# 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


# 2023 ANNUAL REPORT

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# CORPORATE INFORMATION

## Executive Directors
Mr. Guo Jinkui *(Chairman)*
Mr. Chen Zekai *(General manager)*
Mr. He Gang
Mr. Zhao Yong

## Independent Non-executive Directors
Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

## Audit Committee
Mr. Fu Junyuan *(Chairperson)*
Ms. Zhang Xuemei
Mr. Zhuang Wei

## Remuneration Committee
Ms. Zhang Xuemei *(Chairperson)*
Mr. Chen Zekai
Mr. Zhuang Wei

## Nomination Committee
Mr. Guo Jinkui *(Chairperson)*
Mr. Chen Zekai
Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

## Risk Management Committee
Mr. Guo Jinkui *(Chairperson)*
Mr. He Gang
Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

## Environmental, Social and Governance Committee
Mr. Guo Jinkui *(Chairperson)*
Mr. Zhao Yong
Mr. Zhuang Wei

## Joint Company Secretaries
Ms. Sun Yufeng
Ms. Chan Sze Ting *(FCG, HKFCG)*

## Authorised Representatives
Mr. He Gang
Ms. Chan Sze Ting

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## Principal Place of Business in Hong Kong
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Hong Kong

## Compliance Adviser
Zhongtai International Capital Limited
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong

## Independent Auditor
PricewaterhouseCoopers
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*
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Central, Hong Kong

# CORPORATE INFORMATION

## Hong Kong Legal Adviser
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15 Queen's Road Central
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## Cayman Islands Principal Share Registrar and Transfer Office
Tricor Services (Cayman Islands) Limited
Cricket Square
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Grand Cayman, KY1-1103
Cayman Islands

## Hong Kong Branch Share Registrar
Tricor Investor Services Limited
17/F, Far East Finance Centre
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Hong Kong

## Principal Bankers
Citibank N.A.
Bank of China
Mizuho Bank, Ltd.

## Stock Code
2409

## Company Website
www.seacon.com

# CHAIRMAN'S STATEMENT

Dear shareholders of the Company,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Seacon Shipping Group Holdings Limited ("**Seacon Shipping**" or "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2023 (the "**Year**").

The year 2023 was a year with opportunities and challenges. On the one hand, we have officially landed on the international capital market and successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), transforming from a private enterprise to a public company. With the significant increase in popularity of Seacon Shipping in the shipping industry, the Company continued to adhere to its original intention of "being a leading and reliable partner in the maritime industry", taking advantage of the current situation, actively expanding cooperative customers, enriching financing channels, improving internal control systems, and making every effort to provide customers with competitive solutions and services in every cooperation, continuously creating maximum value for customers.

As a central economic hub in Asia, Hong Kong has enormous advantages in financial products, financing channels, wealth management and other fields. The successful listing of Seacon Shipping in Hong Kong in 2023 also reflects the recognition of the Company in the international capital market. Since the listing, the management of the Company, based on the needs of its own business development and the development prospects of the global shipping industry, will provide more diversified and cost-effective financing channels to support our new operating model of both light and heavy assets in the long term, and increase our ability to avoid market risks through short-term and long-term investment portfolios and the concept of diversified fleet development. However, with the complexity and volatility of the macro environment, global economy and geopolitics, shipping and logistics companies were also facing unprecedented operational challenges.

Within less than one year of its listing, we have been continuously investing in assets related to our current business, including 7 new orders for dry bulk carriers signed within the year, 5 dry bulk carriers and chemical tankers acquired through bareboat charters, and 2 chemical tankers acquired through acquisitions. These actions will bring significant incremental control to our fleet, support our future business development needs, and prepare for potential asset appreciation in advance.

Additionally, in order to strengthen our service and customer acquisition capabilities, we actively promoted a global strategic layout and successfully established a new branch in Hamburg, a major port city in Germany, within 2023. We further improved our regional market layout and provided more suitable one-stop ship operation and management services for customers in Germany and Europe. Our ship management business has reached a new milestone within the year, which successfully ranked ninth on the Lloyd's List 2023 Global Top 10 Ship Management Enterprises and Managers. As the only Chinese funded enterprise on the list, we are deeply honored and will continue to work hard to promote steady business growth through the dual drive of ship operation and ship management business.

While investing or purchasing new vessels, we have also created opportunities for replacing old vessels. With years of deep cultivation in the maritime market and the rich industry information brought by our operations and management business, we can purchase vessel assets at preferential prices when the market is at a low point and generate stable income through our own ship management services in the economic reverse cycle. When the market is at a high level, we can sell vessels at a high price, generating considerable profit from asset sales. As an important part of our development strategy, we also confirmed its feasibility during the year. In November 2023, we sold a 57,005 deadweight tonnage ("**dwt**") bulk carrier for US$12.8 million, which is expected to generate sales proceeds (after tax and expenses) of approximately US$5.8 million, laying a solid foundation for the 2024 results.

Looking forward to 2024, the market expects a certain recovery in large-scale investment and international trade, and the demand for dry bulk cargo will also remain stable. The external environment is the main variable affecting the growth of the shipping services of the Group. Events such as geopolitical events, the Red Sea dispute and the Israeli Palestinian conflict will further impact the global supply chain, affecting transportation capacity supply and subsequently driving up commodity prices and route rates, bringing short-term benefits to the performance of the Group. In terms of the medium to long term, with the increasing awareness of carbon neutrality and green environmental protection in the shipping industry, more environmental requirements will be implemented after 2025. At that time, the speed of old ship elimination will further accelerate, and the supply of market transportation capacity will also be further reduced, which will bring greater market space for Seacon Shipping.

In the future years, in order to enhance the Company's competitiveness and maintain absolute communication with international and domestic parties, Seacon is committed to expanding its fleet and purchasing newly built vessels that comply with the latest environmental conventions, in order to seize more market share and to support balanced business development with a more diversified fleet type. We will also closely monitor ship investment and purchasing and selling opportunities, adhere to the expansion model of balancing both light and heavy assets, and timely achieve capital exchange through purchasing and selling ships. We believe that after capital investment, we will enter a harvest period, and we are full of confidence in our team, business and prospects. At the same time, the Company will continue to increase investment in digital construction, fulfil its social responsibilities and build a sustainable future.

Last but not least, I would like to extend my heartfelt gratitude to all directors, senior management and employees of the Group for their efforts in the past year. Looking forward, the fellow staff members of the Group will continue to unite, overcome challenges and create a bright future altogether.

**Mr. Guo Jinkui**
*Chairman of the Board*

27 March 2024

# 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$23.8 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 US$ million** | 2022 US$ million |
| Revenue | **259.0** | 359.1 |
| Gross profit | **40.1** | 62.4 |
| Adjusted net profit | **23.8** | 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 a bareboat charter for a 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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$22.0 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$23.8 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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$107.4 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$22.6 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 among the top ten ship management companies and managers in the world in 2023 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

### 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, travel expenses and advertising 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:

| | 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 | **23.8** | 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).

# MANAGEMENT DISCUSSION AND ANALYSIS

### *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) remained approximately 1.0 as of 31 December 2023 (as of 31 December 2022: approximately 1.0).

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%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 report. 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.

## ROUNDING

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

# DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of four executive Directors and three independent non-executive Directors.

## DIRECTORS

### Executive Directors

**Mr. Guo Jinkui (郭金魁)** (“**Mr. Guo**”), aged 50, 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 28 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 eight consecutive years between 2016 and 2023.

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.

**Mr. Chen Zekai (陳澤凱)** (“**Mr. Chen**”), aged 60, 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 33 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 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 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. He Gang (賀罡)** ("**Mr. He**"), aged 50, 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 27 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 also 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)** ("**Mr. Zhao**"), aged 57, 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 23 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.

## Independent Non-executive Directors

**Mr. Fu Junyuan (傅俊元)** ("**Mr. Fu**"), aged 62, joined our Group as an independent non-executive Director on 2 March 2023. Mr. Fu is responsible for providing independent advice to our Board.

# DIRECTORS AND SENIOR MANAGEMENT

Mr. Fu has more than 26 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 |
|---|---|---|---|
| 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 |
| 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 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 2006 to September 2018 |
| China Poly Group Corporation Limited (中國保利集團有限公司) | Parent company of 7 listed companies in the fields of international trade, real estate development, light industry research and development and engineering services etc. | Member of the company party standing committee 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Ms. Zhang Xuemei (張雪梅)** ("**Ms. Zhang**"), aged 53, joined our Group as an independent non-executive Director on 2 March 2023. Ms. Zhang is responsible for providing independent advice to our Board.

Ms. Zhang has over 23 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.

**Mr. Zhuang Wei (莊煒)** ("**Mr. Zhuang**"), aged 45, joined our Group as an independent non-executive Director on 2 March 2023. Mr. Zhuang is responsible for providing independent advice to our Board.

Mr. Zhuang has over 13 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* (上海海運學院)) 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. In December 2022, Mr. Zhuang was elected as a representative of the sixteenth Shanghai Municipal People's Congress (上海市第十六屆人民代表).

## JOINT COMPANY SECRETARIES

**Ms. Sun Yufeng (孫玉峰)** ("**Ms. Sun**") has more than 13 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.

**Ms. Chan Sze Ting (陳詩婷)** ("**Ms. Chan**") has joined Tricor Services Limited since April 2006 and she currently serves as a 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 18 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies.

Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a Fellow 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.

# REPORT OF DIRECTORS

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the Year.

## COMPANY PROFILE

The Company was incorporated as an exempted company with limited liability in the Cayman Island on 22 October 2021. The shares of the Company were listed on the Main Board of the Stock Exchange on 29 March 2023 (the "**Listing Date**").

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. The principal activities of the principal subsidiaries, associates and joint ventures as at 31 December 2023 are set out in note 34 and note 15 to the consolidated financial statements, respectively.

## RESULTS OF THE GROUP

The Group's results during the Year are set out in the audited consolidated financial statements on pages 65 to 165 of this annual report.

## BUSINESS REVIEW

A fair review of the business of the Group including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. These discussions form part of this Report of Directors. The events affecting the Company that have occurred after the Year are set out in the section headed "Significant Events after the Year" in this report.

## 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.

As at the date of this report, there is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## DIVIDENDS POLICY

The Company has adopted a dividend policy and details of which are set out in the Corporate Governance Report on page 64 of this annual report.

## FINANCIAL SUMMARY

The summary of the Group's consolidated results as well as assets and liabilities for the past five financial years is set out on page 166 of this annual report. The summary does not constitute a part of the audited consolidated financial statements.

## MAJOR RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations or growth prospects may be affected by risks and uncertainties associated with the Group's business. The factors listed below are the principal risks and uncertainties that the Group believes could cause the Group's business, financial condition, results of operations or growth prospects to differ materially from those anticipated or from historical results:

- Charter rates for dry bulk carriers are volatile and the profitability of shipping services is sensitive to fluctuations in the BDI which is a main benchmark indicator of the market charter rates, which may adversely affect the Group's charter hire received from our customers, and accordingly, the Groups' profitability and cash flows.

- The Group faces risks associated with obtaining suitable shipping capacity such as failing to assess chartered-in vessels in a timely manner and purchasing defective vessels, which may materially and adversely affect the Group's shipping volume, results of operations and financial condition.

- An increase in bunker fuel prices may reduce the Group's profitability and adversely affect the Group's business operations.

- The Group 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. Any inability to retain or replace our major customers may have a material adverse effect on the Group's business, financial condition and results of operations.

- The Group outsources the procurement of crew members to crew manning agencies. In the event of fraud or misconduct by a crew manning agency, the Group 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.

- If the Group's business operations fail to comply with any environmental requirements applicable to us, the Group 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.

As the above information is not exhaustive, investors are advised to exercise their own judgment or consult their own investment advisers before making any investment in the shares of the Company.

For more details of the other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Company's prospectus dated 14 March 2023 (the "**Prospectus**").

# REPORT OF DIRECTORS

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To our best knowledge, the Group has complied with relevant laws and regulations that are significant to the Group's business and operation in all material aspects. During the Year, there were no material violations of or non-compliance with applicable laws and regulations within the Group.

## MATERIAL LEGAL PROCEEDINGS

- In May 2023, a customer filed a lawsuit with Guangzhou Maritime Court of the PRC against (i) Seacon Ships Management Co., Limited (香港洲際船舶管理有限公司), a wholly-owned subsidiary of the Company; (ii) Seacon Ships Management Pte. Ltd., a wholly-owned subsidiary of the Company; and (iii) Taiping & Sinopec TJ19 Shipping Leasing Co., Ltd.* (太平十九號(天津)航運租賃有限公司) concerning a dispute over cargo shortage and claimed for compensation of approximately RMB1.8 million together with interest and legal costs. As at the date of this report, these legal proceedings are ongoing and the claim is on trial

- In June 2022, Sky Height Maritime Ltd. ("**Sky Height Maritime**") filed a lawsuit with Ningbo Maritime Court of the PRC against Seacon Ships Co., Limited (Qingdao)* (青島洲際之星船務有限公司) ("**Seacon Ships Qingdao**"), a wholly-owned subsidiary of the Company, and Seacon Shipping Group Limited* (洲際船務集團有限公司) ("**Seacon Shipping Group**") concerning, among other things, disputes over the rental expenses and the improper installation of certain devices on SKY HEIGHT. The court has handed down a judgment in relation to the litigation on 31 March 2023 ruling that (i) Seacon Ships Qingdao shall compensate Sky Height Maritime for economic loss of RMB7,446,326 within ten days after the judgment becomes effective; and (ii) the other claims of Sky Height Maritime be dismissed. On 12 April 2023, Seacon Ships Qingdao filed an appeal with the High People's Court of Zhejiang Province of the PRC. As at the date of this report, these legal proceedings are ongoing and the appeal is on trial. Details of these legal proceedings are set out in the Prospectus and the announcement of the Company dated 25 April 2023; and

- In February 2022, a customer initiated an arbitration proceeding in the United Kingdom against a subsidiary of the Company for breach of a time charterparty contract and claimed for various damages in February 2022 in the amount of approximately US$1.0 million, including, among other things, the loss of profit suffered by the customer as well as interest and legal costs. As at the date of this report, the arbitration hearing is pending and the parties are in negotiation for settlement. Details of these legal proceedings are set out in the Prospectus.

Save as disclosed above, the Directors were not aware of any other material proceedings or claims pending or threatened against the Group during the Year.

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is aware of our environmental responsibilities and social responsibilities, and understands the climate related issues that may affect our business. The Group is committed to strict compliance with the laws and regulations relating to environmental protection. The Company is aware of the importance of environmental protection and has formulated and adopted environmental, social and governance policies to ensure the continued sustainability of the Group's business operations. The Board of the Company has established an Environmental, Social and Governance Committee to support the Board in implementing the environmental, social and governance policies, objectives and strategies formulated by the Board, to conduct materiality assessment of environmental-related, climate-related and social-related risks, to evaluate the Group's approach to adjusting its business to climate change after collecting and analysing environmental, social and governance data, and to continuously monitor the implementation of measures to address the environmental, social and governance risks and liabilities of the Group. The Group will release the Environmental, Social and Governance Report required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") separately on the website of the Stock Exchange on the date of the publication of this annual report. The Environmental, Social and Governance Report will detail the environmental and social policies and performance of the Group during the year.

For discussions of the Group's environmental policies and performance, the Group's key relationships with employees, customers, suppliers and other stakeholders, and the Group's compliance with relevant laws and regulations that are significant to the Group during the Year, please refer to the Environmental, Social and Governance Report of the Company for the year.

## KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

The Group is committed to operating on a going concern basis while balancing the interests of all stakeholders, including the interests of the Shareholders, employees, customers and suppliers of the Group.

## SHAREHOLDERS

The Group recognises the importance of protecting the interests of Shareholders and maintaining effective communication with them. The Group believes that communication with Shareholders is a two-way process and strives to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with Shareholders, and listen carefully to Shareholders' views and feedback. This has been done through general meetings, corporate communications, interim and annual reports as well as results announcements.

## MAJOR CUSTOMERS AND SUPPLIERS

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. Our major customer groups in respect of our shipping services business segment may generally be categorised into shipping services companies and commodities owners and traders. We 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 from time to time to assess and evaluate which aspects of our service offerings need further improvement.

# REPORT OF DIRECTORS

Our suppliers mainly include vessel suppliers, marine goods suppliers such as lubricants and spare parts, bunker suppliers, insurance companies, classification societies and repair and maintenance service providers. We work closely with suppliers who are also market participants to maintain an extensive network in the shipping market and exchange market information from time to time to improve market efficiency.

During the Year, both the revenue attributable to the top five customers of the Group as a percentage of the Group's total revenue and the purchase costs of the top five suppliers of the Group as a percentage of the Group's total purchase costs accounted for less than 30%.

As at the date of this report, none of our Directors, their respective associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company had any interests in any of the Group's top five customers or top five suppliers. A more detailed description of the Company's key relationships with our employees, customers and suppliers is set out in the Environmental, Social and Governance Report of the Company for the year.

## 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 report, 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. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme".

## SHARE CAPITAL AND SHARES IN ISSUE

The Company has a class of ordinary shares with a par value of HK$0.01 each. Details of the movements in the share capital of the Company and details of the issued shares of the Company during the Year are set out in note 23 to the consolidated financial statements.

## DEBENTURES IN ISSUE

During the Year, the Group did not issue any debentures.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the Shareholders.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to our Shareholders by reason of their holding of the Company's securities.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" and note 32 to the consolidated financial statements in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and the controlling Shareholders (as defined in the Listing Rules) or any of their subsidiaries, whether for the provision of services or otherwise, during the Year.

## 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.

## RESERVES

During the Year, details of the movements in the reserves of the Group are set out in the consolidated statement of changes in equity and note 24 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Our distributable reserves include undistributed profits. As of 31 December 2023, the distributable reserves of the Company as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to US$63.9 million.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

## BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2023 are set out in note 25 to the consolidated financial statements.

## LOANS AND GUARANTEES

During the Year, the Group did not provide any loan or loan guarantee, either directly or indirectly, to the Directors, senior management, controlling Shareholders (as defined in the Listing Rules) of the Company or any of their respective connected persons (as defined in the Listing Rules).

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or discontinued during the Year.

## DONATIONS

During the Year, the Group made charitable donations and other contributions in the total amount of US$4,134.24 (2022: US$23,662.60).

## REMUNERATION POLICIES AND EMPLOYMENT BENEFITS

As of 31 December 2023, the Group had 288 employees. The Group believes that its employees are valuable assets of the Group and are of great significance to the Group's business. Therefore, the Group recognises the importance of maintaining a good relationship with its employees. The Group's remuneration policies are based on the Group's profitability, prevailing industry practices, prevailing market levels, the qualifications of employees, the relevant work experience, positions and experience and the performance of each of the Group's subsidiaries and individual employees. These policies are reviewed on a regular basis. In addition to basic salaries, the Group provides employees with contributions and other fringe benefits under applicable laws, rules and regulations, including discretionary mid-year and year-end bonuses, paid annual leave, paid birthday leave and maternity allowance. etc. Total employee remuneration expenses including Directors' remuneration for the Year amounted to approximately US$14.2 million.

The Group only operate defined contribution pension plans. In accordance with applicable laws and regulations, the Group has participated in applicable defined contribution plans. The Company has made regular corresponding payments to the corresponding defined contribution plans in accordance with the applicable legal and regulatory requirements of the employees. For the Year, the Group did not forfeit contributions to the defined contribution plans. Other than the above contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. Details of the Group's employee benefits are set out in note 2.22 and note 9 to the consolidated financial statements.

## PROFILE OF THE BOARD

The Directors in service during the Year and as of the date of this report are:

### Executive Directors

Mr. Guo Jinkui *(concurrently served as Chairman of the Board)*
Mr. Chen Zekai *(concurrently served as the general manager)*
Mr. He Gang
Mr. Zhao Yong

### Independent Non-executive Directors

Mr. Fu Junyuan (appointed on 2 March 2023)
Ms. Zhang Xuemei (appointed on 2 March 2023)
Mr. Zhuang Wei (appointed on 2 March 2023)

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" in this report.

## CHANGE IN DIRECTORS' INFORMATION

During the Year and up to the date of this report, there have been no change in the Directors' information which has been disclosed or is required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company on 2 March 2023 with an initial term of three years commencing from the Listing Date. Any party may terminate relevant agreement by giving prior written notice.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 2 March 2023 with an initial term of three years commencing from the Listing Date. Any party may terminate relevant agreement by giving prior written notice.

Such appointments are subject to the provisions of the Articles of Association in relation to retirement by rotation and re-election.

None of the Directors nominated for re-election at the 2024 AGM has entered into a service contract with any member of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

# REPORT OF DIRECTORS

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established a Remuneration Committee to assist the Board in formulating remuneration policies. Remuneration is determined and recommended based on the qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee under the Board.

None of the Directors waived or agreed to waive any remuneration, and there was no remuneration paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

During the Year, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the Directors was approximately US$1.06 million (as set out in note 33 to the consolidated financial statements).

For details of the Directors and the five highest paid individuals during the Year, please refer to note 33 and note 9 to the consolidated financial statements.

## PERMITTED INDEMNITY

Pursuant to the Articles of Association, each of the Directors or other senior officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he/she may incur or suffered in or about the performance of his/her duties during his/her term of office; provided that this indemnity shall not extend to any matter in respect of any fraud, willful default or dishonesty.

Such permitted indemnity provision was in force throughout the Year. As at the date of this report, the Company has maintained liability insurance in respect of liabilities against its Directors and senior officers in order to provide appropriate coverage.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" and note 33(f) to the consolidated financial statements, there were no transactions, arrangements or contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors or any entities connected with the Directors were materially interested, either directly or indirectly, subsisting during or at the end of the Year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable our Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors or any of their spouse or children under the age of 18 had any rights to subscribe for the equity or debt securities of the Company or any other body corporate, or had exercised any such rights.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of our Directors had controlled a business (excluding the Group's business) similar to the principal business of the Group that competes or is likely to compete, either directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers such Directors to be independent.

## CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES

Save as disclosed in this annual report, the Company did not have any other disclosure obligations under Rules 13.20, 13.21, 13.22, 14.36B and 14A.63 of the Listing Rules.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 32 to the consolidated financial statements in this report.

Certain related party transactions, as disclosed in note 32 to the consolidated financial statements in this report, also constituted connected transactions or continuing connected transactions of the Company but these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules pursuant to rules 14A.76, 14A.90 and 14A.95 of the Listing Rules, except those which are disclosed below in the section headed "Connected Transactions and Continuing Connected Transactions".

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the transactions between members of the Group and connected persons of the Company have become connected transactions or continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the relevant connected transactions and non-exempt continuing connected transactions are set out below:

### Connected Transaction

#### *Share Transfer Agreement*

*Parties:*

Seacon Marine Pte. Ltd. (as purchaser), Wealth & Glory Marine Pte. Ltd. (as seller) and Seacon Enterprise Pte. Ltd. (as target company). Seacon Marine Pte. Ltd. is an indirect wholly-owned subsidiary of the Company. Wealth & Glory Marine Pte. Ltd. was wholly-owned by Mr. Wang Guangfu (王光福).

Seacon Enterprise Pte. Ltd. was an indirect non-wholly owned subsidiary of the Company owned as to 60% by the purchaser and 40% by the seller prior to the acquisition. Therefore, Wealth & Glory Marine Pte. Ltd. was a substantial shareholder of Seacon Enterprise Pte. Ltd. and a connected person of the Company.

# REPORT OF DIRECTORS

*Transaction:*

On 29 June 2023, Seacon Marine Pte. Ltd., Wealth & Glory Marine Pte. Ltd. and Seacon Enterprise Pte. Ltd. entered into the share transfer agreement, pursuant to which Seacon Marine Pte. Ltd. agreed to purchase and Wealth & Glory Marine Pte. Ltd. agreed to sell 40% shareholding interest in Seacon Enterprise Pte. Ltd. for the consideration of USD730,000. Seacon Enterprise Pte. Ltd. became an indirect wholly-owned subsidiary of the Company after the acquisition.

Seacon Enterprise Pte. Ltd. was a major operating subsidiary of the Group which was principally engaged in shipping operation. The acquisition enabled the Group to streamline its shareholding structure, enhance its control over the management and operations of the target company and improve its management and operational efficiency, which is in line with the ongoing strategy of the Group to enhance its competitiveness in the maritime shipping industry.

Please refer to the announcements of the Company dated 28 August 2023 and 6 September 2023 for details.

## Continuing Connected Transactions

- ***Vessel Charter Agreement***

  *Parties:*

  The 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 1 February 2013. Seacon Shipping Group is a wholly-owned subsidiary of Seacon Star Group Ltd (the "**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:*

  The Company has entered into a vessel charter agreement dated 2 March 2023 with Seacon Shipping Group (the "**Vessel Charter Agreement**") pursuant to which Seacon Shipping Group has agreed to charter SKY HEIGHT to the Company on a time charter basis for a charter period of up to 22 May 2023, with reference to the end date of the time charter as set out in the underlying charter agreement relating to SKY HEIGHT dated 28 December 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 their ordinary and usual course of business.

  *Reasons for the transactions:*

  As part of our shipping services, the Group has chartered vessels to meet its operational requirements and customers' needs. The entering of the Vessel Charter Agreement is expected to enhance the Group's expansion of its dry bulk shipping routes and volume.

*Accounting implication of the Vessel Charter Agreement:*

The fees payable by the 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**").

The Group has adopted HKFRS16 as stated in note 2.8 to the consolidated financial statements set out in this annual report. Pursuant to the adoption of HKFRS16, the Group as lessee shall recognise 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 the Group for the purpose of the Listing Rules. As at 1 January 2022, the date on which the charter of SKY HEIGHT by the Group began, the Capital Asset recognised by us pursuant to the charter of SKY HEIGHT amounted to approximately US$1,547,000.

*Annual cap:*

The estimated annual cap for the Operating Expenses payable to Seacon Shipping Group under the Vessel Charter Agreement for the year ended 31 December 2023 is US$600,000. In arriving at the above annual cap, the Directors have considered the estimated Operating Expenses taking into account the expected business volume relating to SKY HEIGHT. There was no transaction concluded under the Vessel Charter Agreement since May 2023.

For the year ended 31 December 2023, the Operating Expenses payable to Seacon Shipping Group under the Vessel Charter Agreement amounted to US$411,000, which did not exceed US$600,000, the annual cap for 2023.

- ***Materials Purchase Agreements***

*Parties:*

The 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 18 September 2016. Sunny Marine was 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 29 October 2014. Seacon Marine Service was 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 was therefore considered as our connected person under the Listing Rules.

On 24 November 2023, Shandong Seacon Shipping Group Company Limited* transferred all its equity interest in Sunny Marine, and Seacon Ships Management Group transferred all its equity interest in Seacon Marine Service to independent third parties (the "**Transfers**"). Therefore, each of Sunny Marine and Seacon Marine Service ceased to be our connected person under the Listing Rules thereafter.

# REPORT OF DIRECTORS

*Principal terms:*

The Company has entered into a purchase agreement dated 2 March 2023 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 the Company 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 initial term of the Materials Purchase Agreements has commenced on the Listing Date and will end on 31 December 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.

*Annual cap:*

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 31 December 2023 and 2024 are US$3,020,000 and US$3,020,000, respectively.

For the year ended 31 December 2023, until 24 November 2023, the material fees payable to both of Sunny Marine and Seacon Marine Service under the Materials Purchase Agreements amounted to US$2,667,000, which did not exceed US$3,020,000, the annual cap for 2023. As each of Sunny Marine and Seacon Marine Service ceased to be our connected person under the Listing Rules upon the Transfers, any transactions entered into between Sunny Marine and Seacon Marine Service thereafter no longer constituted continuing connected transactions of the Company.

## Review of the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, have reviewed the Vessel Charter Agreement and the Materials Purchase Agreements and are of the view that (i) the transactions thereunder have been entered into in our ordinary and usual course of business and in accordance with the corresponding agreements governing them, (ii) the terms therein are normal commercial terms or better, and (iii) are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions and continuing connected transactions set out above.

The Auditor has confirmed that each of the Group's continuing connected transactions contemplated under the Vessel Charter Agreement and the Materials Purchase Agreements is in accordance with Rule 14A.56 of the Listing Rules where nothing has come to its attention that causes it to believe that the said continued connected transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the caps as stipulated in the relevant agreements governing the transactions.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

### Directors' Interests in the Company

| Name of Director | Capacity/Nature(1) | Number of shares held/ interested | Approximate percentage of shareholding(2) |
|---|---|---|---|
| Mr. Guo Jinkui(3) | Founder of a discretionary trust; Interest in a controlled corporation | 288,750,000 | 57.75% |
| Mr. Chen Zekai(4) | Founder of a discretionary trust; Interest in a controlled corporation | 75,000,000 | 15.00% |
| Mr. He Gang(5) | Interest in a controlled corporation | 3,750,000 | 0.75% |
| Mr. Zhao Yong(6) | Interest in a controlled corporation | 7,500,000 | 1.50% |

Notes:

(1) All interests stated are long positions.

(2) The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as of the date of this report, i.e., 500,000,000.

# REPORT OF DIRECTORS

(3) The entire share capital of Jin Qiu Holding Ltd. is wholly-owned by Shining Friends Limited, which is wholly-owned by Tricor Equity Trustee Limited, the trustee of The J&Y Trust, which was established by Mr. Guo Jinkui (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo Jinkui (as founder of The J&Y Trust) and Shining Friends Limited are taken to be interested in the 247,500,000 shares held by Jin Qiu Holding Ltd. pursuant to Part XV of the SFO.

Jin Chun Holding Ltd. and Jovial Alliance Limited are both 100% beneficially owned by Mr. Guo Jinkui. Accordingly, Mr. Guo Jinkui is deemed to be interested in the 11,250,000 shares held by Jin Chun Holding Ltd. and the 30,000,000 shares held by Jovial Alliance Limited under the SFO.

By virtue of the SFO, Mr. Guo Jinkui is deemed to be interested in all the shares held by Jin Qiu Holding Ltd., Jin Chun Holding Ltd. and Jovial Alliance Limited.

(4) The entire share capital of Kaimei Holding Ltd. is wholly-owned by Oceanic Flame Limited, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen Zekai (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen Zekai (as founder of The CZK Trust) and Oceanic Flame Limited are taken to be interested in the 71,250,000 shares held by Kaimei Holding Ltd. pursuant to Part XV of the SFO.

CZK Holding Ltd. is 100% beneficially owned by Mr. Chen Zekai. Accordingly, Mr. Chen Zekai is deemed to be interested in the 3,750,000 shares held by CZK Holding Ltd. under the SFO.

By virtue of the SFO, Mr. Chen Zekai is deemed to be interested in all the shares held by Kaimei Holding Ltd. and CZK Holding Ltd.

(5) Ruigao Holding Ltd. is 100% beneficially owned by Mr. Zhao Yong. Accordingly, Mr. Zhao Yong is deemed to be interested in the 7,500,000 shares held by Ruigao Holding Ltd. under the SFO.

(6) Passion Wealth Ltd. is 100% beneficially owned by Mr. He Gang. Accordingly, Mr. He Gang is deemed to be interested in the 3,750,000 shares held by Passion Wealth Ltd. under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouse or children under the age of 18 had been granted any rights to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such rights for the Year.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2023, so far as is known to our Directors, the following parties, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

### (a) Substantial Shareholders' Interests in the Company

| Name of Shareholder | Type/Nature of interest(1) | Number of ordinary shares | Approximate percentage of shareholding(2) |
|---|---|---|---|
| Tricor Equity Trustee Limited(3) | Trustee | 318,750,000 | 63.75% |
| Shining Friends Limited(3) | Interest in a controlled corporation | 247,500,000 | 49.50% |
| Jin Qiu Holding Ltd.(3) | Beneficial owner | 247,500,000 | 49.50% |
| Jovial Alliance Limited(3) | Beneficial owner | 30,000,000 | 6.00% |
| Oceanic Flame Limited(4) | Interest in a controlled corporation | 71,250,000 | 14.25% |
| Kaimei Holding Ltd.(4) | Beneficial owner | 71,250,000 | 14.25% |
| Ms. Li Xuyue(5) | Interest of spouse | 288,750,000 | 57.75% |
| Ms. Chen Meimei(6) | Interest of spouse | 75,000,000 | 15.00% |

Notes:

(1) All interests stated are long positions.

(2) The percentage represents the number of shares interested divided by the total number of ordinary shares of the Company in issue as of the date of this report, i.e., 500,000,000.

(3) The entire share capital of Jin Qiu Holding Ltd. is wholly-owned by Shining Friends Limited, which is wholly-owned by Tricor Equity Trustee Limited, the trustee of The J&Y Trust, which was established by Mr. Guo Jinkui (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Guo Jinkui (as founder of The J&Y Trust) and Shining Friends Limited are taken to be interested in 247,500,000 shares held by Jin Qiu Holding Ltd. pursuant to Part XV of the SFO.

Jin Chun Holding Ltd. and Jovial Alliance Limited are both 100% beneficially owned by Mr. Guo Jinkui. Accordingly, Mr. Guo Jinkui is deemed to be interested in the 11,250,000 shares held by Jin Chun Holding Ltd. and the 30,000,000 shares held by Jovial Alliance Limited under the SFO.

By virtue of the SFO, Mr. Guo Jinkui is deemed to be interested in the 288,750,000 shares held by Jin Qiu Holding Ltd., Jin Chun Holding Ltd. and Jovial Alliance Limited in aggregate.

(4) The entire share capital of Kaimei Holding Ltd. is wholly-owned by Oceanic Flame Limited, which is wholly-owned by Tricor Equity Trustee, the trustee of The CZK Trust, which was established by Mr. Chen Zekai (as the settlor and protector) on 6 December 2021 as a discretionary trust for the benefit of himself and his family members. Mr. Chen Zekai (as founder of The CZK Trust) and Oceanic Flame Limited are taken to be interested in the 71,250,000 shares held by Kaimei Holding Ltd. pursuant to Part XV of the SFO.

CZK Holding Ltd. is 100% beneficially owned by Mr. Chen Zekai. Accordingly, Mr. Chen Zekai is deemed to be interested in the 3,750,000 shares held by CZK Holding Ltd. under the SFO.

By virtue of the SFO, Mr. Chen Zekai is deemed to be interested in all the shares held by Kaimei Holding Ltd. and CZK Holding Ltd.

(5) Ms. Li Xuyue is the spouse of Mr. Guo Jinkui and is deemed, or taken to be, interested in all the shares in which Mr. Guo Jinkui has interest in under the SFO.

(6) Ms. Chen Meimei is the spouse of Mr. Chen Zekai and is deemed, or taken to be, interested in all the shares in which Mr. Chen Zekai has interest in under the SFO.

Save as disclosed above, as at 31 December 2023, based on publicly available information, there were no other persons, not being a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders and Directors of the Company passed on 2 March 2023. The principal terms of the Share Option Scheme are summarised as below:

### 1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

### 2. Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound, at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme (i.e., 2 March 2023), to make an offer to any of the following classes:

(a) any Directors and employees of our Group (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any member of our Group);

(b) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company; and

(c) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group, which may include persons who work for the member of our Group as independent contractors where the continuity and frequency of his service is akin to those of employees (the "**Service Providers**"), but excluding any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

### 3. Maximum number of Shares

(a) The total number of shares which may be allotted and issued in respect of all options and awards to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 50,000,000 Shares (the "**Scheme Mandate Limit**") unless the Company obtains an approval from our Shareholders. The options which are cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other schemes of our Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

(b) Without prejudice to (a) above, the total number of shares which may be allotted and issued in respect of all options and awards to be granted under the Share Option Scheme and any other schemes of our Group to Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed one per cent of the total number of Shares in issue immediately following completion of the Global Offering unless the Company obtains an approval from our Shareholders.

(c) The Company may update the Scheme Mandate Limit at any time with the prior approval of the Shareholders and subject to compliance with the requirements of the Listing Rules. The total number of shares which may be allotted and issued upon exercise of all options and awards to be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the limit.

(d) Since the date of adoption of the Share Option Scheme and up to the date of this report, no option has been granted, exercised, expired or lapsed under the Share Option Scheme and no option has been outstanding. As of the date of this report, the total number of shares available for issue under the Share Option Scheme was 50,000,000 shares, representing 10% of the total number of shares in issue.

### 4. Maximum entitlement of each eligible participant

Unless Shareholders' approval has been obtained and such grantee and their close associates (or his associates if the participant is a connected person) abstain from voting, the total number of shares issued and to be issued upon exercise of any options and awards which may be granted under the Share Option Scheme and any other schemes of our Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other schemes of our Group) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of our Company for the time being.

# REPORT OF DIRECTORS

## 5. Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme.

A nominal consideration of HK$1.00 is payable to the Company upon acceptance of the grant of an option by a grantee.

## 6. Vesting Period

The vesting period for options shall be determined by the Board and in any case, shall not be less than 12 months.

## 7. Exercise price for Shares

The exercise price in respect of any option under the Share Option Scheme shall be at the discretion of our Board, provided that it shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

## 8. Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted (i.e., 2 March 2023) unless the Company passes an ordinary resolution in general meeting to terminate the operation of the Share Option Scheme before its expiry. As of the date of publication of this report, the remaining life of the Share Option Scheme is approximately eight years and ten months.

## 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 report (approximately) (HK$ in million) | Unutilised Net Proceeds as of the date of this report (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 |
| • 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.

# REPORT OF DIRECTORS

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.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board of the Company, the Company has maintained sufficient public float as required by the Listing Rules during the Year and up to the date of this report.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. The information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 49 to 64 of this annual report.

## 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 report for the Year. The Audit Committee has reviewed the Group's financial controls, risk management and internal control systems.

## AUDITOR

The Company were only listed on the Stock Exchange on the Listing Date and there has been no change in auditor since the Listing Date. The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, which is a certified public accountant and registered public interest entity auditor, and will retire at the forthcoming annual general meeting of the Company, and being eligible, offer itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

## SIGNIFICANT EVENTS AFTER THE YEAR

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

# REPORT OF DIRECTORS

## 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.

By order of the Board
**Mr. Guo Jinkui**
*Chairman of the Board*

Hong Kong, 27 March 2024

# CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders the corporate governance of the Company for the year ended 31 December 2023.

## CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholders' return will be maximised in the long term and that its employees, business partners and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (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.

# CORPORATE GOVERNANCE REPORT

## 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 to 31 December 2023.

## BOARD OF DIRECTORS

The Company is led by an efficient Board. The Board assumes the responsibility for leadership and control, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall make decisions objectively in the best interests of the Company.

The Board strikes a balance among skills, experience and diversity of perspectives in order to meet the requirements of the Company's business, and regularly reviews the contribution required to be made by the Directors when discharging their duties to the Company, as well as whether they have devoted sufficient time to discharge the duties corresponding to their roles and obligations delegated by the Board. The Board comprises a balanced combination of executive Directors and independent non-executive Directors, so that there is a strong independent element in the Board, which can effectively exercise independent judgment.

Pursuant to code provision B.1.4, the Company has established mechanisms to ensure independent views and input are available to the Board. In particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) to discourage the re-election of long-serving independent non-executive Directors; (iii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; and (iv) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

## COMPOSITION OF THE BOARD

The Board currently consists of the following 7 Directors.

### Executive Directors

Mr. Guo Jinkui *(Chairman)*
Mr. Chen Zekai *(General manager)*
Mr. He Gang
Mr. Zhao Yong

### Independent Non-executive Directors

Mr. Fu Junyuan
Ms. Zhang Xuemei
Mr. Zhuang Wei

The biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report*. The relationships among the Directors are disclosed in the biographical details of the Directors under the section headed "Biographical Details of the Directors and Senior Management" in this annual report*. Save as disclosed above, there were no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

Each of the Directors has obtained the legal advice pursuant to the relevant Listing Rules effective at the material time before the Listing Date, which is equivalent to Rule 3.09D of the Listing Rules. Each of the Directors understood his/her obligations as a Director.

## BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, either in person or through electronic means of communication, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committee meetings, reasonable notice has to be given generally. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

As the Company's shares were listed on the Stock Exchange on 29 March 2023, there are eighteen Board meetings were held for the period commencing from the Listing Date to 31 December 2023.

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board assumes the responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board through effective independent judgement on corporate initiatives and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice* in appropriate circumstances at the Company's expenses, in order that they may discharge their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

# CORPORATE GOVERNANCE REPORT

The Board may make decision at its discretion on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The management is responsible for implementing the decisions of the Board, directing and coordinating the daily operation and management of the Company.

The Company has arranged appropriate insurance coverage on the Directors' and senior management's liabilities in respect of any legal actions may be taken against the Directors and senior management arising out of the activities of the Company. The insurance coverage would be reviewed on an annual basis.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman was held by Mr. Guo Jinkui. The Company did not appoint a chief executive officer. Please refer to the "Corporate Governance Practices" above for details.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

The Directors shall keep abreast of their Director's responsibilities and of the conduct, business activities and development of the Company.

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction training on the first occasion of his/her appointment, and will be provided with relevant briefing and professional development subsequently as necessary, in order to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements as well as the business and governance policies of the Company.

According to code provision C.1.4, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2023, all Directors have participated in continuous professional development, and the summary of training received by the Directors are as follows:

| Directors | Types of trainings[(1)] |
|---|---|
| Mr. Guo Jinkui *(Chairman)* | A and B |
| Mr. Chen Zekai *(General manager)* | A and B |
| Mr. He Gang | A and B |
| Mr. Zhao Yong | A and B |
| Mr. Fu Junyuan | A and B |
| Ms. Zhang Xuemei | A and B |
| Mr. Zhuang Wei | A and B |

Note:

(1) A: attending seminars and/or conferences relevant to the Directors' duties and responsibilities or corporate governance.

B: reading materials relating to Directors' duties and responsibilities or corporate governance or regulatory updates.

## BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, the Remuneration Committee, the Risk Management Committee, the Environmental, Social and Governance Committee and the Nomination Committee, which are responsible for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference, which clearly stipulates their respective roles and responsibilities. The terms of reference of the Audit Committee, the Remuneration Committee, the Risk Management Committee, the Environmental, Social and Governance Committee and the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

## AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Fu Junyuan, Ms. Zhang Xuemei and Mr. Zhuang Wei. Mr. Fu Junyuan is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee is also responsible for performing functions as required by Provision A.2.1 of the CG Code.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, the Audit Committee held two meetings to review, among other things, the annual report for the year ended 31 December 2022, the interim financial results and report for the six months ended 30 June 2023, major audit findings, significant issues on the financial reporting and compliance procedures, the effectiveness of risk management and internal audit function, appointment of external auditors and connected transactions.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Ms. Zhang Xuemei (independent non-executive Director), Mr. Chen Zekai (executive Director) and Mr. Zhuang Wei (independent non-executive Director). Ms. Zhang Xuemei is the chairperson of the Remuneration Committee.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (i.e. the model described in code provision E.1.2(c)(ii)), the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2023, the Remuneration Committee held one meeting to review the Company's policy and structure for the remuneration of all Directors and senior management, assess the performance of the executive Directors and the senior management, review the remuneration package of the executive Directors and the senior management and make recommendation to the Board on their remuneration.

The Company offers executive Directors and senior management, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors receive compensation based on their responsibilities.

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises five members, namely Mr. Guo Jinkui (executive Director), Mr. He Gang (executive Director), Mr. Fu Junyuan (independent non-executive Director), Ms. Zhang Xuemei (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Risk Management Committee.

The primary functions of the Risk Management Committee include reviewing and supervising the Group's risk management and internal control systems and the effectiveness of the Group's internal audit function.

During the year ended 31 December 2023, the Risk Management Committee held one meeting to review the Group's risk management and internal control systems, and the effectiveness of the Group's internal audit function.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance Committee comprises three members, namely Mr. Guo Jinkui (executive Director), Mr. Zhao Yong (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Environmental, Social and Governance Committee.

The primary functions of the Environmental, Social and Governance Committee include reviewing and supervising the Company's environment, social and governance strategies, policies and practices, and monitoring and evaluating material environment, social and governance issues.

During the year ended 31 December 2023, the Environmental, Social and Governance Committee held one meeting to review the Company's environment, social and governance strategies, policies and practices, including 2022 Environmental, Social and Governance report.

## NOMINATION COMMITTEE

The Nomination Committee comprises five members, namely Mr. Guo Jinkui (executive Director), Mr. Chen Zekai (executive Director), Mr. Fu Junyuan (independent non-executive Director), Ms. Zhang Xuemei (independent non-executive Director) and Mr. Zhuang Wei (independent non-executive Director). Mr. Guo Jinkui is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee include reviewing the Board composition, formulating and making recommendations to the Board on the appointment and succession planning of Directors, reviewing the board diversity policy (the "**Board Diversity Policy**"), and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as set out in the Company's Board Diversity Policy as well as factors concerning Board diversity.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria of such candidates, such as complementary corporate strategy as set out in the nomination policy and the requisites to achieve board diversity (if applicable), before making recommendation to the Board.

During the year ended 31 December 2023, the Nomination Committee held one meeting to review the size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors.

## BOARD DIVERSITY POLICY

The Company has adopted the Board Diversity Policy and stipulated the means to achieve Board diversity. The Company recognises and embraces the benefits of having a diverse Board and sees enhanced diversity at the Board level as an essential element in maintaining the Company's competitive advantages.

The Company strives to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee is responsible for reviewing the Board Diversity Policy, setting and reviewing measurable objectives to implement the policy and ascertain the progress made towards achieving those objectives.

The Board intends to maintain at least one female Board member. The Board may identify and select suitable female Board members or successors from a variety of sources, including but not limited to, internal promotions, Board member recommendations and external recruitment.

# CORPORATE GOVERNANCE REPORT

The current Board composition is analysed as follows based on the measurable objectives:

**Gender**
Male: 6 directors
Female: 1 director

**Age group**
41–50: 3 directors
51–60: 2 directors
61–70: 2 directors

**Position**
Executive Directors: 4 directors
Independent non-executive Directors: 3 directors

**Educational background**
Business administration: 4 directors
Accounting and finance: 2 directors
Law: 1 director

**Nationality**
PRC: 7 directors

**Business experience**
Accounting and finance: 2 directors
Law: 1 director
Experience relevant to the Company's business: 4 directors

The Nomination Committee and the Board consider that the current Board composition has reached the objectives set out in the Board Diversity Policy.

The Nomination Committee will review at least on a yearly basis the Board Diversity Policy and measurable objectives to ensure the sustained function and effectiveness of the Board.

## GENDER DIVERSITY

The Company values gender diversity at all levels of the Group. The table below sets forth the gender ratio of the Group's employees (including the Board and senior management) as at the date of this annual report:

| | Female | Male |
|---|---|---|
| Board | 14.29% (1) | 85.71% (6) |
| Senior management | 0% (0) | 100% (4) |
| Other employees | 37.68% (107) | 62.32% (177) |
| All staff | 37.15% (107) | 62.85% (181) |

The Board aims to achieve gender diversity by having at least 10% female Directors, 10% female senior management and 30% female employees, and considers gender diversity satisfactory at the current stage. In order to continue to achieve gender diversity among our employees, we are committed to creating favourable conditions in our working environment to continuously attract employees of different genders to the Group, thereby maintaining our position as a gender-balanced company. In this process, we may face challenges in matching the availability of gender-specific personnel in the human resources market with the education, experience and skills required for positions of the Group. Despite these challenges, we are committed to maintaining a gender-balanced workforce.

## DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") in respect of the nomination procedure of Directors, which sets out the selection criteria, nomination procedures and the Board succession planning considerations in relation to nomination and appointment of our Directors, and aims to ensure that the Board maintains a balance of corresponding skills, experience and diversity of perspectives and ensure the continuity of the Board and appropriate leadership at the Board level.

The Director Nomination Policy sets out the nomination procedures as follows:

## NOMINATION PROCEDURES

(i) The Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(ii) For the appointment of any candidate for directorship, the Nomination Committee shall undertake adequate due diligence in respect of such candidate and make recommendations to the Board for its consideration.

(iii) For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration.

(iv) For the procedures for nomination of any candidate for directorship by the Shareholders, please refer to the "Procedures for Nomination of Candidates for Directorship of the Company by the Shareholders", which is available on the Company's website.

The Board shall have the final decision on all matters relating to recommendation of candidates to stand for election at a general meeting or re-appointment of Directors.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of proposed candidates, including but not limited to:

- Integrity and reputation;
- Educational background, professional qualifications and work experience (including part-time jobs);
- Whether or not they possess the necessary knowledge, skills and experience;
- Whether or not they will devote sufficient time and attention to the affairs of the Company;
- Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- Whether or not the candidates for independent Directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

The Board composition remained unchanged as of the date of this annual report.

The Nomination Committee will review, at its discretion, the Director Nomination Policy to ensure its effectiveness.

# CORPORATE GOVERNANCE REPORT

Pursuant to the Board Diversity Policy, the Nomination Committee will review regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider numerous aspects, including but not limited to gender, ethnicity, language, cultural and educational background, industry experience and professional experience.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Securities Dealing Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS

During the year ended 31 December 2023, 18 board meetings and 1 general meeting were held. The attendance record of each Director at the Board and Board Committee meetings and the annual general meeting of the Company held during the year is set out in the table below:

| | Number of Meetings Attended/Number of Meetings held for the year | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | Risk Management Committee Meeting | Environmental, Social and Governance Committee Meeting | Annual General Meeting |
| ***Executive Directors*** | | | | | | | |
| Mr. Guo Jinkui | 18/18 | N/A | N/A | 1/1 | 1/1 | 1/1 | 1/1 |
| Mr. Chen Zekai | 18/18 | N/A | 1/1 | 1/1 | N/A | N/A | 1/1 |
| Mr. He Gang | 18/18 | N/A | N/A | N/A | 1/1 | N/A | 1/1 |
| Mr. Zhao Yong | 18/18 | N/A | N/A | N/A | N/A | 1/1 | 1/1 |
| ***Independent Non-executive Directors*** | | | | | | | |
| Mr. Fu Junyuan | 18/18 | 2/2 | N/A | 1/1 | 1/1 | N/A | 1/1 |
| Ms. Zhang Xuemei | 18/18 | 2/2 | 1/1 | 1/1 | 1/1 | N/A | 1/1 |
| Mr. Zhuang Wei | 18/18 | 2/2 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 |

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2023.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control mechanisms.

The Audit Committee and the Risk Management Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology in order to identify, evaluate and manage significant risks.

The Company has an internal audit function to monitor daily operation of the Group. The Directors, through the Audit Committee and the Risk Management Committee, review the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, and remedy defects or weaknesses identified (if any). Upon such review, the Board considered that the Company's risk management and internal control system were adequate and effective for the year ended 31 December 2023.

The Company has formulated a whistle-blowing policy in place for our employees and those who have dealt with the Company to raise concerns, in confidence and anonymity, with the Audit Committee or legal officers of the Company about possible improprieties in any matters related to the Company.

The Company also has formulated an anti-fraud, anti-money laundering and anti-bribery policy in place to avoid the occurrence of corruption and bribery within the Company. The Company has established an internal reporting channel which is open to the Company's employees for reporting any suspected corruption and bribery. Employee may also report, in anonymity, to the internal anti-corruption department/internal audit department which is responsible for investigating the reported incidents and taking appropriate measures thereon. The Company continues to carry out anti-corruption and anti-bribery activities to develop a culture of integrity, and actively organises anti-corruption training and inspections to ensure the effectiveness of such activities.

For the year ended 31 December 2023, the Company held 4 training and briefings on anti-corruption for all employees. The Company did not have any non-compliance incidents relating to bribery and corruption.

The Company has developed a disclosure policy, which provides general guidance to our Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to strictly prohibit unauthorised access to and use of inside information.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements with the support from the accounting and finance team.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and consistently applied, except for the revised standards, amendments and interpretations to standards so adopted.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements have been prepared on a going concern basis, and the Directors believe that the financial statements give a true and fair view of the financial condition, results and cash flows of the Group for the year ended 31 December 2023, and that the disclosure and reporting of other financial information have complied with relevant laws.

A statement from the external auditors of the Company about their reporting responsibilities for the financial statements is set forth in the Independent Auditor's Report in this annual report.

## AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company in respect of audit services and non-audit services (mainly comprised of the listing compliance matters which required non-audit accounting services) for the year ended 31 December 2023 are set forth below.

| **Type of services** | **Remuneration paid/payable US$'000** |
|---|---:|
| Audit services | 391 |
| Non-audit services | 142 |
| Total | 533 |

## COMPANY SECRETARIES

Ms. Sun Yufeng and Ms. Chan Sze Ting are the joint company secretaries of the Company. Ms. Sun serves as the general manager of the operations management center of our Group. Another joint company secretary is Ms. Chan Sze Ting, who is a director of the Corporate Services of Tricor Services Limited, an external service provider. Ms. Chan's major contact person in the Company is executive Director Mr. He Gang.

For the period commencing from the Listing Date to 31 December 2023, the joint company secretaries of the Company have received no less than 15 hours of relevant professional training annually pursuant to the requirements of Rule 3.29 of the Listing Rules.

All Directors may have access to the advice and services of the joint company secretaries on corporate governance and routine Board matters.

## SHAREHOLDERS' RIGHTS

### Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association of the Company, an extraordinary general meeting may be convened by the Board whenever it thinks fit. Any one or more Shareholders (including Shareholders as recognised clearing house or its nominees) holding in aggregate, at the date of deposit of the requisition, not less than one-tenth of the share capital of the Company with voting rights (on a one vote per share basis) shall at all times have the right, by making a requisition in writing to the Board or the secretary, to require an extraordinary general meeting to be called for the transaction of any business or resolution specified in such requisition. If within 21 days after deposit of such requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/themselves may do so in the same manner, but such meeting shall be held within two months after the deposit of such requisition, 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.

### Submitting Proposal at a General Meeting

There is nothing in the Articles of Association or the Cayman Islands Companies Law that deals with the procedure for Shareholders to submit proposals at general meetings. Shareholders who intend to submit a proposal at a general meeting may convene a general meeting to consider the matters specified in the requisition by following the procedures set out in the preceding paragraph.

### Making Enquiries to the Board

Shareholders may send written enquires to the Company for any enquiries put forward by the Board. The Company will normally not deal with verbal or anonymous enquiries.

# CORPORATE GOVERNANCE REPORT

### Contract Details

Shareholders may sent such enquiries or requisitions to the following address:

Address: Unit No. 2010, 20/F., West Tower, Shun Tak Centre, Nos 168–200 Connaught Road Central, Hong Kong

(Attention: Board/Chief Investor Relations Officer)

Tel: +86 18653261553

Fax: +852 3152 2223

Email: office@seacon.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, the Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard the interests and rights of the Shareholders, a separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

## SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**") to ensure that shareholders of the Company (the "**Shareholders**") will have equal and timely access to information about the Company and exercise their rights in an informed manner and enable them to actively participate in the Company's activities. The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy, and the results thereof are satisfactory.

The Company has established a range of channels for maintaining its ongoing dialogue with the Shareholders, the details of which are set out below:

### Shareholders' Enquiries

- Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.
- Shareholders may have access to the contact persons, email addresses and enquiry lines designated by the Company in order to enable them to make any query in respect of the Company.

### Corporate Communications

- "Corporate communications" refers to any documents issued or to be issued by the Company for information or action of Shareholders, which includes but are not limited to copies of the report of Directors and annual accounts and the auditor's report, interim reports, meeting notices, circulars and proxy forms. Corporate communications will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders are entitled to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

- Shareholders are encouraged to provide, among others, their email addresses to the Company to facilitate timely and effective communication.

### Company Website

- The Company has set a special column headed "Investor Relations" on our website (www.seacon.com). Information on the Company's website will be updated regularly.

- Information posted on the Stock Exchange by the Company will also be immediately published on the website of the Company. Such information includes, among others, financial statements, results announcements, circulars, notices of general meetings and relevant statements.

- All presentation materials provided together with the annual general meeting and results announcement of the Company for each year will be available on the website of the Company.

- All press releases and Shareholders' communications will be available on the website of the Company.

### Shareholders' Meetings

- Shareholders are encouraged to attend general meetings, failure which, proxies may be appointed to attend and vote at the meetings on their behalf.

- Appropriate arrangements will be made to the annual general meetings to encourage Shareholders' participation in such meetings.

- Procedures of the general meetings of the Company will be monitored and reviewed on a regular basis, and amended if necessary to ensure Shareholders' needs are satisfied to the maximum extent.

- Board members, in particular chairman of each committee under the Board/Chairman or its proxy, appropriate senior management and external auditor will attend annual general meetings to answer Shareholders' questions.

- Shareholders are encouraged to participate in Shareholder activities organised by the Company to convey information concerning the Company, including latest strategic planning, products and services.

## AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS

The Company did not make any amendments to its Articles of Association since the Listing Date. The latest version of the Articles of Association of the Company is also posted on the website of the Company and the website of the Stock Exchange.

## DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group, current economic environment and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year, and any final dividend for a financial year will be subject to the Shareholders' approval.

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Seacon Shipping Group Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Seacon Shipping Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 65 to 165, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

The key audit matter identified in our audit is related to revenue recognition from shipping business.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Revenue recognition from shipping business*** | |
| Refer to notes 2.23 and 5 to the consolidated financial statements.<br><br>For the year ended 31 December 2023, the Group recognised revenue of US$259.0 million, out of which US$208.0 million was related to shipping business.<br><br>Revenue from shipping business is recognised over time no matter the contract contains a lease or not, and is based on daily hire or freight rate with reference to the voyage details such as cargo quantity, port loading and discharging information.<br><br>We considered this is a key audit matter due to the magnitude of revenue recognised from shipping business and significant audit effort on auditing revenue recognition. | Our procedures in relation to revenue recognition from shipping business included:<br><br>• We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;<br><br>• We understood and evaluated process and tested the key controls over revenue recognition from shipping business;<br><br>• We assessed the appropriateness of the accounting policy on revenue recognition from shipping business;<br><br>• For charter arrangement recognised based on daily hire, we tested the daily hire and charter period, on a sample basis, by comparing with supporting documents such as customer contracts and settlement documents. We checked the calculations of revenue and reconciled to the accounting records on a sample basis and checked the cash settlement and reconciled to the bank receipts;<br><br>• For charter arrangement recognised based on freight rate per quantity, we tested the freight rate and cargo quantity on a sample basis by comparing with supporting documents such as customer contracts, statement of facts and invoices. We checked the calculations of revenue and reconciled to the accounting records on a sample basis and checked the cash settlement and reconciled to the bank receipts;<br><br>• We tested the revenue of shipping business in respect of the vessel voyages in progress at year end, on a sample basis, by checking the vessel departure and arrival information (i.e. time and date) maintained by the Group against supporting documents such as customer contracts, statement of facts and invoices.<br><br>Based on the audit procedures performed, we found revenue from shipping business was supported by available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tong, Benny Ho Bong.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 27 March 2024

# 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 | 5 | 259,034 | 359,101 |
| Cost of sales | 8 | (218,931) | (296,737) |
| **Gross profit** | | 40,103 | 62,364 |
| Selling, general and administrative expenses | 8 | (15,477) | (11,939) |
| Net impairment losses on financial assets | 3.1b (iii) | (1,510) | (169) |
| Other income | 6 | 20 | 2,179 |
| Other gains — net | 7 | 5,639 | 4,900 |
| **Operating profit** | | 28,775 | 57,335 |
| Finance income | 10 | 145 | 27 |
| Finance costs | 10 | (9,389) | (6,310) |
| Finance costs, net | 10 | (9,244) | (6,283) |
| Share of net profit of associates and joint ventures accounted for using the equity method | 15 | 2,848 | 9,995 |
| **Profit before income tax** | | 22,379 | 61,047 |
| Income tax expenses | 11 | (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) | 12 | 0.045 | 0.150 |
| Diluted earnings per share (expressed in US$ per share) | 12 | 0.045 | 0.150 |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | Year ended 31 December 2023 US$'000 | 2022 US$'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 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# 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 | 13 | 269,186 | 91,135 |
| Right-of-use assets | 14 | 70,348 | 78,148 |
| Intangible assets | | 97 | 92 |
| Interests in associates and joint ventures | 15 | 10,694 | 7,846 |
| Deferred tax assets | | – | 37 |
| Other non-current assets | 16 | 68,619 | 47,742 |
| | | 418,944 | 225,000 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 17 | – | 1,232 |
| Inventories | 18 | 6,427 | 10,630 |
| Prepayment and other current assets | 19 | 3,344 | 5,181 |
| Trade and other receivables | 20 | 25,530 | 25,002 |
| Restricted bank deposits | 21 | 2,820 | 32 |
| Cash and cash equivalents | 21 | 27,996 | 20,170 |
| | | 66,117 | 62,247 |
| Assets classified as held for sale | 22 | 6,996 | – |
| | | 73,113 | 62,247 |
| **Total assets** | | 492,057 | 287,247 |
| **Equity** | | | |
| Share capital | 23 | 637 | –* |
| Share premium | 24 | 46,959 | – |
| Reserves | 24 | 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 |

# CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | As at 31 December | |
|---|---|---|---|
| | Note | 2023<br>US$'000 | 2022<br>US$'000 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **194,512** | 61,575 |
| Lease liabilities | 14 | **50,838** | 55,504 |
| Other non-current liabilities | | **640** | — |
| | | **245,990** | 117,079 |
| **Current liabilities** | | | |
| Advances and contract liabilities | 26 | **3,030** | 4,396 |
| Trade and other payables | 27 | **30,550** | 27,695 |
| Current tax liabilities | | **1,541** | 1,941 |
| Borrowings | 25 | **21,341** | 9,851 |
| Lease liabilities | 14 | **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.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on page 65 to page 165 were approved and authorised for issue by the Board of Directors of the Company on 27 March 2024 and were signed on its behalf by

Executive Director: Chen Zekai

Executive Director: He Gang

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | Attributable to shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital US$'000 | Combined capital US$'000 | Reserves US$'000 | Retained earnings US$'000 | Sub-total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| **Balance at 1 January 2022** | | – | 785 | 8,839 | 37,696 | 47,320 | 4,087 | 51,407 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | – | – | – | 57,316 | 57,316 | 1,613 | 58,929 |
| Other comprehensive income | 24 | – | – | (106) | – | (106) | – | (106) |
| **Total comprehensive income** | | – | – | (106) | 57,316 | 57,210 | 1,613 | 58,823 |
| **Transactions with shareholders in their capacity as shareholders** | | | | | | | | |
| Profit appropriation to statutory reserves | 24 | – | – | 98 | (98) | – | – | – |
| Dividends declared to non-controlling interests in subsidiaries | 28 | – | – | – | – | – | (1,296) | (1,296) |
| Merger reserves arising from the Reorganisation | 24 | – | (785) | (53) | – | (838) | – | (838) |
| Debt waive from shareholders of the Company | 24 | – | – | 914 | – | 914 | – | 914 |
| | | – | (785) | 959 | (98) | 76 | (1,296) | (1,220) |
| **Balance at 31 December 2022** | | – | – | 9,692 | 94,914 | 104,606 | 4,404 | 109,010 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | Attributable to shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital US$'000 | Share Premium US$'000 | Reserves US$'000 | Retained earnings US$'000 | Sub-total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| **Balance at 1 January 2023** | | – | – | 9,692 | 94,914 | 104,606 | 4,404 | 109,010 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | – | – | – | 21,211 | 21,211 | 807 | 22,018 |
| Other comprehensive income | 24 | – | – | (8) | – | (8) | – | (8) |
| **Total comprehensive income** | | – | – | (8) | 21,211 | 21,203 | 807 | 22,010 |
| **Transactions with shareholders in their capacity as shareholders** | | | | | | | | |
| Profit appropriation to statutory reserves | | – | – | 25 | (25) | – | – | – |
| Dividends declared to non-controlling interests in subsidiaries | 28 | – | – | – | – | – | (4,156) | (4,156) |
| Capitalisation of share premium | 23 | 478 | (478) | – | – | – | – | – |
| Issue of new shares upon listing | 23 | 159 | 51,916 | – | – | 52,075 | – | 52,075 |
| Share issue expenses | 23 | – | (4,479) | – | – | (4,479) | – | (4,479) |
| Equity transaction with non-controlling interests | 24 | – | – | (1,073) | – | (1,073) | 343 | (730) |
| | | 637 | 46,959 | (1,048) | (25) | 46,523 | (3,813) | 42,710 |
| **Balance at 31 December 2023** | | 637 | 46,959 | 8,636 | 116,100 | 172,332 | 1,398 | 173,730 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | Year ended 31 December 2023 US$'000 | 2022 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 29(a) | 47,662 | 78,071 |
| Interest received | | 145 | 27 |
| Income tax paid | | (409) | (2,301) |
| **Net cash inflow from operating activities** | | 47,398 | 75,797 |
| **Cash flows from investing activities** | | | |
| Repayments from related parties | | 2,270 | 9,347 |
| Proceeds from disposal of property, plant and equipment | 29(b) | 6,971 | 15,805 |
| Dividends from joint ventures and associates | | 3,104 | 4,278 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 971 | 2,006 |
| Payments for property, plant and equipment and other non-current assets | | (130,681) | (45,096) |
| Payment for deposit of forward freight agreement | | (2,100) | — |
| Advances to related parties | | (1,991) | (8,020) |
| Increase in restricted cash of bank deposit | | (2,788) | — |
| **Net cash outflow from investing activities** | | (124,244) | (21,680) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 80,175 | 7,862 |
| Proceeds from the issue of new shares upon listing | 23(e) | 52,075 | — |
| Advances from related parties | 32(e) | 8,933 | 9,600 |
| Repayments to related parties | 32(e) | (3,263) | (33,229) |
| Repayments of borrowings | | (14,610) | (10,537) |
| Dividends paid to non-controlling interests in subsidiaries | 28 | (4,156) | (1,296) |
| Deemed distribution | | — | (838) |
| Repayments of principal and interest of lease liabilities and payment of deposits for right-of-use assets | | (18,655) | (26,404) |
| Interests paid of borrowings | | (10,706) | (3,523) |
| Payment for purchase of additional interests of a subsidiary from a non-controlling shareholder | | (730) | — |
| Payments for listing fees | | (3,941) | (538) |
| **Net cash inflow/(outflow) from financing activities** | | 85,122 | (58,903) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | Year ended 31 December | |
|---|---|---|---|
| | | 2023 | 2022 |
| | Note | US$'000 | US$'000 |
| **Net increase/(decrease) in cash and cash equivalents** | | **8,276** | (4,786) |
| Cash and cash equivalents at the beginning of year | | **20,170** | 25,030 |
| Effects of exchange rate changes on cash and cash equivalents | | **(450)** | (74) |
| **Cash and cash equivalents at end of the year** | | **27,996** | 20,170 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 1 GENERAL INFORMATION

### 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 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.

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 BASIS OF PREPARATION AND SUMMARY OF MATERIAL 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *(ii) Historical cost convention*

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.

#### *(iii) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *(iv) Amended standards and interpretations not yet adopted*

Amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group are set out below:

| | **Amendments** | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to HKAS 7 and HKFRS 7 | Supplier finance arrangements | 1 January 2024 |
| Hong Kong Interpretation 5 | Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised)) | 1 January 2024 |
| Amendments to HKAS 21 | Lack of Exchangeability | 1 January 2025 |
| 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 amendments to existing standards would not have a material impact on the Group's financial statements when they become effective.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 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 from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Apart from the business combination under common control including the Reorganisation 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 profit or loss.

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 statement 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.2 Principles of consolidation *(Continued)*

#### *2.2.2 Changes in ownership interests (Continued)*

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### *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.

#### *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 2.9.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 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 year 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 financial statements 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 for the People's Republic of China ("PRC"), is US$, while the functional currency of the subsidiaries in the PRC is Renminbi ("RMB"). The consolidated financial statements is presented in US$, which is the Group's presentation currency.

#### *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 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 profit or loss within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other gains/(losses), net".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.5 Foreign currency translation *(Continued)*

#### *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 profit or loss and 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.

For the year ended 31 December 2023, 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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.6 Property, plant and equipment *(Continued)*

#### *2.6.1 Vessels (Continued)*

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 year 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 2.9).

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 statement of profit or loss.

### 2.7 Intangible Assets

Intangible assets are mainly acquired software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives of 10 years.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.8 Leases

*The Group as a lessee*

The Group leases vessels, as well as certain office buildings in the PRC, Hong Kong, 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 year.

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.

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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.8 Leases *(Continued)*

*The Group as a lessee (Continued)*

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.

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 the 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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.8 Leases *(Continued)*

*The Group as a lessor (Continued)*

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 year 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 2.15.

*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.

### 2.9 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 year.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.10 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 and are not depreciated or amortised.

### 2.11 Investments and other financial assets

#### *2.11.1 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 2023, the Group has financial assets in the category of financial assets at amortised cost and at fair value through profit and loss.

#### *2.11.2 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.11 Investments and other financial assets *(Continued)*

#### *2.11.3 Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 statement of profit or loss. Impairment losses are presented as separate line item in the statement of profit of 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 year in which it arises.

#### *2.11.4 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 20 for details.

### 2.12 Derivative financial instruments

Derivative instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the statement of profit or loss.

Forward freight agreements and forward foreign exchange contracts do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not coincide with the periods of the physical contracts.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.13 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.

### 2.14 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. All costs that relate directly to the contract — both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts are recognised within inventory in the consolidated balance sheet.

### 2.15 Trade and other receivables

Trade receivables include freight receivables, charter-hire receivables, and ship management receivables from customers for services performed.

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 20 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.

### 2.16 Cash and cash equivalents

In the consolidated statement 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.17 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.

### 2.18 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.

### 2.19 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 year.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.20 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.

### 2.21 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year'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.

#### *2.21.1 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.

#### *2.21.2 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 financial statements. 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 year 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.

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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.21 Current and deferred income tax *(Continued)*

#### *2.21.2 Deferred income tax (Continued)*

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.

### 2.22 Employee benefits

#### *2.22.1 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 year in which the employees render the related service are recognised in respect of employees' services up to the end of the year 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.

#### *2.22.2 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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.22 Employee benefits *(Continued)*

#### *2.22.2 Other employee benefit obligations (Continued)*

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.

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 statement of profit or loss as incurred.

#### *2.22.3 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.

#### *2.22.4 Share-based compensation*

Share-based compensation benefits are provided to employees via employee share scheme. 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 Limited for future post-IPO employee Share Award Plan in 2022, however, the Share Award Plan is cancelled in 2023.

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.

### 2.23 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.23 Revenue recognition *(Continued)*

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 year.

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. Revenue is recognised over time based on daily hire or freight rate with reference to the voyage details such as cargo quantity, port loading and discharging information.

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 2.8 for details.

### 2.24 Provisions

Provisions for legal claims and service warranties are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.24 Provisions *(Continued)*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.25 Earnings per share

#### *2.25.1 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.

#### *2.25.2 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.

### 2.26 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 year in which the dividends are approved by the Company's shareholders, where appropriate.

### 2.27 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.

## 2 BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

### 2.28 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 rate 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 year ended 31 December 2023 with all other variables held constant, the revenue would have been US$9,729,000 (2022: US$16,056,000), lower or higher.

*(ii) Foreign exchange risk*

The Group operates internationally with most of the transactions settled in US$. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk, other than certain trade and other receivables, cash and cash equivalents, borrowings, lease liabilities, trade and other payables denominated in RMB, EUR, JPY and SG$, details of which have been disclosed in Note 20, Note 21, Note 25 and Note 27, respectively.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(a) Market risk (Continued)*

##### *(ii) Foreign exchange risk (Continued)*

The Group's exposure to foreign currency risk expressed in US$ at the end of each year mainly for subsidiaries with US$ as the functional currency, was as follows:

| Assets | As at 31 December 2023 | | | | As at 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | RMB<br>US$'000 | EUR<br>US$'000 | JPY<br>US$'000 | Others<br>US$'000 | RMB<br>US$'000 | EUR<br>US$'000 | JPY<br>US$'000 | Others<br>US$'000 |
| Trade and other receivables | 346 | 4,919 | 95 | 103 | 233 | 10 | 107 | 57 |
| Cash and cash equivalents | – | 405 | 11,079 | 843 | 32 | – | 2,068 | 383 |
| | 346 | 5,324 | 11,174 | 946 | 265 | 10 | 2,175 | 440 |

| Liabilities | As at 31 December 2023 | | | | As at 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | RMB<br>US$'000 | EUR<br>US$'000 | JPY<br>US$'000 | Others<br>US$'000 | RMB<br>US$'000 | EUR<br>US$'000 | JPY<br>US$'000 | Others<br>US$'000 |
| Trade and other payables | 355 | 57 | 12 | 121 | 456 | – | 21 | 82 |
| Borrowings | – | – | 73 | – | – | – | 608 | 373 |
| Lease liabilities | – | – | 190 | 293 | – | – | 364 | 447 |
| | 355 | 57 | 275 | 414 | 456 | – | 993 | 902 |

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 year would be as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>US$'000 | 2022<br>US$'000 |
| US$/EUR exchange rate — increase | (263) | (1) |
| US$/EUR exchange rate — decrease | 263 | 1 |
| US$/JPY exchange rate — increase | (545) | (59) |
| US$/JPY exchange rate — decrease | 545 | 59 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(a) Market risk (Continued)*

##### *(ii) Foreign exchange risk (Continued)*

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

During the year ended 31 December 2023, the Group has entered into several foreign exchange forward contracts with a financial institution to buy JPY at a predetermined exchange rate (against USD). Management has assessed the fair value of the forward foreign exchange contracts based on valuation techniques and observable market data and concluded that the fair value of the outstanding forward foreign exchange contracts should be an asset of approximately US$90,000 (2022: nil) as at 31 December 2023. These contracts will expire before March 2024.

##### *(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. For the years ended 31 December 2023 and 2022, there were no hedging activities. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term. For the years ended 31 December 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in US$.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(a) Market risk (Continued)*

*(iii) Cash flow and fair value interest rate risk (Continued)*

The Group's interest rate profile as monitored by management is set out as below.

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Financial instruments with floating rate** | | |
| Borrowings | **212,407** | 66,247 |
| Lease liabilities | **11,907** | – |
| | **224,314** | 66,247 |
| **Financial instruments with fixed rate** | | |
| Borrowings | **3,446** | 5,179 |
| Lease liabilities | **54,705** | 72,779 |
| | **58,151** | 77,958 |
| **Interest-free financial instruments** | | |
| Amount due to related parties | **7,035** | 1,345 |
| Amount due to third parties | **–** | 108 |
| | **7,035** | 1,453 |

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate borrowings at the end of each year 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Impact on post-tax profit at 50 basis point higher | **(1,122)** | (331) |
| Impact on post-tax profit at 50 basis point lower | **1,122** | 331 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(b) Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits and trade and other receivables.

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. During the year ended 31 December 2023, no revenue from a single customer accounted for more than 10% of the Group's total revenue (31 December 2022: Nil).

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 year 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 year. 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 balance sheet 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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(b) Credit risk (Continued)*

*(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.

The provision of trade receivable with a customer as at 31 December 2023 was made on individual basis with loss rate of 100% after taking into consideration of its long-aging status (31 December 2022: on individual basis with loss rate of 8.47%). 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 2023 were 1.41% (31 December 2022: 0.69%). The average loss rate applied for trade receivables from shipping business on collective basis as at 31 December 2023 were 0.45% (31 December 2022: 0.25%). 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*

Other receivables mainly include receivables and advances to related parties and third parties, deposits and guarantees. 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 are classified in Stage 1 as at 31 December 2023. The average loss rate applied for other receivables as at 31 December 2023 were 0.80% (31 December 2022: 1.07%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(b) Credit risk (Continued)*

*(iii) Loss allowance provision movement*

The movement of loss allowance provision of trade receivables, other receivables and prepayment for ships management deposit for the years ended 2023 and 2022 is as follow:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Loss allowance provision: | | |
| At beginning of the year | **276** | 107 |
| Provision | **1,510** | 169 |
| At the end of the year | **1,786** | 276 |

#### *(c) Liquidity risk*

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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(c) Liquidity risk (Continued)*

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 |
|---|---|---|---|---|---|
| **As at 31 December 2023** | | | | | |
| Borrowings | 36,170 | 32,575 | 84,712 | 151,519 | 304,976 |
| Lease liabilities** | 17,432 | 13,966 | 33,839 | 6,769 | 72,006 |
| Trade and other payables* | 25,915 | — | — | — | 25,915 |
| | 79,517 | 46,541 | 118,551 | 158,288 | 402,897 |
| **As at 31 December 2022** | | | | | |
| Borrowings | 14,244 | 12,516 | 30,240 | 34,658 | 91,658 |
| Lease liabilities** | 18,666 | 15,626 | 27,862 | 14,785 | 76,939 |
| Trade and other payables* | 24,011 | — | — | — | 24,011 |
| | 56,921 | 28,142 | 58,102 | 49,443 | 192,608 |

* Trade and other payables exclude salaries and staff welfare payable, taxes payable and provision for legal proceedings.

** The amounts disclosed for the lease liabilities include cash flows relating to extension options if they have been included in the lease term, and therefore the measurement of the lease liability as disclosed in note 14(vii).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 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 third parties less cash and cash equivalents. Total equity is shown in the consolidated balance sheet.

As at 31 December 2023, the net debt to total equity ratios were as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Total borrowings | **215,853** | 71,426 |
| Lease liabilities | **66,612** | 72,779 |
| Amount due to related parties | **7,035** | 1,345 |
| Amount due to third parties | **—** | 108 |
| Less: cash and cash equivalents (Note 21) | **(27,996)** | (20,170) |
| Net debt | **261,504** | 125,488 |
| Total equity | **173,730** | 109,010 |
| **Gearing ratio (%)** | **151** | 115 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 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 financial statements. 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 following table presents the Group's financial assets that are measured at fair value as at 31 December 2023 and 31 December 2022:

| **Recurring fair value measurements** | **Level 1<br>US$'000** | **Level 2<br>US$'000** | **Level 3<br>US$'000** |
|---|---|---|---|
| **At 31 December 2023** | | | |
| **Derivative financial instruments** | | | |
| Foreign exchange forward contracts | **–** | **90** | **–** |
| Forward freight agreements | **–** | **(191)** | **–** |

| **Recurring fair value measurements** | Level 1<br>US$'000 | Level 2<br>US$'000 | Level 3<br>US$'000 |
|---|---|---|---|
| **At 31 December 2022** | | | |
| **Financial assets at fair value through profit or loss** | | | |
| Right of gain/loss sharing from vessel disposal | – | – | 1,232 |

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 year. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. 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 and for instruments where ESG risk gives rise to a significant unobservable adjustment.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.3 Fair value estimation *(Continued)*

#### *(ii) Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for forward currency forwards — the present value of future cash flows based on forward exchange rates at the reporting date
- for other financial instruments — discounted cash flow analysis.

#### *(iii) Fair value measurements using significant unobservable inputs of level 3 financial assets*

Financial assets at fair value through profit or loss at level 3 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 17 for details.

There were no transfers among different categories for the year ended 31 December 2023.

The Group has used income approach to estimate the fair value of the Identified Financial Assets. The following table presents the changes of the fair value of the Identified Financial Assets for the year ended 31 December 2023:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Fair value of Identified Financial Assets | | |
| At beginning of the year | **1,232** | 3,285 |
| Change in fair value through profit or loss | **447** | (47) |
| Disposal of financial assets at FVPL | **(1,679)** | (2,006) |
| At the end of the year | **—** | 1,232 |

#### *(iv) Valuation inputs and relationships to fair value*

The Group used income approach to estimate the fair value of the right of gain sharing from vessel disposal for the year ended 31 December 2022. The higher the discount rate the lower the fair value.

## 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 2023, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased US$639,000 or increased by US$745,000 for the year ended 31 December 2023 (31 December 2022: decreased US$313,000 or increased by US$382,000).

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2023, with all other variables held constant, the estimated depreciation expenses of vessels for the year would have been decreased or increased by US$193,000 respectively for the year ended 31 December 2023 (31 December 2022: increased by US$133,000).

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (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 when the option is exercisable and the Group has the financial capability, the Group is typically reasonably certain to exercise the purchase option right;
- 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).

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (d) Impairment of vessels

The Group's major operating assets represent vessels in property, plants and equipment 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 as at 31 December 2023.

### (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 region in which customers operate. At every balance sheet 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 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:

| | 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 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 |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Segment information of the Group *(Continued)*

| | 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 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** |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Segment information of the Group *(Continued)*

| | 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.

## 6 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Contract compensation (i) | **–** | 1,958 |
| Government grants | **20** | 222 |
| Others | **–** | (1) |
| | **20** | 2,179 |

(i) Contract compensation represents the compensation received for customer's cancellation of charter arrangement.

## 7 OTHER GAINS/(LOSSES), 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 (i) | **(552)** | (680) |
| Insurance compensation | **1,346** | – |
| Net gains on disposal of property, plant and equipment (29(e)(ii)) | **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 |

(i) Provision for legal proceedings represents the provision made for on-going legal proceedings in connection with disputes, please refer to Note 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 8 EXPENSES BY NATURE

Expenses included in cost of sales and selling, general and administrative expenses are analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Charter hire costs (i) | **63,677** | 132,422 |
| Crew manning expenses (ii) | **48,679** | 51,619 |
| Bunker consumed | **33,944** | 42,527 |
| Depreciation and amortisation (iii), (iv) | **27,931** | 30,428 |
| Employee benefit expenses (Note 9) | **14,234** | 10,889 |
| Port charges | **11,512** | 9,879 |
| Lubricating oil and spare parts costs | **5,623** | 7,794 |
| Insurance | **4,791** | 3,704 |
| Vessel take over fees | **4,293** | 802 |
| Shipbuilding supervision outsourcing fees | **3,203** | 3,833 |
| Brokerage | **2,204** | 2,990 |
| Vessel certificate and inspection related costs | **2,101** | 1,911 |
| Listing expenses | **1,835** | 1,858 |
| Business development and entertainment expenses | **1,031** | 624 |
| Repair expenses | **977** | 2,457 |
| Auditor's remuneration | **391** | 190 |
| Others | **7,982** | 4,749 |
| **Total cost of sales, selling, general and administrative expenses** | **234,408** | 308,676 |

(i) Charter hire costs mainly comprise the cost of short-term charters with a term of 12 months or less.

(ii) Crew manning expenses represent the wages of the crew members charged by the crew manning agencies.

(iii) Depreciation charged to profit or loss is analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Depreciation for the year | | |
| — Property, plant and equipment (Note 13) | **7,770** | 3,989 |
| — Right-of-use assets (Note 14) | **18,702** | 24,999 |
| Amount charged to profit or loss | **26,472** | 28,988 |
| Charged to: | | |
| — Cost of sales | **25,551** | 28,331 |
| — Selling, general and administrative expenses | **921** | 657 |
| | **26,472** | 28,988 |

## 8 EXPENSES BY NATURE *(Continued)*

(iv) Amortisation charged to profit or loss is analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Amortisation for the year | | |
| — Dry-docking or decoration of right-of-use assets | **1,441** | 1,424 |
| — Intangible assets | **18** | 16 |
| Amount charged to profit or loss | **1,459** | 1,440 |
| Charged to: | | |
| — Cost of sales | **1,317** | 1,341 |
| — Selling, general and administrative expenses | **142** | 99 |
| | **1,459** | 1,440 |

## 9 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Wages, salaries, bonuses and allowances | **13,153** | 10,109 |
| Social benefits | **470** | 303 |
| Contributions to pension schemes | **360** | 275 |
| Other welfare expenses | **251** | 202 |
| | **14,234** | 10,889 |

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Directors (Note 33) | **810** | 559 |
| Non-directors | **592** | 527 |
| | **1,402** | 1,086 |

## 9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### Five highest paid individuals *(Continued)*

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 includes three directors whose emoluments are reflected in the analysis presented in Note 33 (2022: three). The emoluments payables to the remaining individuals during the year ended 31 December 2023 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Wages and salaries | **452** | 457 |
| Bonus | **116** | 35 |
| Social benefits | **17** | 30 |
| Contributions to pension schemes | **3** | 5 |
| Other welfare expenses | **4** | – |
| | **592** | 527 |

The emoluments to the non-directors fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Emolument bands (in HK$) | | |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | 1 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 10 FINANCE COSTS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Finance income | **145** | 27 |
| Finance costs: | | |
| — borrowings | **(11,942)** | (4,354) |
| — lease liabilities | **(1,512)** | (1,956) |
| | **(13,454)** | (6,310) |
| Less: amounts capitalised on prepayment for vessels purchased (i) | **4,065** | — |
| Finance costs expensed | **(9,389)** | (6,310) |
| Finance costs, net | **(9,244)** | (6,283) |

### (i) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year of 8.37%.

## 11 INCOME TAX EXPENSES

| | 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 |

For the years ended 31 December 2023 and 2022, taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates.

## 11 INCOME TAX EXPENSES *(Continued)*

### (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 ("BVI") Income Tax

Under the current laws of the BVI, the BVI subsidiaries are not subject to tax on its income or capital gains. 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 its 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$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.

### (vi) Hong Kong Profits Tax

Certain subsidiaries engaged in ship management business and shipping business are registered in Hong Kong or Hong Kong tax resident. The provision for Hong Kong profits tax of shipping management services are calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profit 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.

## 11 INCOME TAX EXPENSES *(Continued)*

### (vii) Japan Corporate Income Tax

Certain subsidiaries engaged in shipping business are registered in Japan or are Japanese tax resident. Generally, the Japan corporate income tax have been provided at the flat progressive tax rate on the estimated profits taxable income.

### (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, Announcement [2021] No. 12, Announcement [2022] No. 13 and [2023] No. 6 issued by the Ministry of Finance and the State Administration of Taxation, certain PRC subsidiaries of the Company were entitled to the preferential income tax applied for small low-profit enterprises as follows:

— For companies with the annual taxable income of no more than RMB 1 million, the portion of annual taxable income shall be deducted into the taxable income by 12.5%, and the EIT shall be prepaid at the rate of 20% for the year ended 31 December 2022; and the annual taxable income shall be deducted into the taxable income by 25%, and the EIT shall be prepaid at the rate of 20% from 1 January 2023 to 31 December 2024.

— For companies with the annual taxable income exceeds RMB 1 million but no more than RMB 3 million, the annual taxable income shall be deducted into the taxable income by 25%, and the EIT shall be prepaid at the rate of 20% from 1 January 2022 to 31 December 2024.

### (ix) Greece Income Tax

Under the prevailing tax laws and regulations of Greece, the Greek offices of foreign legal entities established under Law 89/1967 (as amended through the provisions of article 25 of L.27/1975) that are engaged in the management of vessels flying a Greek or foreign flag and other activities approved by the license of operation, are exempt while subject to tonnage tax. The L.89 regime is applicable to offices or branches of foreign legal entities (irrespective of their type) that are exclusively engaged either in the management, exploitation, chartering, insurance, average adjustments, or in the sales, chartering, insurance or shipbuilding brokerage of Greek or foreign vessels over 500 GRT (which are not routed in domestic voyages), as well as in the representation of foreign ship-owing companies.

## 11 INCOME TAX EXPENSES *(Continued)*

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 | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Profit before income tax** | **22,379** | 61,047 |
| Tax calculated at applicable tax rates | **3,354** | 10,946 |
| Expenses not deductible for taxation purposes | **733** | 36 |
| Tax effect of share of profits of associates and joint ventures | **(484)** | (1,699) |
| Net exempted gains (i) | **(3,242)** | (7,165) |
| **Income tax expense** | **361** | 2,118 |

(i) As is disclosed in Note 11 (v) and Note 11 (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.

## 12 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.

## 13 PROPERTY, PLANT AND EQUIPMENT

| Year ended 31 December 2023 | Vessels US$'000 | Buildings US$'000 | Transportation equipment US$'000 | Office equipment and other equipment US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening balance | 98,246 | 1,479 | 390 | 231 | 100,346 |
| Additions | 219,129 | – | 97 | 55 | 219,281 |
| Disposal | (27,194) | – | (153) | – | (27,347) |
| Assets classified as held for sale (Note (22)) | (6,160) | – | – | – | (6,160) |
| Currency translation differences | – | (25) | (4) | (3) | (32) |
| Closing balance | 284,021 | 1,454 | 330 | 283 | 286,088 |
| **Accumulated depreciation** | | | | | |
| Opening balance | (8,730) | (185) | (196) | (100) | (9,211) |
| Depreciation charge (i) | (7,589) | (61) | (69) | (51) | (7,770) |
| Disposal | – | – | 73 | – | 73 |
| Currency translation differences | – | 3 | 2 | 1 | 6 |
| Closing balance | (16,319) | (243) | (190) | (150) | (16,902) |
| **Net book amount** | | | | | |
| **As at 31 December 2022** | 89,516 | 1,294 | 194 | 131 | 91,135 |
| **As at 31 December 2023** | 267,702 | 1,211 | 140 | 133 | 269,186 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| Year ended 31 December 2022 | Vessels US$'000 | Buildings US$'000 | Transportation equipment US$'000 | Office equipment and other equipment US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Opening balance | 59,480 | 1,297 | 371 | 87 | 61,235 |
| Additions | 50,206 | 292 | 37 | 145 | 50,680 |
| Disposal | (11,440) | — | — | — | (11,440) |
| Currency translation differences | — | (110) | (18) | (1) | (129) |
| Closing balance | 98,246 | 1,479 | 390 | 231 | 100,346 |
| **Accumulated depreciation** | | | | | |
| Opening balance | (6,021) | (157) | (129) | (80) | (6,387) |
| Depreciation charge (i) | (3,852) | (41) | (75) | (21) | (3,989) |
| Disposal | 1,143 | — | — | — | 1,143 |
| Currency translation differences | — | 13 | 8 | 1 | 22 |
| Closing balance | (8,730) | (185) | (196) | (100) | (9,211) |
| **Net book amount** | | | | | |
| **As at 31 December 2021** | 53,459 | 1,140 | 242 | 7 | 54,848 |
| **As at 31 December 2022** | 89,516 | 1,294 | 194 | 131 | 91,135 |

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (i) Depreciation expenses

Depreciation expenses have been charged to the consolidated statements of profit or loss as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Cost of sales | **7,589** | 3,852 |
| Selling, general and administrative expenses | **181** | 137 |
| | **7,770** | 3,989 |

As at 31 December 2023, property, plant and equipment with the carrying amounts of US$266,913,000 (31 December 2022: US$90,812,000) were pledged to secure borrowings (Note 25).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 14 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 | |
|---|---|---|
| | 2023 US$'000 | 2022 US$'000 |
| **Right-of-use assets** | | |
| Vessels | 68,925 | 76,724 |
| Building | 1,423 | 1,424 |
| | 70,348 | 78,148 |
| **Lease liabilities** | | |
| Current | 15,774 | 17,275 |
| Non-current | 50,838 | 55,504 |
| | 66,612 | 72,779 |

| | Year ended 31 December | |
|---|---|---|
| | 2023 US$'000 | 2022 US$'000 |
| **Right-of-use assets** | | |
| **Cost** | | |
| Opening balance | 119,355 | 111,698 |
| Additions (i) | 12,555 | 24,997 |
| Expiration of lease | (19,059) | (1,546) |
| Change of lease term (ii) | (8,286) | (15,794) |
| Closing balance | 104,565 | 119,355 |
| **Accumulated depreciation** | | |
| Opening balance | (41,207) | (19,766) |
| Depreciation charge | (18,702) | (24,999) |
| Expiration of lease | 19,059 | 1,546 |
| Change of lease term (ii) | 6,633 | 2,012 |
| Closing balance | (34,217) | (41,207) |
| **Net book amount** | 70,348 | 78,148 |

## 14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(i) Additions to the right-of-use assets were mainly attributable to the new lease agreements entered into for a vessel and buildings.

(ii) Change of lease term in 2023 were mainly caused by termination of one vessel leasing agreement.

(iii) The statement of profit or loss shows the following amounts relating to leases:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Depreciation charge of right-of-use assets** | | |
| Vessels | **17,847** | 24,479 |
| Buildings | **855** | 520 |
| | **18,702** | 24,999 |
| Interest expense (included in finance cost) | **1,512** | 1,956 |
| Expense relating to short-term leases | | |
| — Cost of sales | **63,677** | 132,422 |
| — Administrative expenses and selling expenses | **223** | 189 |

The total cash outflow for leases for the year ended 31 December 2023 was US$85,191,000 (2022: US$154,144,000).

(iv) The guarantors for certain lease liabilities were as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Guarantor:** | | |
| The Company/Seacon Shipping Pte., Ltd.* | **46,532** | — |
| The Company | **15,645** | — |
| The Company/Seacon Ships Qingdao* | **3,093** | 5,556 |
| Seacon Shipping Group | **—** | 17,525 |
| The Company/Mr. Guo/Mr. Chen | **—** | 40,454 |
| The Company/Seacon Shipping Group | **—** | 5,660 |
| | **65,270** | 69,195 |

* These companies are the subsidiaries of the Group, and the rest of guarantors are all related parties.

All the guarantees provided by related parties has been fully released upon the initial Public Offering in March 2023.

## 14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(v) 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 (vii) 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.

(vi) 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.

(vii) 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.

## 15 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the joint ventures and associates of the Group as at 31 December 2023. 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 2023 | 31 December 2022 | | | 31 December 2023 US$'000 | 31 December 2022 US$'000 | |
| Msm Ship Management Pte. Ltd. | Singapore | Ship management | 50% | 50% | Joint venture | Equity method | 84 | 74 | (1) |
| Hongkong Xinyihai 55 Co., Limited | Hong Kong | Vessel holding and chartering services | 35% | 35% | Associate | Equity method | 15 | 31 | (1) |
| Seacon 6 Limited ("Seacon 6") | Hong Kong | Vessel holding and chartering services | 49.5% | 49.5% | Associate | Equity method | 3,238 | 2,463 | (1) |
| Seacon 7 Limited ("Seacon 7") | Hong Kong | Vessel holding and chartering services | 49.5% | 49.5% | Associate | Equity method | 2,242 | 1,202 | (1) |
| Seacon 8 Limited ("Seacon 8") | Hong Kong | Vessel holding and chartering services | 49.5% | 49.5% | Associate | Equity method | 1,479 | 867 | (1) |
| Seacon 9 Limited ("Seacon 9") | Hong Kong | Vessel holding and chartering services | 49.5% | 49.5% | Associate | Equity method | 3,636 | 3,209 | (1) |
| Union Merchant Limited | Hong Kong | Vessel holding and chartering services | 20.0% | N/A | Associate | Equity method | – | N/A | (1), (2) |
| Zhejiang Xinghu Shipping Co., LTD | China | Vessel holding and chartering services | 48.0% | N/A | Associate | Equity method | – | N/A | (1), (2) |
| | | | | | | | 10,694 | 7,846 | |

(1) 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 2023.

There is no associate or joint venture that is individually material to the Group as at 31 December 2023. The financial information below, after making necessary adjustments to conform to the Group's material accounting policies, represents the Group's respective interests in the associates and joint ventures:

| | Year ended 31 December | |
|---|---|---|
| | 2023 US$'000 | 2022 US$'000 |
| Aggregate carrying amount of individually immaterial associates and joint ventures | 10,694 | 7,846 |
| Aggregate amounts of the Group's share of: | | |
| Net profit | 2,848 | 9,995 |
| Total comprehensive income | 2,848 | 9,995 |
| Dividend received (i) | (3,104) | (4,278) |

## 15 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

(1) *(Continued)*

(i) Dividend amounted to US$3,104,000 declared by Hongkong Xinyihai 55 Co., Limited in 2022 and has been received in April 2023. Dividend amounted to US$4,278,000 declared and paid by Hongkong Xinyihai 55 Co., Limited, Seacon 6, Seacon 7 and Seacon 8 in 2022.

(2) Union Merchant Limited and Zhejiang Xinghu Shipping Co., LTD are shipping companies which are incorporated in 2023 with no paid-up capital. They are strategic investment for the Group which provide chemical tankers shipping business.

## 16 OTHER NON-CURRENT ASSETS

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Prepayment for dry-docking and equipment purchased | **1,390** | 2,388 |
| Prepayment for vessels purchased (i) | **58,104** | 43,094 |
| Prepayment for bareboat charter | **2,108** | — |
| Prepayment for buildings purchased | **1,693** | — |
| Others | **365** | 281 |
| | **63,660** | 45,763 |
| Prepayment for ships management deposit | **5,000** | 2,000 |
| Less: provision for impairment | **(41)** | (21) |
| | **68,619** | 47,742 |

(i) The Group prepaid for vessels purchased according to the payment schedule of the purchase contracts.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Identified Financial Assets (i) | **—** | 1,232 |
| Less: current portion | **—** | (1,232) |
| | **—** | — |

(i) 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 May 2022, one of the vessels was sold by Leasing Company A. In April 2023, another vessel was sold by Leasing Company B.

## 18 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Lubricating oil and spare parts | **2,659** | 2,147 |
| Fuels | **2,547** | 8,483 |
| Contract performance cost | **1,221** | — |
| | **6,427** | 10,630 |
| Less: provision for impairment | **—** | — |
| | **6,427** | 10,630 |

The cost of inventories recognised as cost of sales amounted to approximately US$39,567,000 for the year ended 31 December 2023 (2022: US$50,321,000).

## 19 PREPAYMENT AND OTHER CURRENT ASSETS

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Prepayments for: | | |
| — vessels under short term charter basis and office rental | **1,770** | 1,887 |
| — insurance expenses | **1,488** | 1,182 |
| — spare parts purchase | **15** | 616 |
| — listing expense | **—** | 842 |
| — others | **71** | 654 |
| | **3,344** | 5,181 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 20 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | 2023 US$'000 | 2022 US$'000 |
| Trade receivables — ship management business | | |
| — third parties | 4,698 | 2,601 |
| — related parties (Note 32(h)) | 268 | 473 |
| Less: provision for impairment | (70) | (21) |
| Trade receivables — net | 4,896 | 3,053 |
| Trade receivables — shipping business | | |
| — third parties | 6,397 | 11,640 |
| — related parties (Note 32(h)) | 478 | — |
| Less: provision for impairment | (1,552) | (155) |
| Trade receivables — net | 5,323 | 11,485 |
| Other receivables | | |
| — amount due from related parties (Note 32(h)) | — | 184 |
| — deposits to related parties (Note 32(h)) | 4 | — |
| — deposits and guarantees | 10,204 | 5,202 |
| — dividends receivable from an associate (Note 32(h)) | — | 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 |
| | 25,530 | 25,002 |

## 20 TRADE AND OTHER RECEIVABLES *(Continued)*

(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 | |
|---|---|---|
| | **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 |

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.

## 20 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) *(Continued)*

Information about the impairment of trade receivables and the Group exposure to credit risk and foreign currency risk can be found in Note 3.1.

Movements in allowance for impairment of trade receivables is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Trade receivables — ship management business | | |
| At beginning of the year | **(21)** | (17) |
| Provision | **(49)** | (4) |
| At the end of the year | **(70)** | (21) |

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Trade receivables — shipping business | | |
| At beginning of the year | **(155)** | (25) |
| Provision | **(1,397)** | (130) |
| At the end of the year | **(1,552)** | (155) |

The carrying amounts of trade receivables are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| US$ | **9,179** | 13,961 |
| RMB | **694** | 577 |
| HKD | **346** | — |
| | **10,219** | 14,538 |

All carrying amounts of trade receivables approximate their fair values.

## 21 CASH AND BANK BALANCES

### (a) Restricted bank deposits

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Restricted bank deposits — current | | |
| — Deposit in transit | **2,440** | — |
| — Security deposits for forward foreign exchange | **254** | — |
| — Security deposits for letter of guarantee | **126** | 32 |
| | **2,820** | 32 |

### (b) Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Cash in hand | **4** | 21 |
| Cash at banks | **27,992** | 20,149 |
| | **27,996** | 20,170 |

(c) Cash in hand and at banks (including restricted bank deposits of the Group) are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| US$ | **16,676** | 16,373 |
| JPY | **11,079** | 2,068 |
| RMB | **1,813** | 1,378 |
| HK$ | **467** | 29 |
| EUR | **405** | — |
| SG$ | **376** | 354 |
| | **30,816** | 20,202 |

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 2023, the RMB cash at bank held by the PRC subsidiaries amounted to US$1,702,000 (2022: US$1,317,000).

The carrying amount of cash in hand and at banks approximates their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 22 ASSETS CLASSIFIED AS HELD FOR SALE

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Non-current assets held for sale | | |
| Property, plant and equipment — vessels | **6,160** | — |
| Prepayment for dry-docking for the vessel held for sale | **836** | — |
| | **6,996** | — |

The Group acquired a vessel under a bareboat charter by exercising the purchase option at the consideration of US$6,160,000 in November 2023. The Group entered into an agreement, pursuant to which the Group agreed to sell the vessel for a consideration of US$12,800,000 in November 2023. The disposal of the vessel was completed in February 2024.

## 23 SHARE CAPITAL

| | The Company | |
|---|---|---|
| | **Number of shares** | **Nominal value** |
| | | HKD |
| **Authorised** | | |
| 38,000,000 ordinary shares of HK dollar ("HKD") 0.01 each as at 31 December 2022 (note a) | 38,000,000 | 380,000 |
| 700,000,000 ordinary shares of HKD0.01 each as at 31 December 2023 (note c and note d) | **700,000,000** | **7,000,000** |

## 23 SHARE CAPITAL *(Continued)*

| | The Company | | |
|---|---|---|---|
| | Number of shares | Nominal value | Share capital |
| | | HKD | USD |
| **Issued:** | | | |
| At date of incorporation (note a) | 1 | 0.01 | — |
| Issued to Jin Chun Holding Ltd. ("Jin Chun Holding") and CZK Holding Ltd. ("CZK Holding") (note a) | 9 | 0.09 | — |
| Issued to Jin Chun Holding and CZK Holding (note b) | 9,990 | 99.90 | — |
| **As at 31 December 2022** | 10,000 | 100.00 | — |
| Capitalisation of share premium (note d) | **374,990,000** | **3,749,900** | **478,000** |
| Issue of new shares upon listing (note e) | **125,000,000** | **1,250,000** | **159,000** |
| **As at 31 December 2023** | **500,000,000** | **5,000,000** | **637,000** |

(a) On 22 October 2021, the Company was incorporated in the Cayman Islands with an authorised capital of HKD380,000 divided into 38,000,000 ordinary shares of HKD0.01 each.

Upon incorporation, one share of the Company was allotted and issued at par value to an initial subscriber, and was subsequently transferred to Jin Chun Holding. On the same day, 7 shares and 2 shares of the Company, were allotted and issued at par value to Jin Chun Holding and CZK Holding, respectively.

(b) On 25 November 2021, the Company allotted and issued 7,992 and 1,998 shares to Jin Chun Holding and CZK Holding respectively.

On 30 November 2021, Jin Chun transferred 200 and 100 Shares to Ruigao Holding and Passion Wealth, respectively. On 20 December 2021, Jin Chun transferred 6,600 Shares to Jin Qiu and CZK Holding transferred 1,900 Shares to Kaimei Holding. On 22 February 2022, 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 the Company, respectively.

## 23 SHARE CAPITAL *(Continued)*

(c) On 2 March 2023, the authorised share capital of the Company was increased from HKD380,000 to HKD7,000,000 by the creation of additional 662,000,000 shares, such that following such increase, the authorised share capital of the Company was HKD7,000,000 divided into 700,000,000 shares of HKD0.01 each.

(d) On 29 March 2023, the Company allotted and issued 374,990,000 shares with a nominal value of HKD0.01 each to the shareholders whose names appear on the register of members of the Company on 2 March 2023 by the capitalisation of the share premium accounts. The nominal value of capitalization issue amounted to approximately HKD3,749,900 (equivalent to approximately US$478,000).

(e) On 29 March 2023, the Company issued 125,000,000 new shares with a nominal value of HKD0.01 each for its international public offering and public offer at the offer price of HKD3.27 (equivalent to approximately US$0.42) each. Gross proceeds from the initial public offering amounted to HKD408,750,000 (equivalent to US$52,075,000). Share premium (net of share issuance expenses of US$4,479,000 and share capital of US$159,000) was credited in the amount of US$47,437,000.

Immediately after the listing, the Company had a total of 500,000,000 issued ordinary shares with a nominal value of HKD0.01 each.

## 24 SHARE PREMIUM AND RESERVES

| | Share premium US$'000 | Reserves US$'000 | Statutory reserve US$'000 | Share-based compensation US$'000 | Exchange differences on translation of foreign operations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | – | 4,018 | 115 | 5,635 | (76) | 9,692 |
| Exchange differences on translation of foreign operations | – | – | – | – | (8) | (8) |
| Profit appropriation to statutory reserves | – | – | 25 | – | – | 25 |
| Issue of shares (Note 23(e)) | 51,916 | – | – | – | – | 51,916 |
| Share issue expenses (Note 23(e)) | (4,479) | – | – | – | – | (4,479) |
| Capitalization of share premium (Note 23(d)) | (478) | – | – | – | – | (478) |
| Equity transaction with non-controlling interests (iii) | – | (1,073) | – | – | – | (1,073) |
| Balance at 31 December 2023 | 46,959 | 2,945 | 140 | 5,635 | (84) | 55,595 |

## 24 SHARE PREMIUM AND RESERVES *(Continued)*

| | Share premium US$'000 | Reserves US$'000 | Statutory reserve US$'000 | Share-based compensation US$'000 | Exchange differences on translation of foreign operations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | – | 3,157 | 17 | 5,635 | 30 | 8,839 |
| Exchange differences on translation of foreign operations | – | – | – | – | (106) | (106) |
| Profit appropriation to statutory reserves | – | – | 98 | – | – | 98 |
| Debt waive from shareholders of the Company (i) | – | 914 | – | – | – | 914 |
| Merger reserves arising from the Reorganisation (ii) | – | (53) | – | – | – | (53) |
| Balance at 31 December 2022 | – | 4,018 | 115 | 5,635 | (76) | 9,692 |

(i) 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 deemed contribution by shareholders to the Group and recognized as reserves.

(ii) In February 2022, 97% shareholding interests amounted to US$785,000 of Seacon Ships Qingdao was transferred to Seacon Ships Shanghai with the consideration of US$838,000, the excess portion amounted to US$53,000 was treated as merger reserves arising from the Reorganisation.

(iii) In 2023, the Group and Wealth & Glory entered into an agreement, pursuant which Wealth & Glory transferred 40% shareholding interests of Seacon Enterprise Pte., Ltd. with net liabilities amounted to US$343,000 to the Group for the consideration of US$730,000. The total loss of US$1,073,000 is accounted for as a transaction with a shareholder.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 25 BORROWINGS

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Non-current** | | |
| Long-term borrowings | | |
| Bank loans | | |
| — secured (i) | **4,838** | 7,530 |
| — unsecured | **73** | 225 |
| Other borrowings (ii) | | |
| — secured (i) | **210,942** | 63,671 |
| | **215,853** | 71,426 |
| Less: borrowings due within one year | | |
| Bank loans | | |
| — secured (i) | **(2,336)** | (2,144) |
| — unsecured | **(11)** | (8) |
| Other borrowings (ii) | | |
| — secured | **(18,994)** | (7,699) |
| | **(21,341)** | (9,851) |
| | **194,512** | 61,575 |

The increase in long-term borrowings as at 31 December 2023 were mainly due to secured borrowings for the purpose of vessel purchase.

## 25 BORROWINGS *(Continued)*

(i) The guarantors and the pledge for each secured borrowing were as follows:

| | | As at 31 December | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **US$'000** | US$'000 |
| **Guarantor:** | **Pledge:** | | |
| The Company/Seacon Shipping Pte. Ltd.* | N/A/Shares | **191,125** | 18,514 |
| The Company | N/A | **19,816** | 41,098 |
| Seacon Osaka Ltd* | Vessels | **1,620** | 2,340 |
| Seacon Kobe Ltd* | Vessels | **1,463** | 2,048 |
| Seacon Victory Ltd* | Vessels | **1,304** | 1,883 |
| Seacon Ships Qingdao* | Buildings | **452** | 502 |
| The Company/Mr. Guo/Mr. Chen | N/A | **–** | 4,060 |
| Individual A | N/A | **–** | 383 |
| Mr. Guo/Mr. Wang Guangfu | N/A | **–** | 373 |
| | | **215,780** | 71,201 |

* These companies are the subsidiaries of the Group, and the rest of guarantors are all related parties.

All the guarantees provided by related parties has been fully released upon the initial Public Offering in March 2023.

(ii) The Group's other borrowings related to 12 (2022: 5) owned vessels with a combined net book value of US$253,015,000 (2022: US$77,008,000) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined times during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

## 25 BORROWINGS *(Continued)*

(a) The Group's borrowings were repayable as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Bank loans | | |
| Within 1 year | **2,347** | 2,152 |
| 1–2 years | **1,895** | 2,597 |
| 2–5 years | **651** | 2,860 |
| Over 5 years | **18** | 146 |
| | **4,911** | 7,755 |
| Other borrowings | | |
| Within 1 year | **18,994** | 7,699 |
| 1–2 years | **16,961** | 6,176 |
| 2–5 years | **50,428** | 18,934 |
| Over 5 years | **124,559** | 30,862 |
| | **210,942** | 63,671 |
| | **215,853** | 71,426 |

(b) 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Within 1 year | **213,158** | 67,454 |
| 1–2 years | **783** | 948 |
| 2–5 years | **1,894** | 2,902 |
| Over 5 years | **18** | 122 |
| | **215,853** | 71,426 |

## 25 BORROWINGS *(Continued)*

(c) The carrying amount of borrowings are not materially different from their fair value as at each balance date.

(d) 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 settle the cash on deposit and the borrowings in net. 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$809,000 as at 31 December 2023 (2022: US$809,000).

(e) The Group's borrowings are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| US$ | **215,328** | 69,942 |
| RMB | **452** | 503 |
| JPY | **73** | 608 |
| SG$ | **–** | 373 |
| | **215,853** | 71,426 |

(f) The average rates of the Group's borrowings for the respective years are summarised as below:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Borrowings | **8.37%** | 4.81% |

## 26 ADVANCES AND CONTRACT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Contract liabilities — ship management business | **198** | 825 |
| Advances and contract liabilities — shipping business | **2,832** | 3,571 |
| | **3,030** | 4,396 |

Advances and contract liabilities balance amounted to US$3,030,000 as at 31 December 2023 will be recognised as revenue for the year ending 31 December 2024 (2022: US$4,396,000 has been recognised as revenue for the year ended 31 December 2023).

## 27 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Trade payables (a) | | |
| — third parties | **15,737** | 20,498 |
| — related parties (Note 32(h)) | **10** | 556 |
| | **15,747** | 21,054 |
| Other payables (b) | | |
| — amounts due to related parties (Note 32(h)) | **7,035** | 1,345 |
| — deposits from related parties (Note 32(h)) | **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 |
| | **30,550** | 27,695 |

## 27 TRADE AND OTHER PAYABLES *(Continued)*

(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 | |
|---|---|---|
| | **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 |

The carrying amounts of trade payables of the Group are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| US$ | **15,440** | 20,518 |
| RMB | **239** | 456 |
| Others | **68** | 80 |
| | **15,747** | 21,054 |

(b) The carrying amounts of trade and other payables of the Group approximate their fair values.

## 28 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.

Seacon Enterprise Pte. Ltd., is a non-wholly owned subsidiary which the Group and Wealth & Glory Marine Pte. Ltd. (the "Wealth & Glory") has 60% and 40% shareholding interests. Seacon Enterprise Pte. Ltd., declared cash dividend of US$10,389,000 (2022: US$3,238,000) in April 2023 to the Group of US$6,233,000 and the non-controlling interests of US$4,156,000 (2022: US$1,296,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash flows generated from operations:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Profit before income tax** | **22,379** | 61,047 |
| **Adjustments for:** | | |
| — Net impairment losses on financial assets | **1,510** | 169 |
| — Depreciation and amortisation (Note 8) | **27,931** | 30,428 |
| — Gains on disposal of property, plant and equipment and change of lease term | **(6,817)** | (5,646) |
| — Share of profit of associates and joint ventures | **(2,848)** | (9,995) |
| — Finance costs (Note 10) | **9,389** | 6,310 |
| — Finance income | **(145)** | (27) |
| — Net losses on disposal of financial assets at fair value through profit or loss | **1,851** | — |
| — Fair value (gains)/losses of financial assets at fair value through profit or loss | **(447)** | 47 |
| — Exchange loss | **552** | — |
| **Changes in working capital:** | | |
| — Increase on restricted cash | **—** | (1) |
| — Inventories | **4,203** | (5,979) |
| — Trade and other receivables | **(6,662)** | 2,550 |
| — Advances and contract liabilities | **(1,366)** | (52) |
| — Trade and other payables | **(1,868)** | (780) |
| **Cash generated from operations** | **47,662** | 78,071 |

(b) Proceeds from disposal of property, plant and equipment comprise:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Net book amount of property, plant and equipment disposed (Note 13, 29(e)) | **80** | 10,297 |
| Net gains on disposal of property, plant and equipment (Note 7) | **6,891** | 5,508 |
| Proceeds from disposal of property, plant and equipment | **6,971** | 15,805 |

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (c) Summary of net debt

| | As at 31 December | |
|---|---|---|
| | 2023 US$'000 | 2022 US$'000 |
| Cash and cash equivalents | 27,996 | 20,170 |
| Borrowings — repayable within 1 year | (21,341) | (9,851) |
| Borrowings — repayable after 1 year | (194,512) | (61,575) |
| Lease liabilities — repayable within 1 year | (15,774) | (17,275) |
| Lease liabilities — repayable after 1 year | (50,838) | (55,504) |
| Amount due to related parties | (7,035) | (1,345) |
| Amount due to third parties | — | (108) |
| Net debt | (261,504) | (125,488) |
| Cash and cash equivalents | 27,996 | 20,170 |
| Gross debt — interest free | (7,035) | (1,453) |
| Gross debt — fixed interest rates | (58,151) | (77,958) |
| Gross debt — floating interest rates | (224,314) | (66,247) |
| Net debt | (261,504) | (125,488) |

### (d) Reconciliation of liabilities arising from financing activities

| | Borrowings | Lease liabilities | Amount due to related parties | Amount due to third parties | Total |
|---|---|---|---|---|---|
| As at 1 January 2023 | (71,426) | (72,779) | (1,345) | (108) | (145,658) |
| Lease liabilities recognised | — | (12,555) | — | — | (12,555) |
| Change of lease term | — | 1,579 | — | — | 1,579 |
| Cash flows | (65,565) | 17,143 | (5,670) | 108 | (53,984) |
| Non-cash transaction | (77,626) | — | (20) | — | (77,646) |
| Interest charged | (11,942) | (1,512) | — | — | (13,454) |
| Interest paid | 10,706 | 1,512 | — | — | 12,218 |
| As at 31 December 2023 | (215,853) | (66,612) | (7,035) | — | (289,500) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### (d) Reconciliation of liabilities arising from financing activities *(Continued)*

| | Borrowings | Lease liabilities | Amount due to related parties | Amount due to third parties | Total |
|---|---|---|---|---|---|
| As at 1 January 2022 | (32,845) | (86,659) | (26,850) | — | (146,354) |
| Lease liabilities recognised | — | (23,857) | — | — | (23,857) |
| Change of lease term | — | 13,289 | — | — | 13,289 |
| Cash flows | 2,675 | 24,448 | 23,629 | — | 50,752 |
| Non-cash transaction | (40,425) | — | 1,876 | (108) | (38,657) |
| Interest charged | (4,354) | (1,956) | — | — | (6,310) |
| Interest paid | 3,523 | 1,956 | — | — | 5,479 |
| As at 31 December 2022 | (71,426) | (72,779) | (1,345) | (108) | (145,658) |

### (e) Major non-cash transactions:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Cash flows from investing activities** | | |
| Vessel purchase payments offset by borrowings from leasing companies (i) | **77,626** | 40,425 |
| Vessel purchase payments offset by proceeds from disposal of the vessel (ii) | **27,194** | — |
| **Cash flows from financing activities** | | |
| Vessel purchase payments offset by borrowings from leasing companies (i) | **77,626** | 40,425 |

(i) The Group purchased vessels from third party sellers in 2022 and 2023, financed by borrowings from leasing companies under sales and lease back arrangements. The leasing companies paid directly to the sellers on behalf of the Group.

(ii) In January 2023, the Group exercised the purchase option of a bareboat charter amounted to US$27.2 million to purchase a vessel from a leasing company. In the meantime, the Group sold the vessel to a third party with the consideration of US$34.1 million (net of commissions). The third party paid purchase option price directly to the leasing company on behalf of the Group.

(iii) Receivables and payables between the Group and related parties are offset and the net amount is reported in the balance sheet when they mutually agreed to settle on a net basis. For non-cash transactions with related parties paid/received on behalf between the Group and related parties, see Note 32(d)(e).

(iv) 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 statement of cash flows in 2022.

## 30 CONTINGENCIES

As mentioned in Note 7, there are four on-going legal proceedings.

A customer initiated the arbitration proceeding against the Group and claimed for various damages of approximately US$1,013,000 in February 2022 which is in connection with a dispute whether the last voyage is legitimate. Based on the legal counsel's opinion, management made a provision of US$384,000 in 2022 based on the estimated compensation amount.

In November 2023, a customer claimed a compensation of approximately US$190,000 for overpaid hire for dispute of off-hire and cargo claims. The management made a provision of US$190,000 in 2023 based on the estimated compensation amount.

There is also a dispute over a bareboat charter contract and management made a provision of RMB5,000,000 in 2021. The compensation amount is approximately RMB7,446,000 according to the Court decision made on 31 March 2023. The Directors made a further provision according to the Court decision in March 2023 and the case is on appeal at the second instance.

The Company received a cargo shortage claim under a vessel owned and managed by the Group in June 2023 which the Company's insurer will cover potential compensation above the insurance deductible amount of US$15,000. The management made a provision of US$15,000 in 2023 based on the estimated compensation amount.

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 approximately US$4 million to 5 million which will be covered by the insurance company. The Group has no further liability for compensation.

## 31 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Property, plant and equipment | | |
| — Vessels | **246,371** | 183,045 |
| — Buildings | **32,169** | — |
| | **278,540** | 183,045 |

As at 31 December 2023, the Group entered into 9 vessels construction contracts which are not delivered. The expected delivery date of 4 vessels amounted to US$154.2 million will be in 2024 and 5 vessels amounted to US$147.0 million will be in 2025.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 32 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 for the year ended 31 December 2023.

### (a) Purchases of goods or services

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Related parties controlled by Mr. Guo (collectively referred to as "Seacon Group")* | **3,078** | 19,341 |

* The transactions are continuing connected transactions that have complied with the disclosure requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which indicates purchases of goods or services from Seacon Group.

### (b) Provide services

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Joint ventures and associates | **2,681** | 4,469 |
| Seacon Group | **30** | 374 |
| | **2,711** | 4,843 |

### (c) Lease

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Rental expense** | | |
| Seacon Group | **31** | – |
| **Rental income** | | |
| Associate | **478** | – |

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (d) Advances to related parties

*Advances to joint ventures and associates*

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Advances to related parties during the year | | |
| — Cash | **1,960** | 2,226 |
| Repayments from related parties during the year | | |
| — Cash | **(1,960)** | (2,485) |

*Advances to Seacon Group*

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Advances to related parties during the year | | |
| — Cash | **31** | 5,794 |
| — Non cash | **119** | 2,270 |
| | **150** | 8,064 |
| Repayments from related parties during the year | | |
| — Cash | **(310)** | (6,862) |
| — Non cash | **(24)** | (4,382) |
| | **(334)** | (11,244) |

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.

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (e) Advances from related parties

*Advances from joint ventures and associates*

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Advances from related parties during the year | | |
| — Cash | **–** | 177 |
| — Non cash | **–** | 11 |
| | **–** | 188 |
| Repayments to related parties during the year | | |
| — Cash | **–** | (135) |
| — Non cash | **–** | (53) |
| | **–** | (188) |

*Advances from Seacon Group*

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Advances from related parties during the year | | |
| — Cash | **8,933** | 9,423 |
| — Non cash | **205** | 28,130 |
| | **9,138** | 37,553 |
| Repayments to related parties during the year | | |
| — Cash | **(3,263)** | (32,965) |
| — Non cash | **(185)** | (30,095) |
| | **(3,448)** | (63,060) |

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.

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (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.

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **For borrowings:** | | |
| The Company/Mr. Guo/Mr. Chen | – | 4,060 |
| Mr. Guo/Mr. Wang Guangfu | – | 373 |
| | – | 4,433 |
| **For lease liabilities:** | | |
| The Company/Mr. Guo/Mr. Chen | – | 40,454 |
| Seacon Shipping Group | – | 23,185 |
| | – | 63,639 |
| | – | 68,072 |

The information set out below represents the amount of new borrowings and lease liabilities recognized and guaranteed by related party for the year ended 31 December 2023, excluding existing borrowings and lease liabilities with the change of guarantors.

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **For borrowings/lease liabilities:** | | |
| The Company/Mr. Guo/Mr. Chen | – | 17,526 |

All the guarantees provided by related parties has been fully released upon the Initial Public Offering in March 2023.

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (g) 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Salaries, bonuses and other benefits | **1,060** | 697 |

### (h) Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Receivables from related parties** | | |
| **Trade receivables:** | | |
| — Joint ventures and associates | **746** | 458 |
| — Seacon Group | **—** | 15 |
| | **746** | 473 |

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (h) Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services *(Continued)*

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Other receivable** | | |
| Amount due from: | | |
| — Seacon Group | **–** | 184 |
| Deposits to: | | |
| — Joint ventures and associates | **4** | – |
| Dividends receivable from: | | |
| — Joint ventures and associates | **–** | 3,104 |
| **Total other receivables from related parties** | **4** | 3,288 |

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| **Payables to related parties** | | |
| **Trade payables:** | | |
| — Seacon Group | **10** | 556 |
| **Other payables:** | | |
| Amount due to: | | |
| — Seacon Group | **7,033** | 1,343 |
| — Other related parties | **2** | 2 |
| | **7,035** | 1,345 |
| Deposits from: | | |
| — Joint ventures and associates | **13** | 18 |
| **Total other payables to related parties** | **7,048** | 1,363 |
| Lease liability： | | |
| — Seacon Group | **94** | 439 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 32 RELATED PARTY TRANSACTIONS *(Continued)*

### (h) Significant year-end balances arising from advances to/from related parties and sales/purchases of goods/services *(Continued)*

Except amount due to and due from Seacon Group which were generated from non-operating activities and were non-trade in nature, all other balances with related parties were generated from normal operating activities and were of trade in nature.

## 33 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 2023:

| Name | Director's Fee US$'000 | Salaries US$'000 | Bonus US$'000 | Social benefits US$'000 | Contributions to pension schemes US$'000 | Other welfare expenses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| **Chairman** | | | | | | | |
| Mr. Guo* | – | 266 | 22 | 15 | 4 | 5 | 312 |
| **Executive directors** | | | | | | | |
| Mr. Chen* | – | 240 | 22 | 6 | 3 | 6 | 277 |
| Mr. Zhao | – | 164 | – | 2 | 2 | 4 | 172 |
| Mr. He | – | 178 | 28 | 6 | 3 | 6 | 221 |
| **Independent non-executive directors** | | | | | | | |
| Mr. Fu | 26 | – | – | – | – | – | 26 |
| Mr. Zhang | 26 | – | – | – | – | – | 26 |
| Mr. Zhuang | 26 | – | – | – | – | – | 26 |
| | 78 | 848 | 72 | 29 | 12 | 21 | 1,060 |

## 33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2022:

| Name | Director's Fee US$'000 | Salaries US$'000 | Bonus US$'000 | Social benefits US$'000 | Contributions to pension schemes US$'000 | Other welfare expenses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| **Chairman** | | | | | | | |
| Mr. Guo* | – | 173 | 7 | 26 | 5 | – | 211 |
| **Executive directors** | | | | | | | |
| Mr. Chen* | – | 172 | 7 | – | 3 | – | 182 |
| Mr. Zhao | – | 134 | – | 2 | 2 | – | 138 |
| Mr. He | – | 134 | 22 | 6 | 4 | – | 166 |
| | – | 613 | 36 | 34 | 14 | – | 697 |

* Mr. Guo and Mr. Chen are also the shareholders and directors of Seacon Group, and they also received salaries from Seacon Group for the years ended 31 December 2023 and 2022.

### (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 year ended 31 December 2023 (2022: Nil).

### (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 year ended 31 December 2023 (2022: Nil).

### (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 year ended 31 December 2023 (2022: Nil).

### (f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 32, 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 year ended 31 December 2023 (2022: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (g) Inducement of joining the Group or compensation for loss of office, waive of remuneration

During the year ended 31 December 2023, there are no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2022: Nil).

## 34 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2023, particulars of the Group's principal subsidiaries are as follows:

| Company name | Place and date of incorporation/ establishment and operations* | Principal activities | Registered/Issued and paid-up capital | Effective interest held 31 December 2023 | Effective interest held 31 December 2022 | Note |
|---|---|---|---|---|---|---|
| **Directly Held** | | | | | | |
| Seacon Ships Management Group (BVI) Ltd | BVI, 27 October 2021 | Investment holding | US$50,000/— | 100% | 100% | |
| Seacon Marine Ltd. | BVI, 27 October 2021 | Investment holding | US$50,000/— | 100% | 100% | |
| **Indirectly Held** | | | | | | |
| Seacon Ships Management Group (HK) Limited ("Seacon Ships Group (HK)") | Hong Kong, 8 November 2021 | Investment holding | HK$10,000/— | 100% | 100% | |
| Seacon Ships Management (SG) | Singapore, 14 May 2019 | Ship management | SG$50,000/SG$2 | 100% | 100% | |
| Seacon Ships Management Co., Limited | Hong Kong, 14 December 2012 | Ship management | HK$10,000/ HK$10,000 | 100% | 100% | |
| Seacon Marine Technical Pte. Ltd. | Singapore, 17 June 2020 | Shipbuilding consultation | SG$100,000/SG$2 | 100% | 100% | |
| Seacon Tankers Shipmanage Pte. Ltd. | Singapore, 17 July 2019 | Ship management | US$10,000/ US$10,000 | 100% | 100% | |
| Seacon Ships Management (Ningbo) Ltd. | Republic of the Marshall Islands, 12 May 2021 | Ship management | US$50,000/— | 100% | 100% | |
| Ocean Fleet Shipmanage Limited | Hong Kong, 1 November 2021 | Ship management | HK$10,000/— | 100% | 100% | |
| Seacon Ships Shanghai | PRC, 21 December 2021 | Investment holding | US$2,000,000/— | 100% | 100% | |
| Seacon Ships Qingdao | PRC, 12 April 2013 | Ship management | RMB10,000,000/ RMB5,000,000 | 97% | 97% | |
| Seacon Ships Management Co., Limited (Zhejiang) | PRC, 27 June 2018 | Ship management | RMB20,000,000/ RMB2,600,000 | 100% | 100% | |
| Seacon Ships Management (Europe) SA ("Seacon Ships Management (Europe)") | Republic of the Marshall Islands, 19 April 2022 | Ship management | US$100/— | 51% | 51% | (b) |
| Seacon Marine Technical Company Limited (Qingdao) | PRC, 15 June 2020 | Shipbuilding consultation | RMB1,000,000/— | 100% | 100% | |
| Seacon Ningbo Company Limited | PRC, 25 March 2021 | Ship management | RMB5,000,000/— | 100% | 100% | |
| Seacon Ships Management Co., Limited (Fujian) | PRC, 3 November 2021 | Ship management | RMB10,000,000/— | 100% | 100% | |
| Seacon Marine Pte. Ltd. | Singapore, 20 January 2020 | Investment holding | SG$100,000/— | 100% | 100% | |
| Seacon Shipping Pte. Ltd. | Singapore, 29 January 2020 | Chartering services | SG$100,000/SG$2 | 100% | 100% | |

## 34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Company name | Place and date of incorporation/ establishment and operations* | Principal activities | Registered/Issued and paid-up capital | Effective interest held 31 December 2023 | Effective interest held 31 December 2022 | Note |
|---|---|---|---|---|---|---|
| **Indirectly Held** *(Continued)* | | | | | | |
| Golden Lotus Ltd | Republic of the Marshall Islands, 24 November 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Golden Violet Ltd (rename from Estar Shipping Ltd) | Republic of the Marshall Islands, 3 November 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Seacon Rizhao Ltd | Republic of the Marshall Islands, 3 February 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Jasper Shipping Ltd (rename from Sky Height Shipping Ltd) | Republic of the Marshall Islands, 19 February 2021 | Vessel holding and chartering services | US$50,000/US$1 | 100% | 100% | |
| Seacon Ningbo Ltd | Liberia, 5 June 2019 | Vessel holding and chartering services | US$500/US$1 | 100% | 100% | |
| Seacon Shanghai Ltd | Liberia, 11 June 2019 | Vessel holding and chartering services | US$500/US$1 | 100% | 100% | |
| Seacon Brazil Ltd | Liberia, 18 April 2019 | Vessel holding and chartering services | US$500/US$1 | N/A | 100% | (c) |
| Seacon Star Shipping (Qingdao) Co., Limited ("Seacon Star Shipping (Qingdao)") | PRC, 10 May 2022 | Vessel holding and chartering services | US$2,000,000/— | 100% | 100% | |
| Seacon Qingdao Ltd | Republic of the Marshall Islands, 8 April 2019 | Vessel holding and chartering services | US$50,000/US$1 | 100% | 100% | |
| Seacon Singapore Ltd | Republic of the Marshall Islands, 8 April 2019 | Vessel holding and chartering services | US$50,000/US$1 | N/A | 100% | (c) |
| Golden Bridge Ships Limited | Hong Kong, 22 October 2018 | Vessel holding and chartering services | HK$10,000/ HK$10,000 | 100% | 100% | |
| Golden River Ships Limited | Hong Kong, 22 October 2018 | Vessel holding and chartering services | HK$10,000/ HK$10,000 | 100% | 100% | |
| Seacon Peru Ltd | Republic of the Marshall Islands, 27 May 2019 | Vessel holding and chartering services | US$50,000/US$1 | 100% | 100% | |
| Golden Orchid Ltd. | Republic of the Marshall Islands, 6 April 2017 | Vessel holding and chartering services | US$50,000/ US$50,000 | 100% | 100% | |
| Seacon Africa Ltd | Republic of the Marshall Islands, 31 March 2021 | Vessel holding and chartering services | US$50,000/US$1 | 100% | 100% | |
| Golden Camellia Limited | Hong Kong, 13 September 2021 | Vessel holding and chartering services | HK$10,000/— | 100% | 100% | |
| Golden Dahlia Limited | Hong Kong, 13 September 2021 | Vessel holding and chartering services | HK$10,000/— | 100% | 100% | |
| Golden Daisy Limited | Hong Kong, 13 September 2021 | Vessel holding and chartering services | HK$10,000/— | 100% | 100% | |
| Golden Lavender Limited | Hong Kong, 13 September 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Company name | Place and date of incorporation/ establishment and operations* | Principal activities | Registered/Issued and paid-up capital | Effective interest held 31 December 2023 | Effective interest held 31 December 2022 | Note |
|---|---|---|---|---|---|---|
| **Indirectly Held** *(Continued)* | | | | | | |
| Seacon Enterprise Pte. Ltd. | Singapore, 19 April 2017 | Chartering services | SG$800,000/ SG$800,000 | 100% | 60% | (d) |
| Seacon Shipping Japan Co., Ltd | Japan, 25 October 2018 | Chartering services | JPY98,000,000/ JPY98,000,000 | 100% | 100% | |
| Seacon Victory Ltd | Republic of the Marshall Islands, 8 April 2015 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Seacon Kobe Ltd | Republic of the Marshall Islands, 20 January 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Seacon Osaka Ltd | Republic of the Marshall Islands, 20 January 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Seacon Manila Ltd | Republic of the Marshall Islands, 23 February 2021 | Vessel holding and chartering services | US$50,000/— | 100% | 100% | |
| Seacon Logistics Co., Ltd | Japan, 25 May 2021 | Chartering services | JPY20,000,000/— | 100% | 100% | |
| Seacon Shipping (Qingdao) Co., Limited | Hong Kong, 29 December 2021 | Chartering services | HK$10,000/— | 100% | 100% | |
| Seacon Ships Management (Fuzhou) Co., Limited | Hong Kong, 14 September 2022 | Ship management | HK$10,000/— | 100% | 100% | |
| Seacon Nola Ltd | Liberia, 10 August 2022 | Vessel holding and chartering services | US$500/— | 100% | 100% | |
| Seacon Hamburg Ltd | Liberia, 10 August 2022 | Vessel holding and chartering services | US$500/— | 100% | 100% | |
| Seacon Vancouver Ltd | Liberia, 10 August 2022 | Vessel holding and chartering services | US$500/— | 100% | 100% | |
| Seacon Santos Ltd | Liberia, 10 August 2022 | Vessel holding and chartering services | US$500/— | 100% | 100% | |
| Seacon Tokyo Ltd | Liberia, 10 August 2022 | Vessel holding and chartering services | US$500/— | 100% | 100% | |
| Zhejiang Seacon Maritime Technology Co., LTD | PRC, 29 March 2023 | Ship management | RMB10,000,000/— | 100% | N/A | (e) |
| Seacon Yokohama Ltd | Liberia,15 May 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Bangkok Ltd | Liberia,15 May 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Specialized Logistics Co., Ltd. | Hong Kong, 25 April 2023 | Chartering services | HK$10,000/— | 100% | N/A | (e) |
| Seacon Shipmanage (HK) Co., Ltd. | Hong Kong, 23 May 2023 | Ship management | HK$10,000/— | 100% | N/A | (e) |
| Seacon Real Estate Co., Ltd. | BVI, 19 July 2023 | Real Estate | US$50,000/— | 100% | N/A | (e) |
| Shanghai Seacon Real Estate Co., Ltd. | PRC, 5 September 2023 | Real Estate | US$2,000,000/ RMB14,355,800 | 100% | N/A | (e) |

## 34 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Company name | Place and date of incorporation/ establishment and operations* | Principal activities | Registered/Issued and paid-up capital | Effective interest held 31 December 2023 | Effective interest held 31 December 2022 | Note |
|---|---|---|---|---|---|---|
| **Indirectly Held** *(Continued)* | | | | | | |
| Zhejiang seacon star Ships Technology Co., LTD | PRC, 29 August 2023 | Ship management | US$10,000,000/— | 100% | N/A | (e) |
| Seacon Shipping (Hong Kong) Co., Ltd. | Hong Kong, 1 June 2023 | Chartering services | HK$10,000/— | 75% | N/A | (e) (f) |
| Golden Orchid Ships Ltd. | Liberia, 22 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Ningde Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Shenzhen Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Suzhou Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Hefei Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Seacon Guangzhou Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Golden Iris Ships Ltd. | Liberia, 9 October 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Golden Jasmine Ships Ltd. | Liberia, 9 October 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |
| Zhejiang Xinghu Maritime Technology Co., LTD | PRC, 15 November 2023 | Chartering services | RMB$80,000,000/ — | 100% | N/A | (e) |
| Seacon Marine Service Pte Ltd. | Singapore, 13 December 2023 | Ship management | SG$100,000/— | 100% | N/A | (e) |
| Seacon Wuhu Ltd. | Liberia, 25 September 2023 | Vessel holding and chartering services | US$500/— | 100% | N/A | (e) |

Notes:

* The Group's shipping business and ship management business are all operated worldwide.

(a) All companies comprising the Group have adopted 31 December as the financial year end.

(b) 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.

(c) Seacon Brazil Ltd and Seacon Singapore Ltd were deregistered in 2023.

(d) The Group purchased the rest 40% shareholding interests in 2023 as mentioned in Note 24(iii).

(e) Those wholly owned companies were established in 2023, with no paid-up capital except Shanghai Seacon Real Estate Co., Ltd.

(f) Seacon Shipping (Hong Kong) Co., Ltd was incorporated in Hong Kong on 1 June 2023, and its 75% and 25% of shareholding interests were owned by Seacon Marine Pte. Ltd. and Bright Future Marine Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 35 SUBSEQUENT EVENTS

On 27 March 2024, the directors of the Company proposed a final dividend of HKD132.5 million as disclosed at the Note 28.

The Group entered into a sale-and-leaseback agreement with a consideration of approximately US$30.0 million on the delivery of a controlled vessel in January 2024.

In January 2024, the Company, as a guarantor, executed the Letter of Guarantee, pursuant to which the Company has agreed to, jointly and severally with Hongkong Xinyihai 55 Co., Limited (Hongkong Xinyihai, an associate company of the Company), guarantee the due performance of the obligations of Hongkong Xinyihai (as purchaser) under the Shipsales Contract in favour of a third-party company (as contractor). Under the Shipsales Contract, Hongkong Xinyihai shall pay a purchase price not exceeding JPY5,500,000,000 to the contractor for the purchase of a chemical tanker.

In February 2024 and March 2024, the Group entered into ship-building contracts with two third-party companies, pursuant to which the Group will purchase five chemical tankers for the total consideration of US$159.3 million. The expected delivery date of three vessels will be in 2025 and two vessels will be in 2026.

In March 2024, the Group entered into a contract to sell a controlled vessel to a third-party with a consideration of approximately US$6.8 million. The vessel is expected to be delivered to the buyer in April 2024.

In addition, the ongoing escalation of the crisis in the Red Sea has exacerbated fluctuations in the shipping market. After the evaluation, the Group was not aware of any material adverse effects on its business operations. With the increasing market uncertainty regarding to the impact of the crisis, the Group will pay close attention to the development of the crisis and evaluate the impact on its future financial position and operating results.

## 36 BALANCE SHEET, STATEMENT OF PROFIT OR LOSS AND RESERVE MOVEMENT OF THE COMPANY

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **US$'000** | US$'000 |
| Revenue | **–** | – |
| Cost of sales | **–** | – |
| **Gross profit** | **–** | – |
| Selling, general and administrative expenses | **(3,746)** | (2,062) |
| Net impairment losses on guarantee for subsidiaries | **(2,261)** | – |
| Other gains — net | **(539)** | (7) |
| **Operating profit** | **(6,546)** | (2,069) |
| Finance income | **91** | – |
| Finance costs, net | **91** | – |
| **Profit before income tax** | **(6,455)** | (2,069) |
| Income tax expenses | **–** | – |
| **Profit for the year** | **(6,455)** | (2,069) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 36 BALANCE SHEET, STATEMENT OF PROFIT OR LOSS AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

| | As at 31 December 2023 US$'000 | As at 31 December 2022 US$'000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | 65,144 | 65,144 |
| **Current assets** | | |
| Prepayments | 19 | 841 |
| Other receivables | 39,721 | 697 |
| Restricted cash | 254 | — |
| Cash and cash equivalents | 564 | 400 |
| Derivative assets | 90 | — |
| | 40,648 | 1,938 |
| **Total assets** | 105,792 | 67,082 |
| **Equity** | | |
| Share capital | 637 | —* |
| Share premium | 46,959 | — |
| Reserves | 70,779 | 70,779 |
| Accumulated losses | (15,539) | (9,084) |
| **Total equity** | 102,836 | 61,695 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 2,956 | 5,387 |
| **Total equity and liabilities** | 105,792 | 67,082 |

The balance sheet of the Company was approved and authorised for issue by the Board of Directors of the Company on 27 March 2024 and were signed on its behalf by

Executive Director: Chen Zekai

Executive Director: He Gang

## 36 BALANCE SHEET, STATEMENT OF PROFIT OR LOSS AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

| | Share premium US$'000 | Reserves: Reserves US$'000 | Reserves: Share-based Compensation (i) US$'000 | Reserves: Sub-total US$'000 | Accumulated losses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | – | 65,144 | 5,635 | 70,779 | (9,084) | 61,695 |
| Loss for the year | – | – | – | – | (6,455) | (6,455) |
| Capitalisation of share premium (Note 23(d)) | (478) | – | – | (478) | – | (478) |
| Issue of new shares upon listing (Note 23(c)) | 51,916 | – | – | 51,916 | – | 51,916 |
| Share issuance expenses (Note 23(c)) | (4,479) | – | – | (4,479) | – | (4,479) |
| Balance at 31 December 2023 | 46,959 | 65,144 | 5,635 | 117,738 | (15,539) | 102,199 |

| | Share premium US$'000 | Reserves: Reserves US$'000 | Reserves: Share-based compensation US$'000 | Reserves: Sub-total US$'000 | Accumulated losses US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | – | – | 5,635 | 5,635 | (7,015) | (1,380) |
| Loss for the year | – | – | – | – | (2,069) | (2,069) |
| Merger reserves arising from the Reorganisation (ii) | – | 65,144 | – | 65,144 | – | 65,144 |
| Balance at 31 December 2022 | – | 65,144 | 5,635 | 70,779 | (9,084) | 61,695 |

(i) In November 2021, Mr. Guo transferred 2% and 1% shareholding of the Company to Mr. Zhao and Mr. He respectively. There is not 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 other reserve.

(ii) Merger reserves arising from the Reorganisation 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 Reorganisation.

# FIVE-YEAR FINANCIAL SUMMARY

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **US$'000** | US$'000 | US$'000 | US$'000 | US$'000 |
| Revenue | **259,034** | 359,101 | 372,738 | 178,929 | 135,607 |
| Gross profit | **40,103** | 62,364 | 57,650 | 12,727 | 16,054 |
| Operating profit | **28,775** | 57,335 | 40,322 | 5,546 | 11,445 |
| Profit before income tax | **22,379** | 61,047 | 41,186 | 1,394 | 8,923 |
| Income tax expenses | **(361)** | (2,118) | (1,181) | (670) | (489) |
| Profit for the year | **22,018** | 58,929 | 40,005 | 724 | 8,434 |
| Profit attributable to: | | | | | |
| Owners of the Company | **21,211** | 57,316 | 33,617 | 451 | 7,747 |
| Non-controlling interests | **807** | 1,613 | 6,388 | 273 | 687 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As of 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **US$'000** | US$'000 | US$'000 | US$'000 | US$'000 |
| **Assets** | | | | | |
| Non-current assets | **418,944** | 225,000 | 165,773 | 101,110 | 127,346 |
| Current assets | **73,113** | 62,247 | 64,673 | 51,330 | 28,935 |
| Total assets | **492,057** | 287,247 | 230,446 | 152,440 | 156,281 |
| **Equity and liabilities** | | | | | |
| Equity attributable to the owners of the Company | **172,332** | 104,606 | 47,320 | 4,381 | 3,267 |
| Non-controlling interests | **1,398** | 4,404 | 4,087 | 911 | 492 |
| Total equity | **173,730** | 109,010 | 51,407 | 5,292 | 3,759 |
| Non-current liabilities | **245,990** | 117,079 | 93,062 | 60,840 | 80,422 |
| Current liabilities | **72,337** | 61,158 | 85,977 | 86,308 | 72,100 |
| Total liabilities | **318,327** | 178,237 | 179,039 | 147,148 | 152,522 |
| Total equity and liabilities | **492,057** | 287,247 | 230,446 | 152,440 | 156,281 |