuance to those shareholders of the Company whose names appeared in the register of members or the principal share register of the Company at close of business on the date which the said resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in the Company, each ranking *pari passu* in all respects with the shares then in issue.

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**APPENDIX I****ACCOUNTANT’S REPORT**

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**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 May 2022 and up to the date of this report. Save as disclosed in Note 26 above, no other dividend or distribution has been declared or made by the Company or its subsidiaries in respect of any period subsequent to 31 May 2022.

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## APPENDIX II

## UNAUDITED PRO FORMA INFORMATION

The information set out in this Appendix does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountant’s Report set out in Appendix I to this document.

### A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [REDACTED] and the [REDACTED] on the consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 May 2022 as if the [REDACTED] and the [REDACTED] had taken place on 31 May 2022, assuming the [REDACTED] is not exercised.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [REDACTED] and the [REDACTED] been completed as at 31 May 2022 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2022 <i>(Note 1)</i> USD'000	Estimated [REDACTED] from the [REDACTED] <i>(Note 2)</i> USD'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 31 May 2022 USD'000	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 May 2022 <i>(Note 3)</i> <i>(Note 4)</i> USD                                      HK\$	
Based on an [REDACTED] of HK\$[REDACTED] per share	<u>79,101</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per share	<u>79,101</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

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**APPENDIX II****UNAUDITED PRO FORMA INFORMATION**

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to the shareholders of the Company as at 31 May 2022 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the shareholders of the Company as at 31 May 2022 of USD79,203,000 with adjustments for the intangible assets of USD102,000.
- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] Shares at the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately USD[REDACTED] which have been charged to the consolidated statements of comprehensive income up to 31 May 2022) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and the [REDACTED] have been completed on 31 May 2022 but takes no account of any Shares which may be issued upon the exercise of the [REDACTED] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in United States dollars are converted into Hong Kong dollars at the rate of HK\$1.00 to USD0.1274. No representation is made that USD has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2022.

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**APPENDIX II****UNAUDITED PRO FORMA INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED PRO FORMA INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED PRO FORMA INFORMATION**

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[REDACTED]



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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 22, 2021 under the Cayman Companies Act. The Company’s constitutional documents consist of the Memorandum of Association and the Articles of Association.

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on *[DATE]* with effect from the *[REDACTED]*. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the members together holding not less than three-fourths of the voting rights of issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

***(iv) Transfer of shares***

Subject to the Cayman Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine and by sending a notice to the members, which may be extended for no more than another 30 days in respect of any year by an ordinary resolution of the members passed in that year.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(v) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money’s worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days’ notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by members of the Company by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(iv) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.



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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Financial assistance to purchase Shares*

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

*(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees’ share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its

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subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

***(x) Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company’s name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, in good faith and pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or an administrative matter to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members present in person or by proxy for the time being entitled to speak and vote at the meeting;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to attend, speak and vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to attend, speak and vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company, or (where appropriate and subject to the Companies Act) at any meeting of creditors of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights

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and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting each financial year other than the financial year of the Company’s adoption of the Articles. Such meeting must be held within six months after the end of the Company’s financial year (unless a longer period would not infringe the Listing Rules), at such time and place as may be determined by the Board.

***(iv) Requisition of general meetings***

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, shares in the share capital of the Company that represent not less than one tenth of the voting rights at general meetings of the Company on a one vote pre-share basis. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

***(v) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days’ notice in writing, and any other general meeting of the Company shall be called by at least 14 days’ notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

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Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member’s registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend, speak and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend, speak and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

***(vi) Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to speak and vote or, for quorum purpose only, two persons appointed by the clearing house as authorised representative(s) or proxy(ies). In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

***(vii) Proxies***

Any member of the Company entitled to attend, speak and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend, speak and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and attend, speak and vote on his

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behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend, speak and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

***(viii) Right to speak***

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions. The financial year end of the Company shall be 31 December in each calendar year or as otherwise determined by the Board.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors’ report and a copy of the auditors’ report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members of the Company may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors’ remuneration shall be fixed by or on the authority of the members of the Company in the general meeting by an ordinary resolution or in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

Subject to the Listing Rules, the Board may fill any casual vacancy in the office of auditor(s), but while any such vacancy continues the surviving or continuing auditor(s) (if any) may act, and the remuneration of any auditor(s) appointed by the Board may be fixed by the Board. Such auditor(s) shall hold office until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-appointment by the members at such remuneration to be fixed by or on the authority of the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.



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**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money’s worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, except when the register of members is closed, the register of members in Hong Kong shall during business hours be kept open to inspection by any member without charge, and any member may require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

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**(i) Procedures on liquidation**

A resolution that the Company be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on October 22, 2021 subject to the Cayman Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Act;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

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Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

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A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company’s memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders’ suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company’s memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

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**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

The undertaking for the Company is for a period of 20 years from February 23, 2022.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.



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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

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liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company’s legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the paragraph headed “Documents Available on Display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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**A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated on October 22, 2021 in the Cayman Islands as an exempted company with limited liability. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum of Association and Articles of Association is set out in Appendix III. Our registered office is at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

Our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 24, 2022. Ms. Chan Sze Ting and Ms. Wong Wai Yee, Ella have been appointed as our authorized representatives for the acceptance of service of process and notices on behalf of our Company in Hong Kong under Part 16 of the Companies Ordinance.

Our Company’s headquarters is located in Qingdao, PRC.

**2. Changes in authorized and issued share capital of our Company**

As at the date of incorporation, our Company had an authorized share capital of HK\$380,000.0 divided into 38,000,000 ordinary Shares of a par value of HK\$0.01 each.

On the date of incorporation, one Share was allotted and issued as fully paid to the initial subscriber, an Independent Third Party, which in turn transferred such one Share to Jin Chun at par. On the same day, seven and two Shares were allotted and issued, credited as fully paid at par, to Jin Chun and CZK Holding, respectively. After such allotment and issuance of Shares, Jin Chun and CZK Holding owned 8,000 and 2,000 Shares, representing 80% and 20% of the issued share capital of our Company, respectively.

On November 30, 2021, Jin Chun transferred 200 and 100 Shares, for cash at par, to Ruigao Holding and Passion Wealth, respectively. On December 20, 2021, Jin Chun transferred 6,600 Shares, for cash at par, to Jin Qiu and CZK Holding transferred 1,900 Shares, for cash at par, to Kaimei Holding. Pursuant to a Deed of Gift dated February 22, 2022, on the same day, Jin Chun transferred 800 Shares, at nil consideration, to Jovial Alliance. Pursuant to the transfers of Shares, our Company was owned as to 66%, 3%, 19%, 1%, 8%, 2% and 1% by Jin Qiu, Jin Chun, Kaimei Holding, CZK Holding, Jovial Alliance, Ruigao Holding and Passion Wealth respectively.

Pursuant to the written resolutions of our Shareholders passed on [•], the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$[7,000,000] divided into

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[700,000,000] Shares of a par value of HK\$0.01 each by the creation of an additional [662,000,000] new Shares of a par value of HK\$0.01 each, each ranking *pari passu* in all respect with our Shares then in issue (the “**Increase in Authorized Share Capital**”).

Conditional on the conditions as stated in “Structure and Conditions of the [REDACTED]” and the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issuance of the [REDACTED] pursuant to the [REDACTED], HK\$[REDACTED] standing to the credit of our Company’s share premium account will be capitalized by applying such sum to pay up in full at par a total of [REDACTED] Shares (or any such number of Shares any one Director may determine) for allotment and issuance to Jin Qiu ([REDACTED] Shares), Jin Chun ([REDACTED] Shares), CZK Holding ([REDACTED] Shares), Kaimei Holding ([REDACTED] Shares), Jovial Alliance ([REDACTED] Shares), Ruigao Holding ([REDACTED] Shares) and Passion Wealth ([REDACTED] Shares), being the Shareholders at the close of business of [•], in proportion to their respective shareholding in our Company. As a result, Jin Qiu, Jin Chun, CZK Holding, Kaimei Holding, Jovial Alliance, Ruigao Holding and Passion Wealth will hold [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares in our Company, respectively, representing [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued share capital of our Company upon the [REDACTED], respectively.

Immediately following the [REDACTED] and the [REDACTED] but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme, the total issued share capital will be HK\$[REDACTED] divided into [REDACTED] Shares, fully paid or credited as fully paid, with [REDACTED] Shares remaining unissued.

On the basis that the [REDACTED] is exercised in full and taking no account of any Shares to be issued upon the exercise of any share options granted under the Share Option Scheme, the total issued share capital will be HK\$[REDACTED] divided into [REDACTED] Shares, fully paid or credited as fully paid, with [REDACTED] Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in “A. Further information about our Company and its subsidiaries — 5. Written resolutions of our Shareholders passed on [•]” in this Appendix and pursuant to the exercise of the [REDACTED] or the Share Option Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

Save as the changes of share capital disclosed in this section above, there has been no alteration in the share capital of our Company since its incorporation.

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**3. Corporate reorganization**

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED]. See “History, Reorganization and Corporate Structure” for further details.

**4. Changes in the share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this document.

Save as disclosed in “History, Reorganization and Corporate Structure”, there was no change in the share capital of our subsidiaries within two years immediately preceding the date of this document.

**5. Written resolutions of our Shareholders passed on [ • ]**

Written resolutions of our Shareholders were passed on [ • ] approving, among others, the following:

- (a) the Increase in Authorized Share Capital;
- (b) conditional upon all the conditions set out in “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” being fulfilled (**together**, the “**Conditions**”):
  - (i) the [REDACTED] and the grant of the [REDACTED] by our Company and the Share Option Scheme was approved and our Directors were authorized to (aa) allot and issue the [REDACTED] pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] and any option(s) which may be granted under the Share Option Scheme; (bb) implement the [REDACTED] and the [REDACTED] of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the [REDACTED] and the [REDACTED] with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issuance of [REDACTED] pursuant to the [REDACTED], our Directors were authorized to capitalize HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par [REDACTED] Shares (or any such number of Shares any one Director may determine) for allotment and issuance to our Shareholders whose names appeared in the register of members or the principal share register of our Company at close of business on the date which the said

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resolution is passed (or another date as our Directors may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued), each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorized to give effect to such capitalization;

- (iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) not exceeding (aa) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Share to be issued pursuant to the exercise of the [REDACTED] and upon exercise of any share option which may be granted under the Share Option Scheme); or (bb) the number of Shares repurchased under the authority granted to our Directors as referred to in paragraph (iv) below. Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or (cc) until revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (iv) a general unconditional mandate given to our Directors during the relevant period to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange, for this purpose, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Share to be issued pursuant to the exercise of the [REDACTED] and upon exercise of any share option which may be granted under the Share Option Scheme) (the “**Repurchase Mandate**”). Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or (cc) until revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

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- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED], but excluding any Share which may be issued upon exercise of the [REDACTED] and any option that may be granted under the Share Option Scheme;
- (c) conditional on (i) the [REDACTED] granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the [REDACTED] of, and permission to deal in, our Shares which may be issued upon the exercise of share options granted under the Share Option Scheme, and (ii) the commencement of the [REDACTED] in our Shares on the Stock Exchange, the adoption of rules of the Share Option Scheme and authorisation of our Board and/or delegation and authorisation by our Board (where applicable) to our Remuneration Committee to administer the Share Option Scheme; and
- (d) our Company approved and adopted the Memorandum of Association and the Articles of Association conditionally upon the fulfillment of the Conditions and with effect from the [REDACTED].

## **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our Shares.

### ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

#### ***(a) Shareholders' approval***

The Listing Rules provide that all share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate or by specific approval in relation to specific transactions. As mentioned in “A. Further information about our Company and its subsidiaries — 5. Written resolutions of our Shareholders passed on [ • ]” above, our Directors were granted the Repurchase Mandate on [ • ].

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*(b) Sources of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the applicable laws, rules and regulations in the Cayman Islands, the Memorandum and the Articles. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Subject to the foregoing, under the Cayman Companies Act, any repurchases by our Company may be made out of our Company’s profits, out of our Company’s share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase, or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any amount of premium payable on a repurchase over the par value of the Shares to be repurchased must be out of either or both our Company’s profits or our Company’s share premium account, before or at time the Shares are repurchased, or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

*(c) Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.



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A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company’s results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(d) Status of repurchased shares*

All repurchased shares (whether on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those shares must be cancelled and destroyed. Under the Companies Act, unless, prior to the repurchase, the directors of a company resolve to hold shares in such company as treasury shares, a company’s issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

*(e) Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company’s annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

*(f) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder or any of our subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

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***Reasons for repurchase***

Our Directors believe that it is in the best interests of our Company and our Shareholders to have general authority from our Shareholders to enable our Directors to repurchase our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and the assets and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

***Funding of repurchases***

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the applicable laws of Hong Kong, and the applicable laws and regulations of the Cayman Islands. On the basis of our current financial condition as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

***General***

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue after completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account of any Share to be issued upon the exercise of any share option granted under Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by us during the period prior to:

1. the conclusion of our next annual general meeting;
2. the expiration of the period within which our next annual general meeting is required by the Articles, the Companies Act or any other applicable laws of the Cayman Islands to be held; or
3. the revocation or variation of the Repurchase Mandate by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

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None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles, and the applicable laws, rules and regulations in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the [REDACTED].

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell the Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this document:

- (a) the Deed of Non-competition;
- (b) the Deed of Indemnity; and
- (c) the [REDACTED].





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**2. Intellectual property rights of our Group**


*(a) Trademarks registered by our Group*

As at the Latest Practicable Date, we had registered the following trademarks which we believe are material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Trademark registration number	Registration date	Expiry date
1		Seacon Ships Qingdao	The PRC	39	18017563	November 14, 2016	November 13, 2026
2		Seacon Ships Qingdao	The PRC	39	23903607	April 21, 2018	April 20, 2028
3		Seacon Ships Qingdao	The PRC	39	12366469	September 14, 2014	September 13, 2024
4		Seacon Ships Qingdao	Japan	39	1488973	March 2021	March 2031

*(b) Trademark licensed by Seacon Shipping Group*

As at the Latest Practicable Date, we were licensed to use the following registered trademark which we consider to be or may be material to our business:

Trademark	Registered owner	Place of registration	Class	Trademark registration number	Registration date	Expiry date
	Seacon Shipping Group	Hong Kong	39	304128363	May 4, 2017	May 3, 2027

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*(c) Domain names*

As at the Latest Practicable Date, we have registered the following domain names that are material to the operations of our Group:

<b>Registered owner</b>	<b>Domain name</b>	<b>Date of registration</b>	<b>Expiry date</b>
Seacon Ships Qingdao	seacon.com	March 26, 1996	March 27, 2024
Seacon Ships Qingdao	seaconmt.com	September 29, 2020	September 29, 2023
Seacon Ships Qingdao	seaconsg.com	March 14, 2017	March 14, 2023
Seacon Ships Qingdao	seaconshipping.com	January 2, 2014	January 2, 2024

Information contained in the above websites does not form part of this document.

Save as disclosed in the tables above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

*(a) Disclosure of Interests — Interests and short positions of our Directors and chief executives in shares, underlying shares and debentures of our Company and our associated corporations*

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the exercise of share options granted under the Share Option Scheme), the interests and short positions of our Directors and chief executives in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are [REDACTED], or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are [REDACTED], or pursuant to the Model Code for

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Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once our Shares are [REDACTED] will be as follows:

(i) *Interest in our Company*

<b>Name</b>	<b>Capacity/Nature of Interest<sup>(1)</sup></b>	<b>Number of Shares held after the [REDACTED] and the [REDACTED]</b>	<b>Approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED] and the [REDACTED]</b>
Mr. Guo	Founder of a discretionary trust; Interest in a controlled corporation <sup>(2)</sup>	[REDACTED]	[REDACTED]%
Mr. Chen	Founder of a discretionary trust; Interest in a controlled corporation <sup>(3)</sup>	[REDACTED]	[REDACTED]%
Mr. Zhao Yong	Interest in a controlled corporation <sup>(4)</sup>	[REDACTED]	[REDACTED]%
Mr. He Gang	Interest in a controlled corporation <sup>(5)</sup>	[REDACTED]	[REDACTED]%

*Notes:*

- (1) All interests stated are long positions.
- (2) The entire share capital of Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust, which was established by Mr. Guo (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo (as founder of The J&Y Trust) and Shining Friends are taken to be interested in [REDACTED] Shares held by Jin Qiu upon completion of the [REDACTED] and

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the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

Jin Chun is 100% beneficially owned by Mr. Guo. Accordingly, Mr. Guo is deemed to be interested in the [REDACTED] Shares held by Jin Chun upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

By virtue of the SFO, Mr. Guo is deemed to be interested in all the Shares held by Jin Qiu and Jin Chun.

- (3) The entire share capital of Kaimei Holding is wholly-owned by Oceanic Flame, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen (as founder of The CZK Trust) and Oceanic Flame are taken to be interested in [REDACTED] Shares held by Kaimei Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

CZK Holding is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the [REDACTED] Shares held by CZK Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

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

- (4) Ruigao Holding is 100% beneficially owned by Mr. Zhao Yong. Accordingly, Mr. Zhao Yong is deemed to be interested in the [REDACTED] Shares held by Ruigao Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.
- (5) Passion Wealth is 100% beneficially owned by Mr. He Gang. Accordingly, Mr. He Gang is deemed to be interested in the [REDACTED] Shares held by Passion Wealth upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

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*(ii) Interest in the shares of associated corporations*

<b>Name</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature of interest<sup>(1)</sup></b>	<b>Number of share(s) held</b>	<b>Percentage of interest<sup>(1)</sup></b>
Mr. Guo	Jin Chun	Beneficial owner <sup>(2)</sup>	One	100%
Mr. Guo	Jin Qiu	Founder of a discretionary trust <sup>(3)</sup>	N/A	100%

*Notes:*

- (1) All interests stated are long positions.
- (2) Jin Chun is 100% beneficially owned by Mr. Guo.
- (3) The entire share capital of Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust, which was established by Mr. Guo (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members.

None of our Directors or our chief executive will immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Share to be issued upon the exercise of share options granted under the Share Option Scheme) have any disclosable interests (as referred to herein), other than as disclosed in (i) and (ii) above.

***(b) Particulars of Directors’ service contracts and letters of appointment***

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years, commencing from the [REDACTED], which shall be renewed as determined by our Board or our Shareholders. The office of our executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our executive Directors may be terminated by either party by giving at least three months’ written notice to the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years, commencing from the [REDACTED], which shall be renewed as determined by our Board or our Shareholders. The office of an independent non-executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our independent non-executive Directors may be terminated by either party by giving at least three months’ written notice to the other.

Save as the service contracts and letters of appointment disclosed above, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group.



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*(c) Remuneration of Directors*

For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, the aggregate amount of compensation paid by us to our Directors (including salaries, bonuses and share-based compensation expenses) were approximately US\$366,000, US\$420,000, US\$6,234,000 and US\$211,000, respectively. Save for the compensation disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The expected amount of compensation paid by us to our Directors (including salaries, bonus and welfare expenses) for the financial year ending December 31, 2022 will be approximately US\$973,000 in aggregate.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director’s responsibilities, qualification, position and seniority.

No Director has been paid in cash or shares or otherwise by any person either as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which our Director has waived or agreed to waive any emoluments for the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022.

After the [REDACTED], our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, time devoted to our Group and performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme and awards of Shares to be awarded under the Share Award Plan.

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**2. Substantial Shareholders**

So far as our Directors are aware, immediately prior to and following the completion of [REDACTED] and the [REDACTED] (without taking into account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or any option that may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares and underlying shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held as at the date of this document <sup>(1)</sup>	Approximate percentage of interests in our Company as at the date of this document <sup>(1)</sup>	Number of Shares held immediately after completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>	Approximate percentage of interests in our Company immediately after completion of the [REDACTED] and the [REDACTED] <sup>(1)</sup>
Tricor Equity Trustee <sup>(2)</sup>	Trustee of trusts	8,500	85.0%	[REDACTED]	[REDACTED]%
Shining Friends <sup>(3)</sup>	Interest in a controlled corporation	6,600	66.0%	[REDACTED]	[REDACTED]%
Jin Qiu <sup>(3)</sup>	Beneficial owner	6,600	66.0%	[REDACTED]	[REDACTED]%
Jin Chun <sup>(3)</sup>	Beneficial owner	300	3.0%	[REDACTED]	[REDACTED]%
Mr. Guo <sup>(3)</sup>	Founder of a discretionary trust; Interest in a controlled corporation	6,900	69.0%	[REDACTED]	[REDACTED]%
Oceanic Flame <sup>(4)</sup>	Interest in a controlled corporation	1,900	19.0%	[REDACTED]	[REDACTED]%
Kaimei Holding <sup>(4)</sup>	Beneficial owner	1,900	19.0%	[REDACTED]	[REDACTED]%
CZK Holding <sup>(4)</sup>	Beneficial owner	100	1.0%	[REDACTED]	[REDACTED]%
Mr. Chen <sup>(4)</sup>	Founder of a discretionary trust; Interest in a controlled corporation	2,000	20.0%	[REDACTED]	[REDACTED]%
Tricor Trust (Hong Kong) <sup>(5)</sup>	Trustee of a trust	800	8.0%	[REDACTED]	[REDACTED]%
Jovial Alliance <sup>(6)</sup>	Beneficial owner	800	8.0%	[REDACTED]	[REDACTED]%
Ms. Li Xuyue <sup>(7)</sup>	Interest of spouse	6,900	69.0%	[REDACTED]	[REDACTED]%
Ms. Chen Meimei <sup>(8)</sup>	Interest of spouse	2,000	20.0%	[REDACTED]	[REDACTED]%

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*Notes:*

- (1) All interests stated are long positions.
- (2) Tricor Equity Trustee is the trustee of The J&Y Trust and The CZK Trust, two trusts in total.
- (3) The entire share capital of Jin Qiu is wholly-owned by Shining Friends, which is wholly-owned by Tricor Equity Trustee, the trustee of The J&Y Trust, which was established by Mr. Guo (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo (as founder of The J&Y Trust) and Shining Friends are taken to be interested in [REDACTED] Shares held by Jin Qiu upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

Jin Chun is 100% beneficially owned by Mr. Guo. Accordingly, Mr. Guo is deemed to be interested in the [REDACTED] Shares held by Jin Chun upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

By virtue of the SFO, Mr. Guo is deemed to be interested in the [REDACTED] Shares held by Jin Qiu and Jin Chun in aggregate.

- (4) The entire share capital of Kaimei Holding is wholly-owned by Oceanic Flame, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen (as the settlor and protector) on December 6, 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen (as founder of The CZK Trust) and Oceanic Flame are taken to be interested in [REDACTED] Shares held by Kaimei Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.

CZK Holding is 100% beneficially owned by Mr. Chen. Accordingly, Mr. Chen is deemed to be interested in the [REDACTED] Shares held by CZK Holding upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) under the SFO.

By virtue of the SFO, Mr. Chen is deemed to be interested in the [REDACTED] Shares held by Kaimei Holding and CZK Holding in aggregate.

- (5) Tricor Trust (Hong Kong) is the trustee of the Share Award Trust.
- (6) Jovial Alliance is wholly-owned by Tricor Trust (Hong Kong), the trustee of the Share Award Trust, which was established by our Company (as the settlor) on February 22, 2022 as a trust for the benefit of selected grantees under the Share Award Plan. Jovial Alliance is deemed to be interested in the [REDACTED] Shares held by it upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon exercise of any share options granted under the Share Option Scheme) pursuant to Part XV of the SFO.
- (7) Ms. Li Xuyue is the spouse of Mr. Guo and is deemed, or taken to be, interested in all Shares in which Mr. Guo has interest in under the SFO.

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- (8) Ms. Chen Meimei is the spouse of Mr. Chen and is deemed, or taken to be, interested in all Shares in which Mr. Chen has interest in under the SFO.

**3. Agency fees or commission**

Within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

**4. Related party transactions**

Details of the related party transactions are set out under Note 30 to the Accountant’s Report set out in Appendix I. Our Directors confirmed that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

**5. Disclaimers**

Save as disclosed in this document:

- (i) none of our Directors or chief executive of our Company has any interest and short position in our Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Companies;
- (ii) none of our Directors nor any of the persons referred to in “F. Other information — 8. Qualifications and consents of experts” in this Appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors nor any of the persons referred to in “F. Other information — 8. Qualifications and consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

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- (iv) none of the persons referred to in “F. Other information — 8. Qualifications and consents of experts” in this Appendix has any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (v) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (vi) taking no account of any Share which may be issued upon the exercise of the [REDACTED] and the share options granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the [REDACTED] and the [REDACTED], have an interest or short position in our Shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (vii) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interest in the five largest customers or suppliers of our Group.

**D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of our Shareholders and Directors passed on [ • ]:

**1. Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Company and/or any of its subsidiaries.

**2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants**

Our Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive Directors, independent non-executive Directors and non-executive Directors (if any)) of our Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of our

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Board has contributed or will contribute to our Group (collectively, the “**Eligible Participants**”) and whom our Board may in its absolute discretion select and subject to such conditions as it may think fit.

### 3. Status of the Share Option Scheme

#### *(a) Conditions of the Share Option Scheme*

The Share Option Scheme shall take effect conditional upon and is subject to:

- (i) the passing of the necessary resolutions by our Board and our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the [REDACTED] granting the [REDACTED] of, and permission to deal in, our Shares to be issued pursuant to the exercise of options under the Share Option Scheme;
- (iii) the obligations of the [REDACTED] (under the [REDACTED]) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Sole Sponsor, acting for and on behalf of the [REDACTED]) and not being terminated in accordance with their terms or otherwise; and
- (iv) the commencement of [REDACTED] in our Shares on the Stock Exchange,

(the “**Conditions**”).

#### *(b) Life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders and ending on the tenth anniversary of the [REDACTED] (both dates inclusive) (the “**Scheme Period**”), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

### 4. Grant of options

#### *(a) Making of offer*

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine (the “**Offer Document**”), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

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*(b) Acceptance of offer*

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the “**Grantee**”) and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the “**Offer Date**”).

*(c) Restrictions on time of grant*

- (i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of thirty (30) days immediately preceding the earlier of:

- (1) the date of our Board meeting as shall have been notified to the Stock Exchange for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half-year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (ii) For so long as the shares are [REDACTED] on the Stock Exchange, no options may be granted to a Director on any day which financial results of our Company are published and:
- (1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

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- (2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(d) Grant to connected persons***

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

***(e) Grant to Substantial Shareholders and independent non-executive Directors***

Without prejudice to sub-paragraph 4(c) above, any grant of options to a Substantial Shareholder or our independent non-executive Director or any of their respective associates shall be subject to, in addition to the approval of our independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by our Company to its Shareholders and the approval of our Shareholders in general meeting if our Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date:

- (i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of our Shares in issue on the Offer Date; and
- (ii) would have an aggregate value, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

***(f) Proceedings in general meeting to approve the grant of option***

At the general meeting to approve the proposed grant of options under subparagraph 4(e) above, the Grantee, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.



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*(g) Performance target*

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

**5. Exercise price**

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Exercise Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be determined by our Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of our Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange’s daily quotation sheets for the five Business Days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where our Shares have been [REDACTED] on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of our Shares in connection with such [REDACTED] shall be deemed to be the closing price of our Shares for each Business Day falling within the period before the [REDACTED] of our Shares on the Stock Exchange.

**6. Maximum number of Shares available for subscription**

*(a) Scheme limit*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme) (the “**Scheme Limit**”) which is expected to be [REDACTED] Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

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***(b) Renewal of scheme limit***

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as of the date of our Shareholders’ approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this subparagraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

***(c) Grant of options beyond scheme limit***

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by our Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this subparagraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

***(d) Maximum number of Shares issued pursuant to the Share Option Scheme***

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed such number of Shares as shall represent 30% of our Shares in issue from time to time. No options may be granted under any schemes of our Company or subsidiaries if such grant will result in this 30% limit being exceeded.

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*(e) Grantee’s maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before our Shareholders’ approval. The date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

*(f) Adjustment*

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as our Company’s independent financial adviser shall certify to our Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

**7. Capital restructuring**

*(a) Adjustment of options*

In the event of any capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory

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requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding option;
- (ii) the Exercise Price; and/or
- (iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial adviser shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

***(b) Independent financial adviser confirmation***

On any capital reorganization, independent financial adviser shall certify in writing to our Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

**8. Cancellation of options**

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

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### 9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name our Shares issued pursuant to the Share Option Scheme may be registered).

### 10. Rights attached to our Shares

Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, such Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the “**Registration Date**”) other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of such Share on the register of members of our Company. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

### 11. Exercise of options

Unless otherwise provided in the respective Grantee’s Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by our Board during which the Grantee may exercise his option(s) (the “**Option Period**”) provided that:

- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of thirty (30) days (or such longer period as our Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

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- (b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under sub-paragraph 12(v) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);
- (c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), our Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which such general offer becomes or is declared unconditional;
- (d) if a compromise or arrangement between our Company and our Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any

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reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

- (e) in the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

The exercise of any option shall be subject to our Shareholders in general meeting approving any increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company for purpose of allotment of shares upon exercise of option(s).

**12. Lapse of options**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(e);
- (iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

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- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee’s service contract with our Company or the relevant subsidiary. A resolution of our Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date that is thirty (30) days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);
- (vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

**13. Alteration of the Share Option Scheme**

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Rule 17.03 of the Listing Rules, including without limitation, the definitions of “Eligible Participant”, “Expiry Date”, “Grantee” and “Option Period” contained in the Share Option Scheme; or
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of our Board in respect of alternation of the Share Option Scheme,

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit our Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted



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or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

### 14. Termination

We may by ordinary resolution in general meeting or our Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As at the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

## E. SHARE AWARD PLAN

On February 22, 2022, our Company entered into the Deed of Settlement for the Establishment and Administration of Share Award Plan (the “**Deed of Settlement**”) with Tricor Trust (Hong Kong) and appointed Tricor Trust (Hong Kong) (the “**Trustee**”) as the trustee to assist with the administration of the Share Award Plan and vesting of the Awards (as defined below) to be granted pursuant to the Share Award Plan. On April 11, 2022, our Company entered into a Deed of Variation for amending certain terms of the Deed of Settlement.

Our Company will further amended the Deed of Settlement to incorporate certain applicable requirements set out in the Consultation Conclusions on the Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022.

The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme under the existing Chapter 17 of the Listing Rules. Under the new Chapter 17 of the Listing Rules which will be effective from January 1, 2023 (the “**New Chapter 17**”), the Share Award Plan is a share scheme funded by existing Shares comprising the Shares received from Jin Chun and to be received pursuant to the [REDACTED] prior to the [REDACTED]. The Share Award Plan does not involve issuance of new Shares after the [REDACTED] and therefore would not result in a dilution

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of the Shareholders’ interests. Apart from Rules 17.05A and 17.12 of the New Chapter 17 which are the only provisions applicable to share scheme funded by existing shares, the requirements applicable to share schemes funded by new shares as set out under other provisions of the New Chapter 17 do not apply to the Share Award Plan.

Under the New Chapter 17, the Share Award Plan, being a share scheme funded by existing Shares, will be subject to certain requirements of disclosure in the annual report of the Company and abstention from voting by the trustee of the unvested Shares as set out in Rules 17.05A and 17.12 of the New Chapter 17.

No award has been granted under the Share Award Plan since its establishment and the Directors confirm that there is no present intention to grant any award under the Share Award Plan before the [REDACTED].

The following is a summary of the principal terms of the Share Award Plan adopted pursuant to written resolutions of our Directors passed on February 22, 2022 (the “**Adoption Date**”), amended pursuant to written resolutions of our Directors passed on April 11, 2022 and to be further amended to incorporate certain applicable requirements under the New Chapter 17:

**1. Purpose of the Share Award Plan**

The purpose of the Share Award Plan is, through an award of Shares (a) to recognize and reward the contribution of certain Eligible Participants (as defined below) to the growth and development of our Group and to give incentives thereto in order to retain them for the continual operation and development of our Group; and (b) to attract suitable personnel for further development of our Group.

**2. Administration of the Share Award Plan**

The Share Award Plan shall be subject to the administration of our Board or other person(s) from time to time delegated by our Board with the power and authority to administer the Share Award Plan (the “**Committee**”), provided that such administration shall not prejudice (i) the powers of the Trustee, as provided under the Deed of Settlement; and (ii) the powers of the Remuneration Committee on recommending and/or deciding (on and subject to the terms and conditions provided under the Share Award Plan) the selection of the Selected Participants (as defined below), the number of Awarded Shares (as defined below) to be awarded to the respective Selected Participants and other related matters as expressly provided under the Share Award Plan.

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### 3. Eligibility

Under the rules of the Share Award Plan, the following classes of participants (the “**Eligible Participants**”) are eligible for participation in the Share Award Plan:

- (a) any employee (an “**Employee**”) (whether full time or part time, including any executive Director but excluding any non-executive Director) of our Company, any subsidiary, any entity in which any member of our Group holds any equity interest (“**Invested Entity**”) or any entity in which a Controlling Shareholder holds any shareholding or equity interest whether directly or indirectly (“**Related Entity**”);
- (b) any non-executive Directors (including independent non-executive Directors) of our Company, any subsidiary, any Invested Entity or any Related Entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of our Group or any Invested Entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Award Plan, the Award (as defined below) may be made to any company wholly-owned by one or more of the above participant or any trust which the settlor is the above participant.

### 4. Operation of the Share Award Plan

Our Board or the Committee shall, subject to and in accordance with these rules of the Share Award Plan and the Listing Rules, be entitled to select Eligible Participants to participate in the Share Award Plan as Selected Participants (the “**Selected Participants**”, each a “**Selected Participant**”) and make an award (the “**Award**”) of Shares out of the Shares Pool (as defined below) to the Selected Participants.

The eligibility of any of the Eligible Participants to an Award shall be determined by our Board or the Committee from time to time on the basis of our Board’s or the Committee’s opinion as to his/her contribution and/or future contribution to the development and growth of our Group.

Where any Award is proposed to be made to any Eligible Participant who is a connected person, our Company shall comply with the applicable requirements under the Listing Rules.

Upon approval of any grant of Award(s) by our Board to any Selected Participant, our Board or the Committee shall notify the Selected Participant in writing of the terms and conditions of the Award, including without limitation, the

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number of Share(s) provisionally awarded to a Selected Participant pursuant to an Award (the “**Awarded Shares**”), vesting schedule, and condition(s) and/or performance target(s) to be attained or paid by the Selected Participant before the Awarded Shares may be transferred to and vested in the Selected Participant. An Award shall be deemed to be irrevocably accepted by a Selected Participant unless the Selected Participant shall within five (5) Business Days after receipt of such notice from our Board or the Committee notify our Company in writing that he/she would decline to accept such Award.

An Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest whatsoever in favour of any third party over or in relation to an Award or enter or purport to enter into any agreement to do so. Any breach of the foregoing by any Selected Participant shall entitle our Company to cancel the Award made to such Selected Participant.

No Award may be made during the Restrictive Period (as defined below).

**5. Shares Pool**

In order to satisfy any Awarded Share(s) to be granted under the Share Award Plan from time to time, the Trustee shall maintain a pool of issued Shares (the “**Shares Pool**”) which shall comprise:

- (a) Shares as may be transferred or allotted and issued to the Trustee as a holder of Shares up to the [REDACTED] for the purpose of the Share Award Plan; and
- (b) Shares which remain unvested and revert to the Trustee due to lapse of Awards or non-vesting or forfeiture of Awarded Shares in accordance with the Share Award Plan.

During the period (the “**Vesting Period**”) commencing on the date on which the Awarded Shares have been provisionally set aside pursuant to an Award to a Selected Participant and ending on the date on which the legal and beneficial ownership of the Awarded Shares are vested in a Selected Participant pursuant to an Award (the “**Vesting Date**”), any dividends and other distributions (“**Other Distributions**”) declared and made in respect of any Awarded Shares shall belong to the Trustee in accordance with the terms of the Share Award Plan and the Deed of Settlement. Upon termination of the Share Award Plan, such Other Distributions shall be treated and dealt with as income of the trust fund of the Share Award Trust generally.

The Trustee shall set aside from the Shares Pool the Awarded Shares awarded or provisionally awarded to the Selected Participants pending the transfer and vesting of the Award Shares under the Award. The Trustee shall hold the Awarded Shares so set aside during the Vesting Period on the terms of the Deed of Settlement.

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**6. Vesting**

Subject to the terms and conditions of the Share Award Plan, the Trustee shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:

- (a) the earliest vesting date as specified in the award notice to which such Award relates;
- (b) the receipt by the Trustee of the requisite information and documents stipulated by the Trustee; and
- (c) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related award notice have been attained or paid and notified to the Trustee by our Board or the Committee in writing.

Subject to the terms and conditions of the Share Award Plan, at any time prior to a Vesting Date, unless our Board or the Committee otherwise determines, in respect of a Selected Participant who:

- (a) has died, all the Awarded Shares of the Selected Participant shall be deemed to be vested in respect of that Selected Participant on the day immediately prior to his/her death; or
- (b) (in the case of a Selected Participant who is an Employee) has retired, all the Awarded Shares of the Selected Participant shall be deemed to be vested in respect of that Selected Participant on the day immediately prior to his/her retirement date.

**7. Voting rights**

[The Trustee holding unvested Shares of the Share Award Plan (including but not limited to the Awarded Shares pending vesting and transfer to the Selected Participants and the returned shares, as the case may be), whether directly or indirectly, shall abstain from voting on matters that require the Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.]

**8. Rights of Selected Participants before vesting**

A Selected Participant shall have no rights to receive any Awarded Shares set aside for him/her unless and until the Trustee has transferred and vested the legal and beneficial ownership of such Awarded Shares to and in the Selected Participants pursuant to the Share Award Plan. In particular, no instruction may be given by a

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Selected Participant to the Trustee in respect of the Awarded Shares and/or the Other Distributions and/or other properties or assets of the trust constituted by the Deed of Settlement.

**9. Restrictive period (the “Restrictive Period”)**

No Award shall be made to any Eligible Participant under the Share Award Plan:

- (a) where any inside information (as defined in the SFO) has come to our Company’s knowledge, until our Company has published an announcement in respect of such inside information in accordance with the relevant provisions of the SFO; or
- (b) where dealings by our Directors are prohibited under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules or any applicable laws and regulations or any internal code of conduct in securities dealings adopted by our Company from time to time.

**10. Lapse of Awards**

Any Award made to Selected Participant(s) shall lapse forthwith on the occurrence of any of the following, among others:

- (a) a Selected Participant ceases to be an Employee by virtue of corporate reorganization of our Group or the Invested Entity;
- (b) a Selected Participant ceases to be an Employee other than for retirement or death;
- (c) the subsidiary or Invested Entity by which a Selected Participant is employed ceases to be a subsidiary or Invested Entity of our Company (or of a member of our Group);
- (d) our Board or the Committee shall at its absolute discretion determine in respect of a Selected Participant (other than a Selected Participant who is an Employee) that (i) the Selected Participant or his/her associate has committed any breach of any contract entered into between the Selected Participant or his/her associate on one part and any member of our Group or any Invested Entity on the other part as our Board or the Committee may in its absolute discretion determine; or (ii) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (iii) the Selected Participant could no longer make any contribution to the growth and development of any member of our Group or the Invested Entity by reason of the cessation of its relationship with our Group or its Invested Entity or by any other reasons whatsoever;

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- (e) an order for the winding-up of our Company is made or a resolution is passed for the voluntary winding-up of our Company;
- (f) a Selected Participant is found to be an excluded participant, being any person who is resident in a place where the award of the Awarded Shares and/or the award of the returned shares and/or the vesting and transfer of Shares pursuant to the terms of the Share Award Plan is not permitted under the laws and regulations of such place or where in the view of our Board or the Committee or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person; or
- (g) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares within the stipulated period.

In the event of lapse of any Award, the Award/the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and all the Awarded Shares/the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become returned shares for the purposes of the Share Award Plan.

**11. Plan limit**

The maximum number of Shares which may be subject to the Share Award Plan shall not exceed 10% of the total number of the Shares in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme).

The maximum number of Shares which may be subject to an Award or Awards made to a single Selected Participant shall not in aggregate exceed 1% of the issued share capital of our Company in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme).

**12. Alteration of the Share Award Plan**

The Share Award Plan may be altered by the prior sanction of a resolution passed by our Board or the Committee (or if such alteration may affect the operation of the Share Award Trust or the power or authority of the Trustee, together with the prior written consent of the Trustee), provided that no such alteration shall operate to affect adversely in material respect any subsisting rights of any Selected Participant in respect of his/her Awarded Shares which remain unvested except with the consent in writing of the majority of the Selected Participants whose Awarded Shares remained unvested on that date as would be required of the holders of Shares under the Articles for a variation of the rights attached to such Shares.

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**13. Duration and termination of the Share Award Plan**

The Share Award Plan shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which period no further Awards shall be offered or granted but the provisions of the Share Award Plan shall remain in full force and effect to the extent necessary to give effect to Awards made prior thereto and the administration of the trust property held by the Trustee pursuant to the Deed of Settlement.

The Share Award Plan shall terminate on the earlier of:

- (a) the 10<sup>th</sup> anniversary date of the Adoption Date; and
- (b) such date of early termination as determined by our Board or the Committee, provided that such termination shall not affect any subsisting rights of any Selected Participant(s).

**F. OTHER INFORMATION****1. Litigation**

As at the Latest Practicable Date, save as disclosed in “Business — Legal proceedings”, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

**2. Tax and other indemnities**

Our Controlling Shareholders have, under a Deed of Indemnity referred to in “B. Further information about the business of our Group — 1. Summary of material contracts” in this Appendix, given joint and several indemnities to our Company in connection with, amongst other things, taxation resulting from profits or gains earned, accrued or received, and any penalty imposed due to non-compliance with any applicable laws, rules and regulations by our Group on or before the date the [REDACTED] becomes unconditional.

**(a) Tax indemnities**

Under the Deed of Indemnity, amongst others, our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group against:

- (i) any taxation falling on our Group relating to any estate duty in any part of the world on or before the date on which the [REDACTED] becomes unconditional and [REDACTED] in our Shares first commence on the Stock Exchange (the “**Effective Date**”);



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- (ii) any taxation falling on our Group resulting from or by reference to, *inter alia*, any income received on or before the Effective Date;
- (iii) all reasonable costs which our Group may properly incur in taxation claim against our Group; and
- (iv) any taxation arising out of any additional assessments by any fiscal authorities in respect of any company in our Group in relation to the tax years beginning January 1, 2019 and ending on the Effective Date;

The indemnity will not cover any taxation claim, to the extent that, *inter alia*:

- (i) full provision or allowance has been made for such taxation in the audited consolidated accounts of our Group up to May 31, 2022;
- (ii) subject to (a) above, such taxation arises or is incurred as a result of any retrospective change in law or increase in tax rates coming into force after the Effective Date;
- (iv) the liability for such taxation that is caused by the act or omission of, or transaction voluntarily effected by our Group in the ordinary course of business; or
- (v) any provision or reserve made for such taxation in the audited consolidated accounts of our Group up to May 31, 2022, which is finally established to be an overprovision or an excessive reserve.

***(b) Non-compliance with and/or breach of laws, rules and regulations***

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any claims, actions, losses, liabilities and costs incurred by our Group as a result of any non-compliance with the applicable laws, rules and regulations by our Group on or before the Effective Date.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

***(c) Outstanding and potential litigation***

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any losses, liabilities, costs, damages and fees incurred by our Group as a result of any outstanding and potential litigations, including criminal litigations, arbitrations and claims against our Group on or before the Effective Date.

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**APPENDIX IV**

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**STATUTORY AND GENERAL INFORMATION**

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***(d) Reorganization***

Our Controlling Shareholders will jointly and severally indemnify our Company and each member of our Group, *inter alia*, against any depletion in or reduction in value of the assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganization.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

**3. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately USD3,780 and are payable by our Company.

**4. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

**5. Application for the [REDACTED]**

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to deal in, Shares to be issued as mentioned in this document, any Shares which may be issued upon the exercise of the [REDACTED] and exercise of options granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

**6. No material adverse change**

Save as disclosed in “Business — Legal proceedings”, our Directors confirm that there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since May 31, 2022, the date of the latest audited consolidated financial statements of our Group, and up to the date of this document.

**7. [REDACTED]**

The [REDACTED] will receive an [REDACTED] as referred to in “[REDACTED] — [REDACTED] and [REDACTED] expenses”.

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**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

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**8. Qualifications and consents of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions and/or advice in this document are as follows:

<b>Name</b>	<b>Qualification</b>
Zhongtai International Capital Limited	A corporation licensed under SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)  Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Ms. Queenie W.S. Ng	Barrister-at-law in Hong Kong
Appleby	Legal advisers to our Company as to Cayman Islands law
AllBright Law Offices	PRC Legal Advisers
Avant Law LLC	Singaporean Legal Advisers
Soga Law Office	Japanese Legal Advisers
Norton Rose Fulbright US LLP	Marshall Islands Legal Advisers
Pierre, Tweh & Associates, Inc.	Liberian Legal Advisers
Ince & Co.	English Legal Advisers
Morgan & Morgan	Panamanian Legal Advisers
Hogan Lovells	International Sanctions Legal Advisers
Frost & Sullivan International Limited	Industry consultant

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**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

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**9. Consents**

Each of the above experts has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in our Company or any of its subsidiaries.

**10. Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**11. Financial adviser**

Our Company has not retained any financial adviser in connection with the [REDACTED].

**12. Independence of Sole Sponsor and Sole Sponsor’s fee**

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by our Company a total fee of approximately HK\$[REDACTED] to act as sponsor to our Company in connection with the [REDACTED].

**13. Registration procedures**

The principal share register of our Company in the Cayman Islands will be maintained by our Company’s [REDACTED], [REDACTED], and a branch share register of our Company in Hong Kong will be maintained by our Company’s [REDACTED], [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to our Shares must be lodged for registration with, and registered by, our [REDACTED] and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into [REDACTED].

#### 14. Taxation of holders of Shares

##### *(a) Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.26% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

##### *(b) The Cayman Islands*

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains, or appreciations shall apply to our Company or its operations; and
- (ii) no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
  - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

The undertaking of our Company is for a period of 20 years from February 23, 2022.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

##### *(c) Consultation with professional advisers*

Potential investors in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

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**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

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**15. Miscellaneous**

Save as disclosed in this document;

- (i) Within the two years preceding the date of this document, no share or loan capital or debentures of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash.
- (ii) Within the two years preceding the date of this document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any share or loan capital of our Company or any of the principal subsidiaries.
- (iii) Within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share.
- (iv) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder share, management share or deferred share.
- (v) No share or loan capital of our Company or any of our consolidated subsidiaries in under option or is agreed conditionally or unconditionally to be put under option.
- (vi) None of the parties (save in connection with the [REDACTED]) listed in “F. Other information — 8. Qualifications and consents of experts” in this Appendix:
  - (a) is interested legally or beneficially in any securities of any member of our Group;
  - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; or
  - (c) has received any commission, discount, agency fee, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.
- (vii) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this document.
- (viii) Our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorized or otherwise created but unissued, or any term loan whether guaranteed or secured as at the Latest Practicable Date.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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**APPENDIX IV****STATUTORY AND GENERAL INFORMATION**

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- (ix) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (x) There is no arrangement under which future dividends have been waived.
- (xi) Our Group has no outstanding convertible debt securities.
- (xii) The English text of this document shall prevail over the Chinese text.
- (xiii) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**16. Bilingual document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE ON DISPLAY**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) copies of the material contracts referred to in “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this document; and
- (c) the written consents referred to in “Statutory and General Information — F. Other information — 9. Consents” in Appendix IV to this document.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be displayed on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.seacon.com](http://www.seacon.com) up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2021 and the five months ended May 31, 2022;
- (e) the letter of advice prepared by Appleby summarizing certain aspects of the Cayman Islands company law as referred to in Appendix III to this document;
- (f) the service contracts and letters of appointment of our Directors referred to in “Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this document;
- (g) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this document;
- (h) the written consents referred to in the paragraph headed “Statutory and General Information — F. Other information — 9. Consents” in Appendix IV to this document;



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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
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- (i) the legal opinion prepared by our Japanese Legal Advisers;
- (j) the legal opinion prepared by our Singaporean Legal Advisers;
- (k) the industry report prepared by Frost & Sullivan;
- (l) the legal opinion prepared by our Marshall Islands Legal Advisers;
- (m) the legal opinion prepared by our Liberian Legal Advisers;
- (n) the legal opinion prepared by our English Legal Advisers;
- (o) the legal opinion prepared by our Panamanian Legal Advisers;
- (p) the International Sanctions memorandum issued by our International Sanctions Legal Advisers;
- (q) the legal opinion prepared by our PRC Legal Advisers;
- (r) the legal opinion prepared by our Hong Kong Legal Counsel;
- (s) the Companies Act;
- (t) the Share Option Scheme; and
- (u) the rules of the Share Award Plan.