Seacon Shipping Group Holdings Limited
洲 際 船 務 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2409)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Seacon Shipping Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year**") together with the comparative figures for the corresponding period in 2022.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	**Year ended 31 December 2023 US$'000**	2022 US$'000
Revenue	3	**259,034**	359,101
Cost of sales		**(218,931)**	(296,737)
Gross profit		**40,103**	62,364
Selling, general and administrative expenses		**(15,477)**	(11,939)
Net impairment losses on financial assets		**(1,510)**	(169)
Other income		**20**	2,179
Other gains — net	4	**5,639**	4,900
Operating profit		**28,775**	57,335
Finance income		**145**	27
Finance costs		**(9,389)**	(6,310)
Finance costs, net		**(9,244)**	(6,283)
Share of net profit of associates and joint ventures accounted for using the equity method		**2,848**	9,995
Profit before income tax		**22,379**	61,047
Income tax expenses	5	**(361)**	(2,118)
Profit for the year		**22,018**	58,929
Profit attributable to:			
— Shareholders of the Company		**21,211**	57,316
— Non-controlling interests		**807**	1,613
		22,018	58,929
Earnings per share attributable to shareholders of the Company for the year			
Basic earnings per share (expressed in US$ per share)	7	**0.045**	0.150
Diluted earnings per share (expressed in US$ per share)	7	**0.045**	0.150

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	US$'000	*US$'000*
Profit for the year	**22,018**	58,929
Other comprehensive income:		
Items that may be reclassified to profit or loss		
— Exchange differences on translation of foreign operations	**(8)**	(106)
Other comprehensive income for the year, net of tax	**(8)**	(106)
Total comprehensive income for the year	**22,010**	58,823
Total comprehensive income attributable to:		
— Shareholders of the Company	**21,203**	57,210
— Non-controlling interests	**807**	1,613
	22,010	58,823

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2023

	Note	As at 31 December 2023 US$'000	2022 US$'000
Assets			
Non-current assets			
Property, plant and equipment		**269,186**	91,135
Right-of-use assets		**70,348**	78,148
Intangible assets		**97**	92
Interests in associates and joint ventures		**10,694**	7,846
Deferred tax assets		—	37
Other non-current assets		**68,619**	47,742
		418,944	225,000
Current assets			
Financial assets at fair value through profit or loss		—	1,232
Inventories		**6,427**	10,630
Prepayment and other current assets		**3,344**	5,181
Trade and other receivables	8	**25,530**	25,002
Restricted bank deposits		**2,820**	32
Cash and cash equivalents		**27,996**	20,170
		66,117	62,247
Assets classified as held for sale		**6,996**	—
		73,113	62,247
Total assets		**492,057**	287,247

	Note	As at 31 December 2023 US$'000	2022 US$'000
Equity			
Share capital		**637**	—*
Share premium		**46,959**	—
Reserves		**8,636**	9,692
Retained earnings		**116,100**	94,914
Equity attributable to shareholders of the Company		**172,332**	104,606
Non-controlling interests		**1,398**	4,404
Total equity		**173,730**	109,010
Liabilities			
Non-current liabilities			
Borrowings		**194,512**	61,575
Lease liabilities		**50,838**	55,504
Other non-current liabilities		**640**	—
		245,990	117,079
Current liabilities			
Advances and contract liabilities		**3,030**	4,396
Trade and other payables	9	**30,550**	27,695
Current tax liabilities		**1,541**	1,941
Borrowings		**21,341**	9,851
Lease liabilities		**15,774**	17,275
Derivative liabilities		**101**	—
		72,337	61,158
Total liabilities		**318,327**	178,237
Total equity and liabilities		**492,057**	287,247

—* The amount which is less than US$1,000 is presented as "—*" for the whole report

1 GENERAL INFORMATION

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

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

A reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited was completed on 28 February 2022.

The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 29 March 2023 (the "Listing Date").

These consolidated financial statements are presented in United States dollar ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) — measured at fair value or revalued amount

- assets held for sale — measured at the lower of carrying amount and fair value less costs to sell.

(ii) Amended standards adopted by the group

The Group has applied the following amended standards for its annual reporting period commencing 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3 REVENUE AND SEGMENT INFORMATION

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

- Shipping business

- Ship management business

(a) Segment information of the Group

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

	For the year ended 31 December 2023			
	Shipping business *US$'000*	**Ship management business** *US$'000*	**Elimination** *US$'000*	**Total** *US$'000*
Total reportable segment revenue				
Revenue from external customers	**207,957**	**51,077**	**—**	**259,034**
Inter-segment revenue	**—**	**5,076**	**(5,076)**	**—**
Total reportable segment revenue	**207,957**	**56,153**	**(5,076)**	**259,034**
Segment results				
Profit before income tax	**17,381**	**4,998**	**—**	**22,379**
Segment results included:				
Finance costs — interest income	**143**	**2**		**145**
Finance costs	**(9,335)**	**(54)**		**(9,389)**
Depreciation and amortisation	**(26,924)**	**(1,007)**		**(27,931)**
Net impairment losses on financial assets	**(1,475)**	**(35)**		**(1,510)**
Share of profit of associates and joint ventures	**2,838**	**10**		**2,848**
Additions to non-current assets	**259,829**	**5,695**	**—**	**265,524**

	For the year ended 31 December 2022			
	Shipping business *US$'000*	Ship management business *US$'000*	Elimination *US$'000*	Total *US$'000*
Total reportable segment revenue				
Revenue from external customers	305,862	53,239	—	359,101
Inter-segment revenue	—	2,487	(2,487)	—
Total reportable segment revenue	305,862	55,726	(2,487)	359,101
Segment results				
Profit before income tax	54,495	6,552	—	61,047
Segment results included:				
Finance costs — interest income	23	4		27
Finance costs	(6,251)	(59)		(6,310)
Depreciation and amortisation	(29,881)	(547)		(30,428)
Net impairment (losses)/reversal on financial assets	(175)	6		(169)
Share of profit of associates and joint ventures	9,969	26		9,995
Additions to non-current assets	112,880	3,437	—	116,317

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

	As at 31 December 2023			
	Shipping business *US$'000*	**Ship management business** *US$'000*	**Elimination** *US$'000*	**Total** *US$'000*
Segment assets	**470,933**	**31,016**	**(9,892)**	**492,057**
Segment liabilities	**312,717**	**15,502**	**(9,892)**	**318,327**

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

(b) Analysis of revenue

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

The Group's revenues for the year ended 31 December 2023 are recognised over-time.

(i) The revenue is listed as below:

	Year ended 31 December	
	2023 *US$'000*	2022 *US$'000*
Revenue from shipping business		
Shipping service income — over time	**161,411**	236,867
Rental income	**46,546**	68,995
	207,957	305,862
Revenue from ship management business		
Ship management income — over time	**51,077**	53,239

(ii) Information about major customers

For the year ended 31 December 2023, there were no sales to any single customer which contributed 10% or more of the Group's revenue (2022: Nil).

(c) Unsatisfied performance obligations

There is no significant long-term unsatisfied performance obligations for the year ended 31 December 2023 (2022: Nil). For the above contracts with customers, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

4 OTHER GAINS, NET

	Year ended 31 December	
	2023	2022
	US$'000	*US$'000*
Foreign exchange (losses)/gains, net	**(219)**	542
Bank charges	**(533)**	(554)
Provision for legal proceedings	**(552)**	(680)
Insurance compensation	**1,346**	—
Net gains on disposal of property, plant and equipment	**6,891**	5,508
Net fair value losses on derivative financial instruments	**(1,851)**	—
Net fair value gains/(losses) on financial assets at fair value through profit or loss	**447**	(47)
Others	**110**	131
	5,639	4,900

5 INCOME TAX EXPENSE

Shipping income from international trade is either not subject to or exempt from income tax according to the tax regulations prevailing in the jurisdictions in which the Group operates except Japan. Income from non-shipping activities is subject to tax at prevailing rates in the jurisdictions in which these businesses operate.

	Year ended 31 December	
	2023	2022
	US$'000	*US$'000*
Current income tax:		
— Hong Kong profits tax	**112**	140
— PRC enterprise income tax	**12**	75
— Japan income tax	**47**	1,245
— Singapore income tax	**153**	624
Deferred income tax	**37**	34
	361	2,118

6 DIVIDENDS

On 27 March 2024, the directors of the Company proposed a final dividend of HKD0.15 per ordinary share and declared a special dividend of HKD0.115 per ordinary share, totaling HKD132.5 million. The proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting. Both of the proposed final dividend and special dividend will be reflected as an appropriation of retained earnings for the year ending 31 December 2024 (2022: Nil).

7 EARNINGS PER SHARE

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

	Year ended 31 December	
	2023	2022
	US$'000	*US$'000*
Profit attributable to the owners of the Company (US$'000)	**21,211**	57,316
Weighted average number of ordinary shares in issue	**468,750,000**	375,000,000
Basic earnings per share (expressed in US$ per share)	**0.045**	0.150

As the Company has no dilutive instruments for the year ended 31 December 2023 (2022: Nil), the Group's diluted earnings per share equals to its basic earnings per share.

8 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	US$'000	*US$'000*
Trade receivables — ship management business		
— Third parties	**4,698**	2,601
— Related parties	**268**	473
Less: provision for impairment	**(70)**	(21)
Trade receivables — net	**4,896**	3,053

	As at 31 December	
	2023	2022
	US$'000	*US$'000*
Trade receivables — shipping business		
— Third parties	**6,397**	11,640
— Related parties	**478**	—
Less: provision for impairment	**(1,552)**	(155)
Trade receivables — net	**5,323**	11,485
Other receivables		
— Amounts due from related parties	**—**	184
— Deposits to related parties	**4**	—
— Deposits and guarantees	**10,204**	5,202
— Dividends receivable from an associate	**—**	3,104
— Others	**5,226**	2,053
	15,434	10,543
Less: provision for impairment of other receivables	**(123)**	(79)
Other receivables — net	**15,311**	10,464
Total trade and other receivables, net	**25,530**	25,002

Aging analysis of trade receivables at each balance sheet date based on their initial recognition dates were as follows:

	As at 31 December	
	2023	2022
	US$'000	*US$'000*
Trade receivables — ship management business		
Within 3 months	**4,703**	2,876
3–6 months	**150**	88
6–12 months	**45**	90
1–2 years	**63**	20
2–3 years	**5**	—
	4,966	3,074
Less: provision for impairment	**(70)**	(21)
	4,896	3,053

	As at 31 December	
	2023	2022
	US$'000	*US$'000*
Trade receivables — shipping business		
Within 3 months	**5,081**	10,059
3–6 months	**—**	31
6–12 months	**244**	1,528
More than 1 year	**1,550**	22
	6,875	11,640
Less: provision for impairment	**(1,552)**	(155)
	5,323	11,485

9 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	US$'000	*US$'000*
Trade payables		
— Third parties	**15,737**	20,498
— Related parties	**10**	556
	15,747	21,054
Other payables		
— Amounts due to related parties	**7,035**	1,345
— Deposits from related parties	**13**	18
— Amounts due to third parties	**—**	108
— Deposits and guarantees	**2,565**	980
— Salaries and staff welfare payable	**2,905**	1,903
— Provisions for legal proceeding	**1,640**	1,398
— Listing expenses	**—**	650
— Others	**645**	239
	14,803	6,641
Total trade and other payables	**30,550**	27,695

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	
	2023	2022
	US$'000	*US$'000*
Less than 1 year	**15,603**	20,866
1–2 years	**98**	76
2–3 years	**20**	110
Over 3 years	**26**	2
	15,747	21,054

10 CONTINGENCIES

A controlled vessel of the Group collided with a third-party vessel in 2022. The third party claimed a compensation to the insurance company of the Group amounted to US$4–5 million which will be covered by the insurance company. The Group has no further liability for compensation.

As at 31 December 2023, the Group was involved in some other claims. Based on advice of legal counsel and other information available to the Group, the Directors have made sufficient provisions to the Group's consolidated financial statements for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Company Profile

The Group is an integrated shipping services provider headquartered in the PRC. Its comprehensive services provided include (i) shipping services and (ii) ship management services, covering key processes along the value chain of the maritime shipping industry.

Business highlights

Revenue: Revenue amounted to approximately US$259.0 million during the Year, representing a year-on-year decrease of 27.9% from approximately US$359.1 million in 2022.

Gross profit: Gross profit amounted to approximately US$40.1 million during the Year, representing a year-on-year decrease of 35.7% from approximately US$62.4 million in 2022.

Adjusted net profit: Adjusted net profit amounted to approximately US$23.9 million during the Year, representing a year-on-year decrease of 60.8% from approximately US$60.8 million in 2022. Please refer to the section headed "Non-HKFRS Measure" for details.

	For the year ended 31 December	
	2023	2022
	US$ million	*US$ million*
Revenue	**259.0**	359.1
Gross profit	**40.1**	62.4
Adjusted net profit	**23.9**	60.8
Earnings before interest and tax	**31.8**	67.4
Profit per share *(US$ per share)*	**0.045**	0.15

Business strategy

Balance of light and heavy vessel fleet: Maintaining a well-balanced portfolio of vessel fleet assets is one of the keys to the robust development of the Group's shipping services. As the lease term of the chartered-in vessels is generally short (usually expiring within three months), this approach allows the Group to enjoy greater flexibility in vessel fleet operations while avoiding significant capital expenditure. On the other hand, controlled vessels generally enjoy a higher gross profit and could drive the financial performance of the Group. Therefore, the balanced vessel fleet assets will be conducive to the achievement of economies of scale and profit improvement of the Group, while maximizing operational flexibility.

Expanding vessel fleet: With the extensive maritime knowledge of the Group's management, as well as the operational experience accumulated through shipping services and ship management services, the Group has a certain degree of foresight in terms of acquisition of vessels and able to better grasp the timing of acquisition of vessels and acquire vessels in line with the Company's business development plan at a lower price. In view of the low vessel newbuilding cost in the past few years, the Group has engaged well-established shipyards located in the PRC and Japan to build a total of fifteen new vessels for it, with six new vessels were in under-water operation in 2023, with a total of additional weight carrying capacity of 422,446 deadweight tonnage ("**dwt**"). Five new vessels are expected to be put into under-water operation in 2024, with additional weight carrying capacity of 250,640 dwt. Among the new building orders, the Group acquired two general cargo vessels each with a capacity of 62,000 dwt, two bulk carriers each with a capacity of 42,200 dwt, two bulk carriers each with a capacity of 40,000 dwt and one general carrier with a capacity of 13,500 dwt in 2023. In addition to the newly constructed vessels, the Company also acquired two chemical tankers and entered into five bareboat charters during the Year. The Company's additional weight carry capacity covers a variety of vessel types such as chemical tankers, heavy multi-purpose vessels, and general dry cargo vessels, which can effectively expand ship's carrying capacity while balancing asset investment and benefits.

Diversification of fleet portfolio: With a modern and flexible fleet of dry bulk carriers comprising Capesize, Panamax, Ultramax, Supramax, Handymax and Handysize bulk carrier, as well as liquid sulphur tankers, flexible oil tankers, medium-range tankers and chemical tankers, the Group's diversified portfolio of vessels can respond more flexibly to changes in the market.

One-stop service platform of ship asset covering investment, operation and management: Leveraging the management's industry knowledge and market information brought by the Group's operation, the Group is able to grasp the core of the market and make deployments in advance with the shipping industry. The Company can acquire ship assets at a lower price, and make deployments in advance during the market downturn as well as generate revenue through its operation and management service when the market is sluggish. The Group may sell vessels at a premium to take advantage of the opportunities brought by the market cycle when the market is prosperous. For example, on 2 November 2023, the Group entered into an agreement with the purchaser to sell a 57,005 dwt bulk carrier for US$12.8 million, generating a gain on the disposal (after tax and expenses) of approximately US$5 million to be recognised in the accounts in 2024, as the vessel is to be delivered in 2024.

Expanding business presence: In order to support the Group's business development, the Group will set up offices and service sites in numerous strategic regions worldwide, with an increasingly comprehensive transport network to effectively extend the Company's service capabilities globally, meet customers' needs in a comprehensive manner, improve customer acquisition ability and stickiness of existing customers. In October 2023, the new office of the Group's German branch was officially put into use, strengthening its comprehensive service capabilities in the German and European markets.

Cost reduction, operation efficiency and quality improvement: In order to reduce the impact of macro factors on its financial performance, the Group will endeavour to streamline its existing operating system and process by adopting digital technologies and implementing advanced information technology systems, while seeking diversified financing channels, selecting finance leasing and sale and leaseback in line with the characteristics of the shipping industry, and striving for bank financing at lower interest rates to further reduce financial costs. The Group will also strive to maintain a balanced and diversified vessel fleet asset portfolio, enhancing the controllability of the business and profit margin through controlled vessels, while at the same time leveraging chartered-in vessels to maximize operational flexibility at a lower level of capital investment, and refine cost structure to maintain profit margin.

Controlled and chartered-in vessel fleets

The Group offers shipping services for commodity owners, traders and shipping service companies via its controlled or chartered-in vessels. As of 31 December 2023, the Group controlled a vessel fleet comprising 28 vessels of varying sizes, including 20 dry bulk cargo carriers and 8 oil/chemical tankers, with a combined weight carrying capacity of 1.41 million dwt, representing an increase by 36.9% as compared to that as of 31 December 2022, and has an average vessel age of 7 years.

Change in controlled fleet

	For the year ended 31 December	
	2023	2022
Dry bulk carriers		
— Capesize	**1**	1
— Panamax	**6**	2
— Ultra Handysize	**7**	7
— Handysize	**6**	5
Oil/chemical tanker		
— Oil tanker	**4**	5
— Chemical tanker	**4**	1
Total	**28**	21

With its market position, flexible and efficient operating model, stable financial condition and performance, and information transparency, the Group has established deep cooperative relationships with shipyards in the PRC and Japan for many years, which render the Group shipbuilding opportunities at lower costs and reduced operating costs. The Group has seized the market trend of low vessel newbuilding cost and has separately engaged well-established shipyards located in the PRC and Japan to build fifteen new vessels among them, six new vessels were in under-water operation in the Year, with an additional weight carrying capacity of 422,446 dwt. The Group signed seven new shipbuilding orders in the Year, including two general dry cargo vessels each with a weight carrying capacity of 62,000 dwt acquired on 12 April 2023 at a total consideration of US$83.2 million, two bulk carriers each with a weight capacity of 42,200 dwt acquired on 25 April 2023 at a total consideration of US$63.4 million, one general carrier with a weight capacity of 13,500 dwt acquired on 30 May 2023 at a consideration of JPY2.3 billion and two bulk carriers each with a weight capacity of 40,000 dwt acquired on 4 September 2023 at a total consideration of US$67.0 million. The above investment will result in an additional increase in total weight carrying capacity of 301,900 dwt, and further expand the Group's controlled vessel fleet.

In addition to new shipbuilding, the Group acquired two oil/chemical tankers each with a weight carrying capacity of 17,000 dwt acquired on 7 November 2023 at a total consideration of US$28.0 million. The Group also recognizes market trends and entered into multiple bareboat charters when market prices are favorable. On 23 October 2023, we entered into an agreement to purchase one oil/chemical tanker, which has been delivered in November 2023 and entered into four bareboat charters for multi-purpose vessels with a weight carrying capacity of 62,000 dwt on 18 December 2023, all of which are expected to be delivered in the second half of 2025. This will help the Group achieve capacity growth with low capital investment.

Chartered-in vessel fleet

The Group believes that maintaining a suitable proportion of chartered-in vessels to controlled vessels allows the Group to maintain a sizeable fleet of vessels whilst limiting its capital commitments and maximizing flexibility in its business operations. The chartered-in vessel fleet conducts ship transportation business via chartered-in vessels on long term, short term and single voyage basis. For the year ended 31 December 2023, the Group entered into over 120 chartered-in vessel engagements with a combined weight carrying capacity of approximately 0.66 million dwt.

Due to the diversity of its chartered-in vessels, the Group is able to transport all major kinds of dry bulks for its customers such as iron ore, coal, grain, steel, logs, cement, fertilizer, nickel ore and bauxite.

In the meantime, the Group also provides daily operations of vessels, technical management, crew management, repair and maintenance, and regulatory management and compliance and other services for shipowners, finance lease companies, shipyards, dry bulk traders, and shipping and logistics companies through its chartered-in vessels and customer network.

Global network

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

In order to meet customers' increasing demand for shipping and vessel management services, the Group has set up subsidiaries in China, Singapore, Japan, Greece and Germany, covering Shanghai, Zhoushan, Qingdao, Ningbo, Fuzhou, Hong Kong, Singapore, Tokyo, Athens, Hamburg and other cities, with a commitment to providing services in major markets.

Customer network

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

Industry recognition

Relying on its rich industrial and operational experience, the Group's services are well acclaimed by the market. The Group has successfully ranked as one of the Lloyd's List 2023 Global Top 10 Ship Management Enterprises and Managers, and ranked the ninth in the world. As the only listed company among the top ten ship management companies and the first Chinese-funded shipping company on the list, the ranking further reflects the Group's excellent service capability and outstanding market position. In addition, Mr. Guo Jinkui, chairman of the Company, has been listed on the "Top 100 Most Notable Chinese Individuals in Shipping Industry"* (最受航運界關注的100位中國人) for eight consecutive years, which demonstrates the Company management's contribution and outstanding performance in the PRC shipping industry.

Informatization and intelligent development

With the increasing competition in the shipping market, downstream market participants continue to raise their demands on the operational capability and efficiency of shipping enterprises, the construction of information systems of various shipping enterprises is accelerating, and informatization and intelligence have become a booster to promote the development of the industry. Through the development of intelligent shipping and management software, the Group has established an integrated and comprehensive shipping management system which, through the centralization, integration and real-time interaction of information, is capable of promoting intelligent management and control as well as analysis of big data, realizing all-round and refined management of shipping.

ESG strategy and target

As the world promotes green energy resources and reduces carbon emissions, the shipping industry is undergoing a transformation. In recent years, the International Maritime Organization (IMO) and the European Union (EU) have enacted a number of regulations to monitor greenhouse gas emissions from ships. In particular, the Marine Environment Protection Committee (MEPC) of the International Maritime Organization, in its latest strategy, has explicitly called for the upgrading of the energy-efficient design of new vessels in order to reduce the carbon emission intensity. These include the need to reduce carbon emissions from ships on international shipping routes by 20% by 2030 and 70% by 2040 as compared with the levels in 2008, and to achieve net zero emissions by 2050 or thereafter. In addition, at least 5% of the energy resources used by ships on international routes by 2030 will need to come from technologies and fuels with zero (or near-zero) greenhouse gas emissions. These regulations impose more stringent design and efficiency requirements on the existing shipping capacity supply.

To this end, the Group has formulated corresponding short, medium and long term targets. In the short term, the Group is committed to meeting the latest IMO standards for Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Index (CII) for all existing ships from 2023. In the medium term (against the 2008 baseline), the Group targets to achieve a 40% reduction in CO_2 emission intensity by 2030 and a 70% reduction in CO_2 emission intensity by 2050, with the ultimate goal of achieving carbon neutrality.

In practice, the Group will endeavour to position itself in advance of the implementation of the shipping emission requirements under the European Union Emissions Trading System in 2024 by phasing out and upgrading its vessel fleets, adopting energy-saving operational measures, promoting energy-saving technological improvements, and adopting low-emission fuels. The Group expects that the supply of dry bulk cargo capacity will be adjusted when the European carbon tax policy is formally implemented. Coupled with the better performance of the new vessels in terms of fuel consumption and carbon emissions, the Group will have a greater advantage in terms of market share and operating costs.

Financial performance

In 2023, due to global trade, geopolitics and other macro factors, the global shipping market as a whole has been under pressure, and there has been a significant adjustment in market rates. The daily average BDI (an index of daily average of charter rates for dry bulk carriers published by The Baltic Exchange Limited, being the main benchmark to reflect the volatile movements of the dry bulk carrier charter rates and of the market charter rates) fell by approximately 28.7% from 2022. Meanwhile, as the market is in a period of recovery and adjustment, the number of chartered-in vessels of the Group also decreased compared with the same period last year, coupled with the high base effect of last year, resulted in a year-on-year decrease in revenue from shipping services during the Year. On the other hand, due to the decrease in the number of vessels charging on a lump-sum basis during the Year, the Group's revenue from vessel management and operation businesses also decreased on a year-on-year basis. Overall, the Group's total revenue decreased by 27.9% on a year-on-year basis from approximately US$359.1 million in 2022 to approximately US$259.0 million during the Year.

Due to the decrease in gross profit in relation to the chartered-in vessels, the Group's gross profit margin for the Year decreased from approximately 17.4% in 2022 to 15.5% for the Year, and as a result, the gross profit for the Year was approximately US$40.1 million, a year-on-year decrease of 35.7% (2022：approximately US$62.4 million). Combining the above factors, profit for the Year was approximately US$22.02 million, a year-on-year decrease by 62.6% compared to approximately US$58.9 million in 2022. Profit attributable to shareholders also decreased from approximately US$57.3 million in 2022 to approximately US$21.2 million, a year-on-year decrease of 63.0%. Excluding listing expenses, adjusted net profit for the Year was approximately US$23.9 million, a year-on-year decreased by 60.8% compared to approximately US$60.8 million in 2022.

The Group strives to maintain a strong financial condition in light of the fluctuations in the market condition. As of 31 December 2023, the Group's total assets were approximately US$492.1 million, a year-on-year increase of 71.3% (as of 31 December 2022: approximately US$287.2 million). Gearing ratio, which is total liabilities dividing by total assets, also maintained at a sound level of approximately 64.7% (as of 31 December 2022: approximately 62.1%).

Ship management services segment

The Group has been serving as a vessel management service provider since 2012 and provides ship owners, finance leasing companies, shipyards, dry bulk traders, and shipping and logistics companies with tailor-made ship management and value-added services covering the whole life cycle, including technical management, crew manning, business services, sale and purchase support, insurance and financing assistance of vessels.

The Group manages a wide variety of vessel types such as dry bulk carriers, oil tankers, chemical tankers, cargo ships, container ships, automobile ships, operation support vessel for wind farms, pulp vessels, liquefied petroleum gas (LPG) ships and offshore engineering ships. The Group maintained sound growth in the number of vessels under management. Rapid growth also demonstrated the Group's leading position in such segmented market and customer acquisition capacity. During the Year, the Group was successfully listed in Lloyd's List 2023 Global Top 10 Ship Management Enterprises and Managers, ranking the ninth in the world, and was the only listed company among the top 10 ship management companies and the first Chinese-funded shipping company on the list.

Leveraging its increasingly extensive industry experience and broad customer base, the Group has further broadened its service offerings to provide shipbuilding supervision services in 2019. Such services generally cover the provision of initial feasibility analysis and review of vessel blueprints, professional consultations during the shipbuilding as well as technical evaluations and ongoing support services during the course of the shipbuilding process. Since the commencement of the service provision and up to 31 December 2023, the Group has been engaged to provide shipbuilding supervision services for more than 150 shipbuilding projects of various types, covering bulk carriers, container ships, multi-purpose vessels, oil tankers, chemical tankers and marine engineering vessels, automobile ships, LPG ships, very large gas carriers, fishing breeding vessel, trailing suction hopper dredgers, wind power installation ships, liquefied natural gas bunkering vessels, passenger ships, etc. On 6 November 2023, the construction of BYD's 7,000-vehicle dual-fuel vehicle carrier No. 1 was officially started, which once again demonstrated the Group's service and customer acquisition capabilities.

During the Year, segment revenue was approximately US$51.1 million, a year-on-year decrease of 4.1% (2022: approximately US$53.2 million), as a result of the decrease in the number of vessels under our management where we charged management fees under lump-sum basis which generally commanded higher service fees. Profit before income tax of the segment was approximately US$5.0 million, a year-on-year decrease of 23.7% (2022: approximately US$6.6 million), as a result of lower profit and higher labour costs and management expenses associated with the decreases in the chartered-in management vessels and vessels sent for crewing business. Profit margin of this segment reached approximately 9.8% for the Year (2022: approximately 12.3%).

Shipping services segment

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

As at 31 December 2023, the Group controlled a fleet comprising 28 vessels, which has a combined weight carrying capacity of 1.41 million dwt, representing an increase by 36.9% compared with that as at 31 December 2022, and an average vessel age of approximately 7 years. Given its flexibility, chartered-in vessels occupy a portion of fleet of the Group. For the year ended 31 December 2023, the Group entered into over 120 charter agreements with a combined weight carrying capacity of approximately 0.66 million dwt.

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

Meanwhile, the Group generally charters its vessels to its customers under time charter and TCT. The Group also provides shipping services to its customers through contract of affreightment including the transport of iron ore from India and Australia to China.

During the Year, due to the decline in global trade and shipping service demand, the average daily BDI was approximately 1,378 points in 2023, a decrease by approximately 28.7% from approximately 1,934 points in 2022, and segment revenue decreased year on year by 32% from approximately US$305.9 million in 2022 to approximately US$208.0 million. In particular, revenue from chartered-in vessels decreased year on year by 49.2% from approximately US$198.2 million in 2022 to approximately US$100.6 million, and revenue from controlled vessels decreased by 0.3% from approximately US$107.7 million in 2022 to approximately US$107.3 million.

In terms of gross profit, gross profit of shipping services was approximately US$30.4 million in 2023, a year-on-year decrease by 41.7% compared to approximately US$52.2 million in 2022. In particular, the gross loss of chartered-in vessels in 2023 was approximately US$1.1 million, while the gross profit was approximately US$22.5 million in 2022, a decrease of 105.0% year-on-year, and the gross loss margin was approximately 1.1% (2022: gross profit margin of 11.4%). The gross profit of controlled vessels was approximately US$31.5 million, a year-on-year increase by 6.4% from approximately US$29.6 million in 2022, and gross margin was approximately 29.4% (2022: 27.5%). Profit before income tax of this segment was approximately US$17.4 million, a year-over-year decrease by approximately 68.1% compared to approximately US$54.5 million in 2022, while profit margin of the segment for the Year was approximately 8.4% (2022: 17.8%).

Market overview

In 2023, the global economic recovery has been weaker than expected due to several factors such as geopolitical conflicts, complex economic environment, rising inflationary pressures and interest rates. During the Year, the BDI experienced significant fluctuation, then rebounded at the end of the Year, benefiting from the increase in iron ore shipments. However, the overall BDI was at a low level in the first half of the year due to continuous pressure from real estate and infrastructure industries. In the second half of the year, especially at the end of November, the supply chain of the dry bulk market became increasingly tight, with early shipments of iron ore, grain and bauxite. In addition, the Panama Canal was congested with ships due to continuous drought, resulting in increased costs. The dispute in the Red Sea also gradually escalated, and geopolitics significantly increased the relevant route rates and commodity prices, resulting in a year-on-year decrease of only 28.7% to 1,378 points in the daily average BDI in 2023. Due to the fact that the impact of the Russia-Ukraine conflict on oil capacity demand has been largely eliminated by 2023, and environmental factors have reduced the operating speed of oil tankers, BCTI (the Baltic Clean Tanker Index, being a major basis for charter rates of oil tankers) decreased by approximately 35.0% to 800 points as compared to that of last year, but still above its average over the past decade. Looking forward to 2024, the global economy is expected to achieve a soft landing and is expected to grow by 3.1% in 2024 and 3.2% in 2025 according to the World Monetary Fund (IMF). With moderate economic growth, it will drive the demand for dry bulk cargo to some extent. Moreover, due to the gradual increase in environmental requirements, coupled with frequent geopolitical events, such as the Red Sea dispute, it will further push up commodity freight rates, which in turn will boost the rise in rates.

In terms of vessel supply, according to the Clarkson statistics, the global bulk carrier order volume decreased by 6.8% year-on-year to 33.37 million dwt during the Year, while the volume of orders-on-hand slightly increased by 4.1% year-on-year at the end of the year, reflecting the difficulty of a significant increase in global bulk carrier capacity in the short term and indirectly providing certain support for freight rates. Meanwhile, the market fundamentals of oil tankers still showed strong momentum. At the end of 2023, the volume of orders-on-hand increased by 59.1% year-on-year to 47.85 million dwt, and the global orders of oil tankers increased by 3.2 times to 28.71 million dwt, reflecting the market's optimism for the long-term development of the oil tanker market.

With the official implementation of the European Emissions Trading System and the establishment of new carbon emission regulations by the IMO, the shipping industry is undergoing a period of significant transformation. It is expected that in the coming years, a large number of old ships, especially oil tankers with generally longer service life, will be phased out, which will further drive the demand for new oil tankers. In addition, the Group also expects improvements in chemical products and related logistics needs. To this end, the Group will also actively increase the number of oil tankers and chemical tankers to better meet market demand.

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

Prospects

As the Group has been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group will apply appropriately the strength of international capital market and expand controlled vessel fleet and chartered-in vessel fleet with light and heavy assets and proactively improve its market share and competitiveness. During the Year, the Group has launched six new vessels, together with the acquisition of two vessels with a combined weight carrying capacity of 33,674 dwt during the Year and one chemical tanker with a combined weight carrying capacity of 17,055 dwt under a bareboat charter, representing an increase of 0.38 million dwt in combined weight carrying capacity as compared with that at the end of 2022. The combined weight carrying capacity reached 1.41 million dwt, an increase of 36.9% as compared with that as of 31 December 2022. In the coming year, the Group will enhance its overall shipping service capabilities and drive its financial performance with the recovery of rates.

Besides, the Group has been actively expanding its fleet coverage. 19 vessels under construction of the Group will be delivered between 2024 and 2027. Four heavy multi-purpose vessels with 62,000 dwt each will be delivered by the second half of 2025 under bareboat charters, which will provide additional 1,000,590 dwt of new shipbuilding capacity. On the whole, the Group will eliminate and upgrade fleets in due course to better meet the updated international standard and capture market share with vessels that enjoy greater advantages in oil consumption and carbon tax expenses.

Meanwhile, the operation of new vessels will bring more opportunities for replacing old vessels. The Group will be dedicated to capturing the cyclical nature of the industry and release capital values at market highs to lift its asset return. Thanks to its listing and market position, the Group will develop more diverse financing channels and explore opportunities such as new financing, joint capitals and joint ventures to cater for the capital requirements of new vessel investment at a lower cost.

In terms of ship management business, the Group will continue to consolidate its market leadership by properly leveraging its roles as the China's largest third-party ship management service provider and the only listed third-party ship management service company to utilize the business opportunities from future policies. The Group will also expand its major ship management presences currently located in Qingdao, Shanghai, Ningbo, Zhoushan and Fuzhou so as to meet the market needs by more comprehensive services.

Under the multi-pronged development direction, the Group will keep pursuing higher operational efficiency and greater business scale and strive to create higher value for the shareholders of the Company (the "**Shareholders**") and other stakeholders.

FINANCIAL REVIEW

Revenue

Our revenue was principally derived from the provision of (i) shipping services; and (ii) ship management services. Our revenue decreased by approximately US$100.1 million or 27.9% from approximately US$359.1 million for the year ended 31 December 2022 to approximately US$259.0 million for the Year.

Shipping services

Our revenue from shipping services decreased by approximately US$97.9 million or 32.0% from approximately US$305.9 million for the year ended 31 December 2022 to approximately US$208.0 million for the Year primarily due to a decline in global trade and demand for shipping services during the Year and a decrease in the market charter and freight rates during the Year.

Ship management services

Our revenue from ship management services decreased by approximately US$2.2 million or 4.1% from approximately US$53.2 million for the year ended 31 December 2022 to approximately US$51.1 million for the Year primarily due to, despite the increase in the total number of vessels under our management, there was a decrease in the number of vessels where we charged management fees under lump-sum basis which generally commanded higher service fees.

Cost of sales

Our cost of sales decreased by approximately US$77.8 million or 26.2% from approximately US$296.7 million for the year ended 31 December 2022 to approximately US$218.9 million for the Year primarily due to a decrease in charter hire cost and fuel consumption as a result of a decrease in chartered-in vessels engagements from vessel suppliers during the Year.

Gross profit and gross profit margin

Our gross profit decreased by approximately US$22.3 million or 35.7% from approximately US$62.4 million for the year ended 31 December 2022 to approximately US$40.1 million for the Year. Our overall gross profit margin decreased from approximately 17.4% for the year ended 31 December 2022 to approximately 15.5% for the Year. Such decrease was primarily due to a decrease in the global trade and demand for shipping services and a decrease in the market hire and freight rates during the Year.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by approximately US$3.6 million or 29.6% from approximately US$11.9 million for the year ended 31 December 2022 to approximately US$15.5 million for the Year primarily due to the increase in employee benefit expenses.

Net impairment losses on financial assets

We recognised net impairment losses on financial assets of approximately US$1.5 million for the Year as compared to approximately US$169,000 for the year ended 31 December 2022 primarily due to an increase in provision for impairment over our trade receivables as at 31 December 2023 which was made on an individual basis after taking into consideration of the long-aging status of the trade receivables due from one of our customers.

Other gains — net

We recorded other gains of approximately US$5.6 million for the Year as compared to approximately US$4.9 million for the year ended 31 December 2022 primarily due to the recognition of net gains of approximately US$6.9 million disposal of property, plant and equipment.

Net finance costs

Our finance costs increased by approximately US$2.9 million or 46.0% from approximately US$6.3 million for the year ended 31 December 2022 to approximately US$9.2 million for the Year primarily due to an increase in external financing as a result of the addition of several controlled vessels during the Year and the increased interest rates as a result of the interest rate hikes by the United States Federal Reserves during the Year.

Share of net profits of associates and joint ventures

We recorded share of net profit of approximately US$2.8 million for the Year as compared to approximately US$10.0 million for the year ended 31 December 2022 primarily due to a decrease in profitability of several associates of the Company as a result of a decline in the global trade and demand for shipping services during the Year and a reduction in the market hire and freight rates during the Year.

Profit for the Year

As a result of the foregoing, our profit decreased by approximately US$36.9 million or 62.6% from approximately US$58.9 million for the year ended 31 December 2022 to approximately US$22.0 million for the Year.

Non-HKFRS measure

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

	Audited	
	Year ended 31 December	
	2023	2022
	US$ million	*US$ million*
Profit for the year	**22.0**	58.9
Add: Listing expenses[(1)]	**1.8**	1.9
Non-HKFRS measure:		
Adjusted net profit for the year	**23.9**	60.8

Note:

(1) Listing expenses relate to the global offering of our Company.

Indebtedness

As of 31 December 2023, our borrowings and lease liabilities amounted to approximately US$282.5 million in aggregate (as of 31 December 2022: US$144.2 million).

Borrowings

Our total borrowings increased from approximately US$71.4 million as at 31 December 2022 to approximately US$215.9 million as at 31 December 2023 primarily due to the sale and lease back arrangements we entered into in relation to newly built vessels during the Year. Our borrowings are denominated in US$, RMB and JPY. As at 31 December 2023, 1.60% (31 December 2022: 7.25%) of the Group's borrowings were on fixed interest rates.

Pledge of assets

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

As at 31 December 2023, property, plant and equipment with the carrying amount of approximately US$266.9 million was pledged to secure borrowings (as at 31 December 2022: approximately US$90.8 million).

Lease liabilities

Our lease liabilities primarily represent the long-term bareboat charters with lease periods of one year or more. Our lease liabilities decreased from approximately US$72.8 million as at 31 December 2022 to approximately US$66.6 million as at 31 December 2023.

Contingent liabilities

As of 31 December 2023, we did not have any material contingent liabilities.

Capital structure

Our total assets increased from approximately US$287.2 million as of 31 December 2022 to approximately US$492.1 million as of 31 December 2023. Our total liabilities increased from approximately US$178.2 million as of 31 December 2022 to approximately US$318.3 million as of 31 December 2023.

Our net debt to equity ratio increased from approximately 115.1% as of 31 December 2022 to approximately 150.5% as of 31 December 2023 due to the increase in borrowings. Net debt to equity ratio is calculated as net debt divided by total equity as of relevant date. Net debt is calculated as total borrowings, lease liabilities, amounts due to related parties and amounts due to third parties less cash and cash equivalents. Total equity is shown in the consolidated balance sheet.

Capital commitments

The capital commitment as at 31 December 2023 was approximately US$278.5 million (as at 31 December 2022: US$183.0 million), which was mainly related to nine vessels construction contracts under which the vessels were not yet delivered up to 31 December 2023. Among such nine vessels, the expected delivery date of four vessels is in 2024 and five vessels is in 2025.

Save as disclosed, we did not have any other material capital commitments as of 31 December 2022 and 31 December 2023.

Liquidity and financial resources

As at 31 December 2023, we recorded net current assets of approximately US$776,000 compared to approximately US$1.1 million as at 31 December 2022. Our current ratio (namely current assets as of relevant dates divided by current liabilities) increased from 1.0 as of 31 December 2022 to 1.1 as of 31 December 2023.

As at 31 December 2023, our cash and cash equivalents amounted to approximately US$28.0 million and our cash and cash equivalents amounted to approximately US$20.2 million as at 31 December 2022. Our cash and cash equivalents are denominated in US$, RMB, JPY, SG$, HKD and the euro. Gearing ratio, which is total liabilities dividing by total assets, also maintained at a sound level of approximately 64.7% (as of 31 December 2022: approximately 62.1%).

TREASURY POLICY

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

FOREIGN EXCHANGE RISK

We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst the currencies used in our business operations. Our revenue is denominated in US$ and the primary functional currencies used in our business operations include US$ and RMB. Our cost of sales, operating expenses and capital expenditures are predominantly incurred in US$ while some of our primary payment commitments and expenditures, including but not limited to payment obligations pursuant to shipbuilding contracts, are denominated in RMB or JPY. However, our reporting currency is in US$ and therefore our revenue, cost of sales and other accounting items are all translated into US$ on our consolidated financial statements. As a result, we may be exposed to foreign exchange risk from fluctuation in foreign exchange rate. Our assets and liabilities and transactions in its operations did not expose to material foreign exchange risk. We manage foreign exchange risk by closely monitoring fluctuations in exchange rates of foreign currency, and minimise foreign exchange risk via prudent measures. During the Year, except that forward freight agreements and foreign exchange forward contracts were used to hedge against freight rates and foreign exchange risk, respectively, the Group did not use any other financial instruments for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 29 June 2023, the Group entered into an agreement with Wealth & Glory Marine Pte. Ltd., pursuant to which Wealth & Glory transferred 40% shareholding interest in Seacon Enterprise Pte. Ltd. to the Group for the consideration of USD730,000. Such transfer was completed on 1 August 2023. Details of the transaction have been disclosed in the Company's announcements dated 28 August 2023 and 6 September 2023.

Save as disclosed, we did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group acquired 14 vessels in 2023. As of 31 December 2023, there were nine vessels under construction for the Group. It is expected that four and five vessels will be delivered in 2024 and 2025, respectively. Details of nine material ship acquisition contracts entered into by the Group during the Year have been disclosed in the Company's announcements dated 12 April 2023, 25 April 2023, 30 May 2023, 4 September 2023 and 7 November 2023, respectively, and the Company's circulars dated 24 May 2023 and 30 October 2023.

On 11 August 2023, the Company and Shanghai Lingang Xinpianqu Jingang Shengyuan Real Estate Co., Ltd.* (上海臨港新片區金港盛元置業有限公司) ("**Shanghai Lingang**") entered into the framework agreement and the supplemental agreements in respect of the sale and purchase of (1) an office building under construction (the "**Office Building**") and (2) underground parking slots corresponding to the Office Building (together with the Office Building, the "**Properties**"), pursuant to which the Company agreed to purchase and Shanghai Lingang agreed to sell the Properties for an aggregate consideration of RMB239,834,400. The Properties are under construction and expected to be delivered by 2026. Details of the transaction have been disclosed in the Company's announcement dated 11 August 2023.

Save as disclosed, we did not have any other material investment or capital assets during the Year. In addition, we will utilise net proceeds from the global offering in the same manner as indicated in the section headed "Use of Net Proceeds from the Global Offering" of this announcement. Save as disclosed, we do not currently have any other plans for significant investment or capital assets. However, we will continue to seek for new opportunities for business development.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 4 January 2024, Seacon Bangkok Ltd (as the charterer) and Seacon Shipping Pte. Ltd. ("**Seacon Shipping**"), both of which are indirect wholly-owned subsidiaries of the Company, and an owner entered into a finance lease arrangement (the "**Finance Lease Arrangement**"), pursuant to which (i) Seacon Shipping agreed to sell a vessel to an owner for a consideration of US$30,000,000; (ii) the owner agreed to charter the vessel to the charterer; and (iii) the Company entered into a deed of guarantee in favour of the owner. The Finance Lease Arrangement constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and was subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has obtained an irrevocable and unconditional written approval for the Finance Lease Arrangement from the closely allied group who together held 288,750,000 shares of the Company (representing 57.75% of the issued share capital of the Company as at 4 January 2024). Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders' approval requirement in respect of the Finance Lease Arrangement has been satisfied in lieu of a general meeting of the Company. For details, please refer to the announcement of the Company dated 4 January 2024 and the circular of the Company dated 5 February 2024.

On 31 January 2024, the Company, as guarantor, executed a letter of guarantee, pursuant to which the Company has agreed to, jointly and severally with an associate company of the Company, guarantee the due performance of the obligations of the associate company (as purchaser) under a shipsales contract (the "**Shipsales Contract**") in favour of a contractor. Under the Shipsales Contract, the associate company shall pay a purchase price not exceeding JPY5,500,000,000 to the contractor for the purchase of a chemical tanker. For details, please refer to the announcement of the Company dated 31 January 2024.

On 18 February 2024, the Seacon Shipping and a seller entered into four shipbuilding contracts (the "**Four Shipbuilding Contracts**"), pursuant to which the Seacon Shipping agreed to purchase and the seller agreed to sell four vessels for an aggregate consideration of US$129,200,000. The acquisition of the vessels under the Four Shipbuilding Contracts constituted a major transaction of the Company under Chapter 14 of the Listing Rules and was subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has obtained an irrevocable and unconditional written approval for the transactions contemplated under the Four Shipbuilding Contracts from the closely allied group who together held 288,750,000 shares of the Company (representing 57.75% of the issued share capital of the Company as 18 February 2024). Accordingly, in accordance with Rule 14.44 of the Listing Rules, the Shareholders' approval requirement in respect of the transactions contemplated under the Four Shipbuilding Contracts has been satisfied in lieu of a Shareholders' general meeting of the Company. For details, please refer to the announcement of the Company dated 18 February 2024 and the circular of the Company dated 23 February 2024.

On 15 March 2024, Seacon Shipping and a seller entered into a shipbuilding contract, pursuant to which the seller agreed to build the vessel for Seacon Shipping for a consideration of US$30,100,000. For details, please refer to the announcement of the Company dated 15 March 2024.

Save as disclosed in this announcement, there was no other significant event since 31 December 2023 and up to the date of this announcement that could have a material impact on the Company's operations and financial performance.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.15 per ordinary share for the Year (2022: nil). In addition, the Board also resolved to declare a special dividend of HK$0.115 per ordinary share to all Shareholders in respect of the accumulated profits for the previous years. The proposed final dividend and special dividend are declared and will be paid in Hong Kong Dollars. The proposed final dividend, which is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**2024 AGM**"), and special dividend will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2024. The proposed final dividend and special dividend are expected to be paid on or before Monday, 29 July 2024.

EMPLOYEES

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

The Company has also adopted a share option scheme pursuant to the written resolutions of the Shareholders and Directors passed on 2 March 2023 (the "**Share Option Scheme**") to incentivise eligible Directors, senior management and employees to attract, motivate and retain skilled and experienced personnel, and to provide incentives or rewards for their contribution or potential contribution to the Group. Further information of the Share Option Scheme will be available in the annual report of the Company for the Year.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on the Stock Exchange on 29 March 2023 and a global offering of the Company's ordinary shares was offered, comprising 12,500,000 shares under the Hong Kong public offering and 112,500,000 shares under international placing, both at an offer price of HK$3.27 per share (collectively, the "**Global Offering**"). The net proceeds from the Global Offering, after deduction of underwriting fees and related expenses, amounted to approximately HK$333.8 million (the "**Net Proceeds**").

The following table sets forth the status of the use of the Net Proceeds:

Purpose	**% of total proceeds**	**Planned allocation of Net Proceeds (approximately)** *(HK$ in million)*	**Utilised Net Proceeds as of the date of this announcement (approximately)** *(HK$ in million)*	**Unutilised Net Proceeds as of the date of this announcement (approximately)** *(HK$ in million)*	**Expected timeline for utilisation of the remaining Net Proceeds**
• Expand and optimize the Company's vessel fleet.					
— Expand and optimize the Company's controlled vessel fleet	57.0	190.3	190.3	—	—
— Increase the scale of the Company's chartered-in vessel fleet by entering into 20 to 25 chartered-in engagements predominantly through time charters	20.0	66.8	66.8	—	—
• (i) Reinforce the Company's ship management capabilities by setting up new offices in strategic locations such as Shanghai, Greece, Philippines and Japan by renting office premises, and (ii) expand our current ship management operations in Qingdao, Ningbo and Fuzhou.	10.0	33.4	33.4	—	—
• Adopt digital technologies and implement advanced information technology in the Company's business operations.	3.0	10.0	3.5	6.5	By the end of 2024

Purpose	% of total proceeds	Planned allocation of Net Proceeds (approximately)	Utilised Net Proceeds as of the date of this announcement (approximately)	Unutilised Net Proceeds as of the date of this announcement (approximately)	Expected timeline for utilisation of the remaining Net Proceeds
		(HK$ in million)	*(HK$ in million)*	*(HK$ in million)*	
• General working capital and other general corporate purpose.	10.0	33.4	33.4	—	—
Total	100	333.8	327.4	6.5	

Note:

(1) Using USD/HK$ exchange rate as of 31 December 2023.

There has been no change in the intended use of Net Proceeds as previously disclosed in the Company's prospectus dated 14 March 2023 (the "**Prospectus**"). The Group has been gradually utilizing the net proceeds from the Global Offering according to the manner and proportions disclosed in the Prospectus.

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

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

OTHER INFORMATION

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2023.

Corporate governance

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules as the basis for the corporate governance practices of the Company. As the Company's shares were listed on the Stock Exchange on 29 March 2023, the CG Code set out in Appendix C1 to the Listing Rules were not applicable to the Company during the period from 1 January 2023 until the Listing Date. From the date of listing (i.e. 29 March 2023) to 31 December 2023, the Company has complied with all applicable code provisions of the CG Code, except for the deviation as follows:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. Mr. Guo Jinkui, being the Chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development. The Company is committed to enhancing its corporate governance practices used to regulate conduct and promote growth of its business and to reviewing such practices from time to time to ensure that we comply with the CG Code and align with the latest developments of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, the relevant rules of the Model Code, to which the Directors were subject, were not applicable to the Company during the period from 1 January 2023 until the Listing Date.

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

Audit Committee

The Audit Committee of the Company (the "**Audit Committee**") has reviewed, together with the management and auditor of the Company, the accounting principles and policies adopted by the Group and the annual results for the Year. The Audit Committee has reviewed the Group's financial controls, risk management and internal control systems.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this annual results announcement.

Annual general meeting

The 2024 AGM will be held on Wednesday, 26 June 2024. The notice of 2024 AGM will be published and made available to the Shareholders in due course in the manner prescribed by the Listing Rules.

Closure of register of members

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2024 AGM or any adjournment thereof, the register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the 2024 AGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 20 June 2024.

In order to qualify for the entitlement to the proposed final dividend and special dividend, the register of members of the Company will also be closed from Wednesday, 3 July 2024 to Tuesday, 9 July 2024, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 July 2024. The proposed final dividend, which is subject to the approval of the Shareholders at the 2024 AGM, and special dividend will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2024. The proposed final dividend and special dividend are expected to be paid on or before Monday, 29 July 2024.

Publication of the annual report

The annual report of the Company for the Year containing all the information required by the Listing Rules will be made available to the Shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.seacon.com) in due course.

By order of the Board
Seacon Shipping Group Holdings Limited
Guo Jinkui
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises executive Directors of Mr. Guo Jinkui, Mr. Chen Zekai, Mr. He Gang, and Mr. Zhao Yong; and independent non-executive Directors of Mr. Fu Junyuan, Ms. Zhang Xuemei, and Mr. Zhuang Wei.

* *For identification purposes only*