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 INTERIM REPORT

CONTENTS

DEFINITIONS

"Board"	the board of Directors
"Company"	Seacon Shipping Group Holdings Limited (洲際船務集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange (stock code: 2409)
"Directors"	the director(s) of the Company
"dwt"	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship's carrying capacity, including cargoes, bunker, fresh water, crew and provisions
"Group"	the Company and its subsidiaries
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JPY"	Japanese yen, the lawful currency of Japan
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC" or "China"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 14 March 2023
"RMB"	Renminbi, the lawful currency of the PRC
"SG$"	Singapore dollars, the lawful currency of the Singapore
"Shareholders"	holders of the shares of the Company
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD" or "US$"	United States dollars, the lawful currency of the United States of America
"we", "us" or "our"	the Company or the Group, as the context requires
"%"	per cent

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 *(ACG, HKACG)*

Authorised Representatives
Mr. He Gang
Ms. Chan Sze Ting

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Certified Public Accountants
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Principal Bankers
Citibank N.A.
Bank of China
Mizuho Bank, Ltd.

Stock Code
2409

Company Website
www.seacon.com

BUSINESS REVIEW

Company profile

The Company 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.

Financial highlights

Revenue: Revenue amounted to approximately US$119.2 million during the six months ended 30 June 2023 (the "**Period**"), representing a year-on-year decrease of 42.2% from approximately US$206.0 million in the first half of 2022.

Gross profit: Gross profit amounted to approximately US$16.6 million during the Period, representing a year-on-year decrease of 53.8% from approximately US$36.0 million in the first half of 2022.

Adjusted net profit: Adjusted net profit amounted to approximately US$12.7 million during the Period, representing a year-on-year decrease of 65.8% from approximately US$37.1 million in the first half of 2022.

	For the six months ended 30 June	
	2023 US$ million	2022 US$ million
Turnover	**119.2**	206.0
Gross profit	**16.6**	36.0
Adjusted net profit	**12.7**	37.1
Earnings before interest and tax	**16.0**	40.7
Profit per share (US$ per share)	**0.025**	0.095

BUSINESS STRATEGY

Allocation of light or heavy ship assets: 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. Controlled vessels generally enjoys 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: In view of the fact that the management of the Company has a certain degree of foresight in terms of acquisition of vessels, it is 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, which effectively improves the efficiency of the Company's operations and reduces vessel acquisition costs. Over the past few years, the Group has engaged well-established shipyards located in the PRC and Japan to build thirteen new vessels for it, among which, four new vessels were in under-water operation in the first half of 2023 with an additional weight carrying capacity of 321,200 dwt. Another two new vessels are expected to be put into under-water operation in the second half of this year with an additional weight carrying capacity of 98,500 dwt. In addition, the Group also announced the purchase of two general cargo vessels each with a weight carrying capacity of 62,000 dwt, two bulk carriers each with a weight carrying capacity of 42,200 dwt and a general cargo vessel with a weight carrying capacity of 13,500 dwt on 12 April, 25 April and 30 May 2023, respectively, to further optimise and expand its controlled vessel fleet.

Expanding business presence: In order to support business development, the Group will manage to 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, enabling the Company to meet customers' needs in a comprehensive manner and improve customer acquisition and stickiness of existing customers.

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 optimise its existing operating system and process by adopting digital technologies and implementing advanced information technology systems in its business operations, while seeking diversified financing channels, selecting finance leasing and sale and leaseback in line with the characteristics of the shipping industry, and bank financing at lower interest rates, etc. 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.

Ship assets one-stop service platform 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, make deployments in advance according to the shipping circle, and seize the opportunities of subsequent asset appreciation. The Company can acquire ship assets at a lower price, and make deployments in advance during the reverse cycle 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.

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, and medium-range tankers, the Group's diversified portfolio of vessels can respond more flexibly to changes in the market.

Implementation of environmental, social and corporate governance strategies: In response to green and low-carbon initiatives, the Group has set milestones to achieve carbon neutrality. As environmental regulations and the International Maritime Organisation has strengthened the supervision of the carbon intensity of the global shipping industry, the Group will gradually replace vessels with higher fuel consumption and carbon emissions with new vessels that have lower fuel consumption and carbon emissions. The Group will also adopt energy-saving operational measures and ensure that all new vessels comply with the new requirements through technological improvements and the use of low-emission fuels, thus seizing the huge opportunities brought about by green logistics.

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 30 June 2023, the Group controlled a vessel fleet comprising 24 vessels of varying sizes with a combined weight carrying capacity of 1.32 million dwt, representing an increase by 28.2% as compared to that as of 31 December 2022, and has an average vessel age of 7.3 years.

Change in controlled fleet

	For the six months ended 30 June				
	2023		2022		
	Number	**Weight carrying capacity (million dwt)**	Number	Weight carrying capacity (million dwt)	Change in weight carrying capacity (million dwt)
Capesize	**1**	**0.21**	1	0.21	0.00
Panamax	**5**	**0.42**	2	0.15	0.27
Ultramax	**8**	**0.48**	7	0.41	0.07
Supramax	**5**	**0.09**	6	0.13	(0.04)
Handysize	**3**	**0.10**	4	0.14	(0.04)
Others	**2**	**0.02**	2	0.02	0.00
Total	**24**	**1.32**	22	1.06	0.26

Chartered-in vessel fleet

The Group believes that maintaining a suitable proportion of chartered-in vessels to controlled vessels allows it to maintain a sizeable fleet of vessels whilst limiting its capital commitments its 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 six months ended 30 June 2023, the Group entered into over 60 chartered-in vessel engagements with a combined weight carrying capacity of approximately 0.32 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.

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, Hong Kong, Singapore, Japan and Greece, covering Shanghai, Zhoushan, Qingdao, Ningbo, Fuzhou, Hong Kong, Singapore, Tokyo, Athens and other cities, with a commitment to providing services in major markets. Meanwhile, in order to support rapid development of its business, the Group is expected to set up subsidiaries or offices in strategic markets such as Germany and the Philippines to further expand its network coverage.

CUSTOMER NETWORK

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

INDUSTRY RECOGNITION

Relying on its rich industrial and operational experience, the Group is well acclaimed by the market for its services. The Group was awarded the "Most Popular Ship Management Company" and "2021 Best Shipping Company" by China Zhenghe Sailing Awards Organising Committee* (中國鄭和航海風雲榜組委會) in 2018 and 2022, respectively. In 2021, the Group was awarded "2021 Ship Management and Crew Service Excellence Award (2021船舶管理及船員服務卓越獎)" by 2021 International Ship Management (Shanghai) Summit Organising Committee* (2021國際船舶管理(上海)高峰論壇組委會), which demonstrated the Group's outstanding service capabilities and wide brand recognition.

INFORMATIZATION AND INTELLIGENT DEVELOPMENT

With the increasing competition in the shipping market, downstream market participants continue to raise the operational capacity and efficiency requirements of shipping enterprises, thus the information system construction of shipping enterprises is accelerating, and informatization and intelligence has become a booster to promote the development of the industry.

Through the development of intelligent shipping and management software, the Company can achieve all-round and thorough management of shipping so as to achieve refined management, and through integrated and comprehensive shipping management system, the Company can achieve intelligent management and control and big data analysis of the Company's business strategy through the centralization and integration of information and the application of real-time interactive tools.

ESG STRATEGY

Maritime shipping is a major form of freight transport in international trade, accounting for more than 85% of the world's international trade transportation volume. Its carbon dioxide emissions account for approximately 2% to 3% of the world's total volume, thus playing an important role in environmental protection. In recent years, the Marine Environment Protection Committee (MEPC) of the International Maritime Organization (IMO) has been actively promoting the reduction of greenhouse gas emissions from vessels. In its latest strategy, the MEPC has explicitly called for the upgrading of the energy-efficient design of new vessels in order to reduce the overall carbon emission intensity, with the target of reducing the total annual greenhouse gas emissions of international shipping by 20% to 30% by 2030, and 70% to 80% by 2040 as compared with the levels in 2008.

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

In practice, the Group will endeavour to position itself in advance of the implementation of the shipping emissions requirements under the European Union Emissions Trading System in 2024 by phasing out and renewing its vessel fleet, adopting energy-saving operational measures, making energy-saving technological improvements, and adopting low-emission fuels. The new vessels outperform existing vessels in terms of fuel consumption and carbon emissions. As the Group continues to renew its vessel fleet, it is believed that the Group will have a greater advantage in terms of operating costs after the European carbon tax policy is officially launched.

FINANCIAL PERFORMANCE

In the first half of 2023, due to the combined impact of market supply and demand structure, geopolitical situation and other factors, the fundamentals of supply and demand in the shipping market weakened and freight rates fluctuated downwards. 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 nearly 50% from the first half of 2022, which in turn dragged the Group's revenue from owned vessels. The decline in the number of chartered-in vessels from the same period of previous year as well as the decline in the market led to a decrease in both the revenue and cost of chartered-in vessels. At the same time, there was a decrease in the number of vessels under ship management services on a lump sum basis, and the Group's revenue from its ship management operations also decreased on a year-on-year basis, resulting in a decrease in the Group's total revenue by 42.2% on a year-on-year basis from approximately US$206.0 million in the first half of 2022 to approximately US$119.2 million during the Period.

As operating costs such as depreciation and crew wages did not decrease in line with the decrease in shipping revenue, coupled with a decrease in revenue contribution from shipbuilding supervision projects and vessel management services charged under a management fee basis during the Period, the Group's gross profit margin for the Period was approximately 14.0%, a decrease by 3.5 percentage points compared to approximately 17.5% in the first of 2022, and as a result, the gross profit for the Period was approximately US$16.6 million, a year-on-year decreased by 53.8% compared to approximately US$36.0 million in the first half of 2022. Coupled with the decrease in investment income during the Period, profit for the Period was approximately US$10.9 million, a year-on-year decrease by 70.0% compared to approximately US$36.2 million in the first half of 2022. Profit attributable to Shareholders also decreased from approximately US$35.7 million in the first half of 2022 to approximately US$11.0 million, a year-on-year decrease of 69.1%. Excluding listing expenses, adjusted net profit for the Period was approximately US$12.7 million, a year-on-year decreased by 65.8% compared to approximately US$37.1 million in the first half of 2022.

The Group strives to maintain a strong financial condition in light of the fluctuations in the market condition. As of 30 June 2023, the Group's total assets were approximately US$414.7 million, a year-on-year increase by 44.4% compared to approximately US$287.2 million as of 31 December 2022. Gearing ratio, which is total liabilities dividing by total assets, also maintained at a sound level of approximately 60.6%.

Ship management services segment

Our ship management business segment primarily comprises the provision of ship management services where we provided ship management solutions in respect of seafaring vessels.

Unlike shipping services, ship management operation business is a less capital-driven business. The Group can significantly scale up its business and have access to a wider range of market data and customer network in circumstances of light capital investment to support ship management and the development of shipping services.

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 and liquefied petroleum gas (LPG) ships.

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. The Group has been engaged to provide shipbuilding supervision services for various shipbuilding projects, 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.

During the Period, segment revenue was approximately US$22.4 million, a year-on-year decrease by 19.9% compared to approximately US$27.9 million in the first half of 2022, 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. Meanwhile, profit before income tax of the segment was approximately US$1.2 million, a year-on-year decrease by 71.4% compared to approximately US$4.3 million in the first half of 2022, 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 the segment reached approximately 5.5% for the year (in the first half of 2022: approximately 15.3%).

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 30 June 2023, the Group controlled a fleet comprising 24 vessels, which has a combined weight carrying capacity of 1.32 million dwt, representing an increase by 28.2% compared with that as at 31 December 2022, and an average vessel age of approximately 7.3 years. Given its flexibility, chartered-in vessels occupy a majority of fleet of the Group. For the six months ended 30 June 2023, the Group entered into over 60 chartered-in vessel engagements with a combined weight carrying capacity of approximately 0.32 million dwt.

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

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

During the Period, due to the decline in global trade and shipping service demand, the average daily BDI was approximately 1,157 points, a decrease by approximately 49.2% from approximately 2,279 points in the first half of 2022, and segment revenue was approximately US$96.8 million, a year-on-year decrease by approximately 45.7% from approximately US$178.1 million in the first half of 2022. In particular, revenue from chartered-in vessels was approximately US$51.4 million, a year-on-year decrease by approximately 58.2% from approximately US$122.9 million in the first half of 2022, while revenue from controlled vessels was approximately US$45.4 million, a year-on-year decrease by approximately 17.7% from approximately US$55.2 million in the first half of 2022.

In terms of gross profit, gross profit of shipping services was approximately US$12.3 million in the first half of 2023, a year-on-year decrease by 59.4% compared to approximately US$30.3 million in the first half of 2022. In particular, the gross profit of chartered-in vessels was US$1.0 million, a year-on-year decrease by 93.6% from approximately US$15.7 million, and the gross profit margin in the first half of 2023 was approximately 12.7% (in the first half of 2022: 17.0%). The gross profit of controlled vessels was approximately US$11.3 million, a year-on-year decrease by 22.6% from approximately US$14.6 million in the first half of 2022, and gross margin was approximately 24.8% (in the first half of 2022: 26.5%). Profit before income tax of this segment was approximately US$10.2 million, a year-over-year decrease by approximately 69.5% compared to approximately US$33.5 million in the first half of 2022, while profit margin of the segment for the Period was approximately 10.5% (in the first half of 2022: approximately 18.8%).

In addition, the Group had a relative cost advantage in vessel assets acquisition. Leveraging its solid market position, flexible and efficient operating model, sound financial position and performance, as well as transparent information disclosure, the Group has established close relationships with shipyards over the years, enabling the Group to secure shipbuilding opportunities at a lower cost, so as to reduce its operating costs. The launches of new vessels further enhanced the Group's capacity, which also created opportunities for the replacement of old vessels, thereby bringing additional asset revenues for the Group and improving the overall asset utilisation during the upturn of the industry cycle.

In the first half of 2023, the Group engaged well-established shipyards located in the PRC and Japan respectively to build thirteen new vessels for it to expand its vessel fleet and shipping service capacity. Nine vessels under construction of the Company are panamax or ultramax bulk carriers and general cargo vessels with weight carrying capacities ranging from 13,500 dwt to 85,000 dwt. Four of these vessels have already been launched for operation in the first half of 2023, and another two vessels are expected to be launched for operation in the second half of this year. In addition, the Group made three acquisitions during the Period, 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 and one general carrier with a weight capacity of 13,500 dwt acquired on 30 May 2023 at a consideration of JPY2.3 billion, resulting an additional increase in total weight carrying capacity of 221,900 dwt, and further expanding its controlled vessel fleet.

MARKET OVERVIEW

In the first half of 2023, the lack of growth momentum in the global economy, coupled with the gradual recovery of the supply chain after the pandemic era, brought overall pressure on ocean freight rates. Driven by the decline in freight rates for large vessels and weak demand in the dry bulk market, the average daily BDI declined by approximately 49.2% from approximately 2,279 points in the first half of 2022 to approximately 1,157 points for the Period. During the Period, as the impact of the Russia-Ukraine war gradually receded and the market demand for refined oil and its transportation slowed down, coupled with the significant rebound in transportation capacity, the average daily BCTI (the BCTI, the Baltic Clean Tanker Index, being a major basis for charter rates of oil tankers) decreased by approximately 20.7% from approximately 1,044 points in the first half of 2022 to approximately 828 points in the same period of the year.

The market still shows its enthusiasm for new ships manufacturing in spite of rate pressure. Orders for new oil tankers and LGP ships soared for the Period, representing year-on-year increases of 197.7% and 165.7%, respectively, which indicated the market's confidence in medium and long-term demand for energy logistics and the shipping market's increasing concentration driven by the increasing demand from environmental protection and green transformation. According to the research report of Clarksons Research, orders for dry bulk carriers were so gloomy for the Period that orders in the first half of 2023 decreased by 18% on an annual basis, while orders for new dry bulk carriers accounted for 7.4% of the existing vessel fleets and the global dry bulk carriers recorded a moderate net increase of 1.6%. As the European Union will collect discharge fees from ships of over 5,000 tonnes from 2024 onwards, and the IMO has also introduced new regulations on energy efficiency and carbon emission of ships from 1 January 2023, it is expected that a large amount of old ships will be obsolete in the next three to five years, and the market supply and demand will see a complete shift in a hope of supporting the sound rebound of BDI.

The rapid development of professional ship management companies is driven by increasing compliance requirements and shipowners' demand for high value-added services, cost control and operation efficiency improvement. As the largest ship management service company headquartered in China, the Group owns distinct advantages in brand, experience and size, which supports its ship management business growth in the long term.

PROSPECTS

As the Group has been successfully listed on the Main Board of the Stock Exchange, the Group will utilise the strength of international capital market and expand its controlled vessel fleet and chartered-in vessel fleet and proactively improve its market share and competitiveness. During the Period, four new vessels of the Group were in operation with an increased combined weight carrying capacity of 323,424 dwt as compared with that at the end of 2022. Besides, the Group acquired five vessels in early 2023. As of 30 June 2023, the nine vessels under construction of the Group will provide additional combined weight carrying capacity of 442,800 dwt. It is expected that two, four and three vessels will be delivered in late 2023, 2024 and 2025, respectively. The Company believes that the above initiatives are expected to significantly improve the Group's shipping service ability.

In terms of the overall management of fleets, the Group will implement its environmental, social and corporate governance strategy and eliminate and upgrade fleets in due course. As the EU Council adopted carbon border adjustment mechanism and responded to climate change by tariff, new vessels equipped with carbon emission reduction technologies will better meet the updated international standard. While new vessels enjoy greater advantages in oil consumption and carbon tax expenses, old vessels will be exposed to higher risks of elimination. This will provide broader market space for the Group's new vessels.

Meanwhile, the operation of new vessels will bring more opportunities for replacing old vessels. The Group will be dedicated to capturing cyclical highs 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 more opportunities such as new financing, joint capitals and joint ventures to cater for the capital demand for new vessels procurement and thus improving the Group's asset efficiency.

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

The Group has established operations in Greece and other major shipowner centers. In the second half of this year, the Group will set up other operations in Germany and focus on strategic cities in the European market, so as to strengthen its ship management capability in an all-round way. Moreover, the Group is also looking to establish its presence in Southeast Asian markets such as the Philippines to facilitate the pre-embarkation training process for Filipino seafarers and optimize the deployment of human resources for the Group's ship management services.

Under the multi-pronged development direction, the Group will pursue greater efficiency in execution and strive to create higher value for 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$86.8 million or 42.2% from approximately US$206.0 million for the six months ended 30 June 2022 to approximately US$119.2 million for the Period.

Shipping services

Our revenue from shipping services decreased by approximately US$81.3 million or 45.7% from approximately US$178.1 million for the six months ended 30 June 2022 to approximately US$96.8 million for the Period primarily due to a decrease in the global trade and demand for shipping services during the Period and a decrease in the market charter and freight rates during the Period.

Ship management services

Our revenue from ship management services decreased by approximately US$5.5 million or 19.9% from approximately US$27.9 million for the six months ended 30 June 2022 to approximately US$22.4 million for the Period primarily due to a decrease in the number of vessels under our management where we charged management fees under lump-sum basis which generally commanded higher service fees.

Cost of sales

Our cost of sales decreased by approximately US$67.5 million or 39.7% from approximately US$170.0 million for the six months ended 30 June 2022 to approximately US$102.5 million for the Period primarily due to a decrease in charter hire cost as a result of a decrease in chartered-in vessels engagements from vessel suppliers during the Period, which was partially offset by an increase in depreciation expenses as a result of the addition of several controlled vessels during the Period.

Gross profit and gross profit margin

Our gross profit decreased by approximately US$19.4 million or 53.8% from approximately US$36.0 million for the six months ended 30 June 2022 to approximately US$16.6 million for the Period. Our overall gross profit margin decreased from approximately 17.5% for the six months ended 30 June 2022 to approximately 14.0% for the Period. Such decrease was primarily due to a decrease in the global trade and demand for shipping services during the Period and a decrease in the market charter and freight rates during the Period.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by approximately US$3.4 million or 65.2% from approximately US$5.2 million for the six months ended 30 June 2022 to approximately US$8.6 million for the Period primarily due to the non-recurring listing expenses incurred during the Period in relation to the listing of the shares of the Company on the Stock Exchange in March 2023.

Other gains, net

We recorded other gains of approximately US$6.5 million for the Period as compared to approximately US$5.1 million for the six months ended 30 June 2022 primarily due to the recognition of net gains of approximately US$6.9 million from the disposal of property, plant and equipment during the Period, which was partially offset by foreign exchange losses of approximately US$0.4 million during the Period.

Finance costs

Our finance costs increased by approximately US$1.6 million or 52.1% from approximately US$3.0 million for the six months ended 30 June 2022 to approximately US$4.6 million for the Period primarily due to an increase in external financing as a result of the addition of several controlled vessels during the Period and the increased interest rates as a result of the interest rate hikes by the United States Federal Reserves during the Period.

Share of net profits of associates and joint ventures

We recorded share of net profit of approximately US$1.2 million for the Period as compared to approximately US$5.2 million for the six months ended 30 June 2022 primarily due to a decrease in profitability of several associates of the Company as a result of a decrease in the global trade and demand for shipping services during the Period and a decrease in the market charter and freight rates during the Period.

Profit for the Period

As a result of the foregoing, our profit decreased by approximately US$25.3 million or 70.0% from approximately US$36.2 million for the six months ended 30 June 2022 to approximately US$10.9 million for the Period.

Non-HKFRS measure

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

	Unaudited Six months ended 30 June	
	2023 US$ million	2022 US$ million
Profit for the period	**10.9**	36.2
Add: Listing expenses[1]	**1.8**	0.9
Non-HKFRS measure:		
Adjusted net profit for the period	**12.7**	37.1

Note:

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

Indebtedness

As of 30 June 2023, our borrowings and lease liabilities amounted to approximately US$223.0 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$159.8 million as at 30 June 2023 primarily due to the finance leases we entered into in relation to SEACON HAMBURG, SEACON TOKYO, SEACON OSLO, SEACON NOLA and SEACON VANCOUVER during the Period. Our borrowings are denominated in US$, RMB, JPY and SG$. As at 30 June 2023, 2.62% (31 December 2022: 7.25%) of the Group's borrowings were on fixed interest rates.

Please refer to note 22 to the interim condensed consolidated financial information of this report for details of our borrowings.

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 companies provide security by way of guarantees or pledge vessels as collateral to secure bank loans or finance lease arrangements.

As at 30 June 2023, property, plant and equipment with the carrying amount of approximately US$201.4 million was pledged to secure borrowings (as at 31 December 2022: approximately US$90.8 million).

Lease liabilities

Our lease liabilities primarily represent the long-term bareboat charters with lease periods of one year or more. Our lease liabilities decreased from approximately US$72.8 million as at 31 December 2022 to approximately US$63.2 million as at 30 June 2023.

Contingent liabilities

As at 30 June 2023, save as disclosed in the section headed “Material Legal Proceedings” in this report, we were not involved in any legal proceedings pending or, to our knowledge, threatened against us which could have a material adverse effect on our business or operations. For more information about the contingent events, please refer to note 25 to the interim condensed consolidated financial information of this report. Our Directors further confirm that, as at 30 June 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$414.7 million as of 30 June 2023. Our total liabilities increased from approximately US$178.2 million as of 31 December 2022 to approximately US$251.4 million as of 30 June 2023.

Our net debt to equity ratio remained relatively stable, which was approximately 115.1% as of 31 December 2022 and approximately 115.0% as of 30 June 2023. 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, amount due to related parties and amount due to third parties less cash and cash equivalents. Total equity is shown in the consolidated balance sheet.

Capital commitments

The capital commitment as at 30 June 2023 was approximately US$224.6 million (as at 31 December 2022: US$183.0 million), which was mainly related to nine vessels purchase contracts of which the vessels were not yet delivered up to 30 June 2023. Among such nine vessels, the expected delivery date of two vessels will be in 2023, four vessels will be in 2024 and three vessels will be in 2025.

Save as disclosed, we did not have any other material capital commitments as of 31 December 2022 and 30 June 2023.

Liquidity and financial resources

As at 30 June 2023, we recorded net current assets of approximately US$14.8 million compared to approximately US$1.1 million as at 31 December 2022. Our current ratio (namely current assets as of relevant dates divided by current liabilities) increased from 1.0 as of 31 December 2022 to 1.2 as of 30 June 2023.

As at 30 June 2023, our cash and cash equivalents amounted to approximately US$35.3 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$ and HKD.

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 unaudited 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 did not use any derivative instrument contracts to hedge 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.

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 announcement dated 28 August 2023.

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group acquired five vessels in early 2023. As of 30 June 2023, there were nine vessels under construction for the Group. It is expected that two, four and three vessels will be delivered in late 2023, 2024 and 2025, respectively. Details of five material shipbuilding contracts entered into by the Group during the Period have been disclosed in the Company's announcements dated 12 April 2023, 25 April 2023 and 30 May 2023, respectively, and the Company's two circulars dated 24 May 2023.

Save as disclosed, we did not have any other material investment or capital assets during the Period. 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 29 June 2023, the Group entered into an agreement with Wealth & Glory, 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 announcement dated 28 August 2023.

On 11 August 2023, the Company and Shanghai Lingang Xinpianqu Jingang Shengyuan Real Estate Co., Ltd.* (上海臨港新片區金港盛元置業有限公司) ("**Shanghai Lingang**") entered into the framework agreement and the supplemental agreements in respect of the sale and purchase of (1) an office building under construction and located at Office Building U2, Plot 01-01, Unit PDC1-0105、PDC1-0202, Lingang Special Area of China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區PDC1-0105、PDC1-0202單元01-01地塊U2棟辦公樓) with a planned construction area of approximately 6,800 square metres (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. Details of the transaction have been disclosed in the Company's announcement dated 11 August 2023.

Save as disclosed, there was no other significant event since 30 June 2023 and up to the date of this report that could have a material impact on the Company's operations and financial performance.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period.

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 China Seamen's Union Seacon Shandong Shipping Group Committee* (中國海員工會山東洲際航運集團委員會). 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 Period.

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".

REMUNERATION POLICIES AND EMPLOYMENT BENEFITS

As at 30 June 2023, the Group had 257 employees (as at 31 December 2022: 191). 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 Period amounted to approximately US$5.6 million (in the first half of 2022: approximately US$4.6 million).

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.

- In June 2022, Sky Height Maritime Ltd. (the "**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) 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 (10) 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. Details of these legal proceedings are set out in the Prospectus and the announcement of the Company dated 25 April 2023.

- 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 USD1.0 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, these legal proceedings are ongoing. Details of these legal proceedings are set out in the Prospectus.

- In February 2022, a supplier (the "**Supplier**") initiated an arbitration proceeding in the United Kingdom against a subsidiary of the Company (the "**Subsidiary**") and claimed for, including, among other things, the deduction for off-hire and the associated bunker costs in amount of approximately USD0.3 million. In March 2022, the Subsidiary initiated an arbitration proceeding in the United Kingdom against a sub-charter customer (the "**Customer**") on the same grounds in the amount of approximately USD0.4 million. The dispute involves the condition of a chartered-in vessel which was chartered from the Supplier and subsequently sub-chartered to the Customer. The Customer alleged that the condition of the holds of the vessel was not satisfactory upon its delivery and placed the vessel off-hire and such off-hire was deducted by the Subsidiary from the charter hire payable to the Supplier. Details of these legal proceedings are set out in the Prospectus. In August 2023, the Group has reached a settlement with the Supplier and the Customer for approximately USD0.2 million each.

Save as disclosed above, the Directors were not aware of any other material proceedings or claims pending or threatened against the Group during the Period and as at the date of this report.

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

As at 30 June 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**") contained in Appendix 10 to the Listing Rules, 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.

(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) 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.

(6) 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.

Save as disclosed above, as at 30 June 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 six months ended 30 June 2023.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 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 30 June 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.

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 twelve (12) months.

7. **Exercise price for the 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 this report, the remaining life of the Share Option Scheme is approximately nine years and five 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)[1]	**Unutilised Net Proceeds as of the date of this report (approximately)** (HK$ in million)	**Expected timeline of utilisation of the remaining Net Proceeds**
• Expand and optimize the Company's vessel fleet.					
— Expand and optimize the Company's controlled vessels fleet	57.0	190.3	190.3	0	—
— 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	0	66.8	By the end of 2023
• (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 the Company's current ship management operations in Qingdao, Ningbo and Fuzhou.	10.0	33.4	6.6	26.8	By the end of 2025
• Adopt digital technologies and implement advanced information technology in the Company's business operations.	3.0	10.0	0.9	9.1	By the end of 2024
• General working capital and other general corporate purpose.	10.0	33.4	33.4	0	—
Total	100	333.8	231.2	102.7	—

Note:

(1) Using USD/HK$ exchange rate as of 30 June 2023.

The Group has been gradually utilizing the net proceeds from the Global Offering according to the manner and proportions disclosed in the Prospectus. As at the date of this report, there has been no material change in the actual use of the net proceeds from the intended use.

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

ROUNDING

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

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 date of listing (i.e. 29 March 2023) to 30 June 2023.

CHANGES IN DIRECTORS' INFORMATION

The Company is not aware of any changes in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2022 annual report.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CORPORATE GOVERNANCE

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis for the corporate governance practices of the Company. From the date of listing (i.e. 29 March 2023) to 30 June 2023, the Company has complied with all applicable code provisions of the CG Code, except for the deviation as follows:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. Mr. Guo Jinkui, being the chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

The Company is committed to enhancing its corporate governance practices used to regulate conduct and promote growth of its business and to reviewing such practices from time to time to ensure that we comply with the CG Code and align with the latest developments of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the Model Code from the date of listing (i.e. 29 March 2023) up to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim report of the Group for the Period, including the accounting principles adopted by the Group, with the Company's management.

PUBLICATION OF THE INTERIM REPORT

This interim report of the Company for the Period which contains all the information required by the Listing Rules was published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.seacon.com) in September 2023 and will be despatched to the Shareholders in September 2023.

On Behalf of the Board
Seacon Shipping Group Holdings Limited
Mr. Guo Jinkui
Chairman of the Board

Hong Kong, 28 August 2023

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited Six months ended 30 June	
	Note	**2023** **US$'000**	2022 US$'000
Revenue	6	**119,171**	206,029
Cost of sales	9	**(102,535)**	(170,041)
Gross profit		**16,636**	35,988
Selling, general and administrative expenses	9	**(8,631)**	(5,225)
Net impairment losses on financial assets		**(199)**	(293)
Other income	7	**376**	39
Other gains, net	8	**6,496**	5,083
Operating profit		**14,678**	35,592
Finance income	11	**118**	4
Finance costs	11	**(4,586)**	(3,016)
Finance costs, net	11	**(4,468)**	(3,012)
Share of net profit of associates and joint ventures accounted for using the equity method	16	**1,212**	5,153
Profit before income tax		**11,422**	37,733
Income tax expenses	12	**(563)**	(1,513)
Profit for the period		**10,859**	36,220
Profit attributable to:			
— Shareholders of the Company		**11,028**	35,654
— Non-controlling interests		**(169)**	566
		10,859	36,220

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited	
		Six months ended 30 June	
	Note	2023 US$'000	2022 US$'000
Other comprehensive income:			
Item that may be reclassified to profit or loss			
— Exchange differences on translation of foreign operations		(60)	(58)
Other comprehensive income for the period, net of tax		(60)	(58)
Total comprehensive income for the period		10,799	36,162
Total comprehensive income attributable to:			
— Shareholders of the Company		10,968	35,596
— Non-controlling interests		(169)	566
		10,799	36,162
Earnings per share attributable to shareholders of the Company for the period			
Basic earnings per share (expressed in US$ per share)	13	0.025	0.095
Diluted earnings per share (expressed in US$ per share)	13	0.025	0.095

The notes on pages 38 to 72 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Assets			
Non-current assets			
Property, plant and equipment	14	201,864	91,135
Right-of-use assets	15	67,899	78,148
Intangible assets		104	92
Interests in associates and joint ventures	16	9,058	7,846
Deferred tax assets		70	37
Other non-current assets	17	60,949	47,742
		339,944	225,000
Current assets			
Financial assets at fair value through profit or loss	18	–	1,232
Inventories		3,934	10,630
Prepayment and other current assets		5,002	5,181
Trade and other receivables	19	30,391	25,002
Restricted bank deposits		43	32
Cash and cash equivalents		35,348	20,170
		74,718	62,247
Total assets		414,662	287,247
Equity			
Share capital	20	637	–*
Share Premium	21	46,959	–
Reserves	21	9,632	9,692
Retained earnings		105,942	94,914
Equity attributable to shareholders of the Company		163,170	104,606
Non-controlling interests		80	4,404
Total equity		163,250	109,010

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Liabilities			
Non-current liabilities			
Borrowings	22	143,613	61,575
Lease liabilities	15	47,895	55,504
		191,508	117,079
Current liabilities			
Advances and contract liabilities		1,661	4,396
Trade and other payables	23	24,414	27,695
Current tax liabilities		2,300	1,941
Borrowings	22	16,199	9,851
Lease liabilities	15	15,330	17,275
		59,904	61,158
Total liabilities		251,412	178,237
Total equity and liabilities		414,662	287,247

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

The notes on pages 38 to 72 form an integral part of this interim condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited						
		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 period		–	–	–	35,654	35,654	566	36,220
Other comprehensive income	21	–	–	(58)	–	(58)	–	(58)
Total comprehensive income		–	–	(58)	35,654	35,596	566	36,162
Transactions with shareholders in their capacity as shareholders								
Merger reserves arising from the Reorganisation	21	–*	(785)	(53)	–	(838)	–	(838)
Capital injection	21	–	–	10	–	10	–	10
Debt waive from shareholders of the Company	21	–	–	914	–	914	–	914
		–	(785)	871	–	86	–	86
Balance at 30 June 2022		–*	–	9,652	73,550	83,002	4,653	87,655

		Unaudited						
		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 period		–	–	–	11,028	11,028	(169)	10,859
Other comprehensive income	21	–	–	(60)	–	(60)	–	(60)
Total comprehensive income		–	–	(60)	11,028	10,968	(169)	10,799
Transactions with shareholders in their capacity as shareholders								
Dividends declared to non-controlling interests in subsidiaries	21	–	–	–	–	–	(4,155)	(4,155)
Capitalisation of share premium	21	478	(478)	–	–	–	–	–
Issue of new shares upon listing	21	159	51,916	–	–	52,075	–	52,075
Share issue expenses	21	–	(4,479)	–	–	(4,479)	–	(4,479)
		637	46,959	–	–	47,596	(4,155)	43,441
Balance at 30 June 2023		637	46,959	9,632	105,942	163,170	80	163,250

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Cash flows from operating activities		
Cash generated from operations	**15,023**	33,890
Interest received	**118**	4
Income tax paid	**(180)**	(1,331)
Net cash inflow from operating activities	**14,961**	32,563
Cash flows from investing activities		
Repayments from related parties	**279**	6,442
Proceeds from disposal of property, plant and equipment	**6,909**	15,805
Dividends from joint ventures and associates	**3,104**	2,896
Payments for property, plant and equipment and other non-current assets	**(91,353)**	(18,420)
Payments for financial assets at fair value through profit or loss	**–**	(250)
Advances to related parties	**(1,960)**	(8,202)
Net cash outflow from investing activities	**(83,021)**	(1,729)
Cash flows from financing activities		
Proceeds from listing	**52,075**	–
Proceeds from borrowings	**57,075**	8,035
Advances from related parties	**185**	7,517
Repayments to related parties	**(1,325)**	(26,107)
Repayments of borrowings	**(6,780)**	(6,946)
Deemed distribution	**–**	(838)
Repayments of principal and interest of lease liabilities and deposits for right-of-use assets	**(10,585)**	(12,549)
Interests paid of borrowings	**(2,732)**	(889)
Payments for listing fees	**(3,929)**	(291)
Net cash inflow/(outflow) from financing activities	**83,984**	(32,068)
Net increase/(decrease) in cash and cash equivalents	**15,924**	(1,234)
Cash and cash equivalents at the beginning of the period	**20,170**	25,030
Effects of exchange rate changes on cash and cash equivalents	**(746)**	(116)
Cash and cash equivalents at end of the period	**35,348**	23,680

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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of this interim condensed consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 ACCOUNTING POLICIES *(continued)*

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 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.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management or any risk management policies since the year end.

5.2 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade and other receivables, and trade and other payables and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

6 REVENUE AND SEGMENT INFORMATION

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

- Shipping business
- Ship management business

6 REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment information of the Group

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

	Unaudited			
	For the six months ended 30 June 2023			
	Shipping business US$'000	Ship management business US$'000	Elimination US$'000	Total US$'000
Total reportable segment revenue				
Revenue from external customers	96,794	22,377	–	119,171
Inter-segment revenue	–	2,087	(2,087)	–
Total reportable segment revenue	96,794	24,464	(2,087)	119,171
Segment results				
Profit before income tax	10,200	1,222	–	11,422
Segment results included:				
Finance income	117	1		118
Finance costs	(4,578)	(8)		(4,586)
Depreciation and amortisation	(14,236)	(355)		(14,591)
Net impairment (losses)/reversal on financial assets	(203)	4		(199)
Share of profit of associates and joint ventures	1,207	5		1,212

6 REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment information of the Group *(continued)*

	Unaudited For the six months ended 30 June 2022			
	Shipping business US$'000	Ship management business US$'000	Elimination US$'000	Total US$'000
Total reportable segment revenue				
Revenue from external customers	178,103	27,926	—	206,029
Inter-segment revenue	—	1,338	(1,338)	—
Total reportable segment revenue	178,103	29,264	(1,338)	206,029
Segment results				
Profit before income tax	33,467	4,266	—	37,733
Segment results included:				
Finance income	—*	4	—	4
Finance costs	(2,985)	(31)	—	(3,016)
Depreciation and amortisation	(14,711)	(243)	—	(14,954)
Net impairment (losses)/reversal on financial assets	(298)	5	—	(293)
Share of profit of associates and joint ventures	5,059	94	—	5,153

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

	As at 30 June 2023 (unaudited)			
	Shipping business US$'000	**Ship management business US$'000**	**Elimination US$'000**	**Total US$'000**
Segment assets	**398,692**	**23,600**	**(7,630)**	**414,662**
Segment liabilities	**248,566**	**10,476**	**(7,630)**	**251,412**

6 REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Segment information of the Group *(continued)*

	As at 31 December 2022 (audited)			
	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 six months ended 30 June 2023 are recognised over-time.

(i) The revenue is listed as below:

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Revenue from shipping business		
Shipping service income — over time	**81,878**	147,069
Rental income	**14,916**	31,034
	96,794	178,103
Revenue from ship management business		
Ship management income — over time	**22,377**	27,926

(ii) Information about major customers

For the six months ended 30 June 2023, there were no sales to any single customer which contributed 10% or more of the Group's revenue (2022: Nil).

7 OTHER INCOME

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Contract compensation	**356**	–
Government grants	**20**	39
	376	39

8 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Foreign exchange gains/(losses), net	**(403)**	67
Bank charges	**(205)**	(204)
Provision for legal proceedings (i)	**(245)**	(680)
Net gains on disposal of property, plant and equipment	**6,909**	5,425
Net gains on disposal of financial assets at fair value through profit or loss	**456**	83
Net fair value gains on financial assets at fair value through profit or loss	**–**	383
Others	**(16)**	9
	6,496	5,083

(i) Provision for legal proceedings represents the provision made for on-going legal proceedings in connection with disputes, please refer to Note 25.

9 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Charter hire costs (i)	**30,590**	79,755
Crew manning expenses (ii)	**22,483**	27,898
Bunker consumed	**18,281**	26,604
Depreciation and amortisation	**14,591**	14,954
Employee benefit expenses (Note 10)	**5,569**	4,649
Port charges	**5,445**	7,498
Lubricating oil and spare parts costs	**2,916**	3,210
Insurance expenses	**2,215**	1,664
Listing expenses	**1,835**	890
Shipbuilding supervision outsourced fee	**1,815**	1,857
Vessel certificate and inspection related cost	**928**	812
Brokerage	**913**	1,804
Repair expenses	**515**	463
Vessel take over fee	**518**	549
Business development and entertainment expenses	**415**	265
Auditor's remuneration	**144**	96
Others	**1,993**	2,298
Total cost of sales, selling, general and administrative expenses	**111,166**	175,266

(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.

10 EMPLOYEE BENEFIT EXPENSES

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Wages, salaries, bonuses and allowances	**5,084**	4,341
Social benefits	**195**	159
Contributions to pension schemes	**148**	114
Other welfare expenses	**142**	35
	5,569	4,649

11 FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Finance income	**118**	4
Finance costs:		
— borrowings	**(3,828)**	(2,048)
— lease liabilities	**(758)**	(968)
Finance costs expensed	**(4,586)**	(3,016)
Finance costs, net	**(4,468)**	(3,012)

12 INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Current income tax		
— Hong Kong profits tax	**94**	187
— PRC enterprise income tax	**7**	9
— Japan income tax	**483**	1,030
— Singapore income tax	**12**	280
Deferred income tax	**(33)**	7
	563	1,513

For the six months ended 30 June 2023 and 2022, taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates.

(i) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to Cayman Islands income tax.

(ii) British Virgin Islands ("BVI") Income Tax

Under the current laws of the BVI, the BVI subsidiaries are not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the BVI.

(iii) Marshall Islands Income Tax

Under the current laws of the Marshall Islands, the Marshall Islands subsidiaries are not subject to Marshall Islands tax on 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.

12 INCOME TAX EXPENSES *(continued)*

(v) Singapore Income Tax *(continued)*

For subsidiaries which are engaged in ship management business, the three-year start-up tax exemption scheme applies on the first SG$200,000 of normal chargeable income; and specifically 75% of up to the first SG$100,000 of a company's normal chargeable income, and 50% of up to the next SG$100,000 is exempt from corporate tax. 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 are 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.

(vii) Japan Income Tax

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

(viii) PRC Enterprise Income Tax ("EIT")

Certain subsidiaries engaged in ship management business are registered in the PRC. The statutory rate for PRC enterprise income tax is 25% except for certain subsidiaries which are taxed at preferential tax rate.

According to Cai Shui [2019] No. 13, 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 RMB1 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.

12 INCOME TAX EXPENSES *(continued)*

(viii) PRC Enterprise Income Tax ("EIT") *(continued)*

— For companies with the annual taxable income exceeds RMB1 million but no more than RMB3 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.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the respective periods. 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.

	Unaudited Six months ended 30 June	
	2023	2022
Profit attributable to the owners of the Company (US$'000)	**11,028**	35,654
Weighted average number of ordinary shares in issue	**437,500,000**	375,000,000
Basic earnings per share (expressed in US$ per share)	**0.025**	0.095

As the Company has no dilutive instruments for the six months ended 30 June 2023 (2022: Nil), the Group's diluted earnings per share equals to its basic earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2023 (unaudited)	**Vessels US$'000**	**Buildings US$'000**	**Transportation equipment US$'000**	**Office equipment and other equipment US$'000**	**Total US$'000**
Opening net book amounts	89,516	1,294	194	131	91,135
Additions	140,838	–	97	–	140,935
Disposal	(27,195)	–	–	–	(27,195)
Depreciation charge	(2,865)	(31)	(38)	(25)	(2,959)
Currency translation differences	–	(45)	(3)	(4)	(52)
Closing net book amounts	200,294	1,218	250	102	201,864

Six months ended 30 June 2022 (unaudited)	Vessels US$'000	Buildings US$'000	Transportation equipment US$'000	Office equipment and other equipment US$'000	Total US$'000
Opening net book amounts	53,459	1,140	242	7	54,848
Additions	49,000	–	37	12	49,049
Disposal	(10,297)	–	–	–	(10,297)
Depreciation charge	(1,859)	(17)	(36)	(5)	(1,917)
Currency translation differences	–	(59)	(6)	–	(65)
Closing net book amounts	90,303	1,064	237	14	91,618

15 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:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Right-of-use assets		
Vessels	66,555	76,724
Building	1,344	1,424
	67,899	78,148
Lease liabilities		
Current	15,330	17,275
Non-current	47,895	55,504
	63,225	72,779

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Opening net book amounts	78,148	91,932
Additions (i)	273	24,589
Depreciation charge	(10,522)	(12,372)
Closing balance	67,899	104,149

(i) Additions to the right-of-use assets were mainly attributable to the new lease agreements entered into for vessels during the six months ended 30 June 2022 and for buildings during the six months ended 30 June 2023.

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

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

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Depreciation charge of right-of-use assets		
Vessels	**10,169**	12,137
Buildings	**353**	235
	10,522	12,372
Interest expense (included in finance cost)	**758**	968
Expense relating to short-term leases		
— Cost of sales	**30,590**	79,755
— Administrative expenses and selling expenses	**76**	92

The total cash outflow for leases for the six months ended 30 June 2023 was US$43,631,000 (for the six months ended 30 June 2022: US$88,651,000).

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Guarantor:		
Seacon Shipping Group	**—**	17,525
The Company	**57,705**	—
The Company/Mr. Guo/Mr. Chen	**—**	40,454
Seacon Ships Qingdao*/The Company	**4,253**	5,556
The Company/Seacon Shipping Group	**—**	5,660
	61,958	69,195

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

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Set out below are the joint ventures and associates of the Group as at 30 June 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	
			30 June 2023	31 December 2022			30 June 2023 US$'000	31 December 2022 US$'000
Msm Ship Management Pte. Ltd.	Singapore	Ship management	50%	50%	Joint venture	Equity method	79	74
Hongkong Xinyihai 55 Co., Limited	Hong Kong	Vessel holding and chartering services	35%	35%	Associate	Equity method	17	31
Seacon 6 Limited ("Seacon 6")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	2,459	2,463
Seacon 7 Limited ("Seacon 7")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	1,717	1,202
Seacon 8 Limited ("Seacon 8")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	1,160	867
Seacon 9 Limited ("Seacon 9")	Hong Kong	Vessel holding and chartering services	49.5%	49.5%	Associate	Equity method	3,626	3,209
							9,058	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 30 June 2023.

There is no associate or joint venture that is individually material to the Group as at 30 June 2023. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the associates and joint ventures:

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Aggregate carrying amount of individually immaterial associates and joint ventures	9,058	7,489
Aggregate amounts of the Group's share of:		
Net profit	1,212	5,153
Other comprehensive income	—	—
Total comprehensive income	1,212	5,153
Dividend received (i)	(3,104)	(2,896)

(i) Dividend amounted to US$3,104,000 declared by Hongkong Xinyihai 55 Co., Limited in late 2022 and has been received in April 2023. Dividend amounted to US$2,896,000 declared and paid by Hongkong Xinyihai 55 Co., Limited, Seacon 6, Seacon 7 and Seacon 8 in the first half of 2022.

17 OTHER NON-CURRENT ASSETS

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Prepayment for vessels purchased (i)	55,266	43,094
Prepayment for dry-docking and equipment purchased	3,185	2,388
Prepayment for ships management deposit	1,979	1,979
Others	519	281
	60,949	47,742

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

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Identified Financial Assets	–	1,232
Less: current portion	–	(1,232)
	–	–

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 as 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 and April 2023, the vessels was sold by Leasing Company A.

19 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade receivables — ship management business		
— third parties	2,116	2,601
— related parties (Note 27(h))	245	473
Less: provision for impairment	(23)	(21)
Trade receivables — net	2,338	3,053
Trade receivables — shipping business		
— third parties	8,053	11,640
Less: provision for impairment	(209)	(155)
Trade receivables — net	7,844	11,485
Other receivables		
— amount due from related parties (Note 27(h))	1,960	184
— deposits and guarantees	11,142	5,202
— dividends receivable from an associate (Note 27(h))	—	3,104
— others	7,329	2,053
	20,431	10,543
Less: provision for impairment of other receivables	(222)	(79)
Other receivables — net	20,209	10,464
	30,391	25,002

19 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:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade receivables — ship management business		
Within 3 months	2,229	2,876
3–6 months	51	88
6–12 months	59	90
1–2 years	22	20
	2,361	3,074
Less: provision for impairment	(23)	(21)
	2,338	3,053

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade receivables — shipping business		
Within 3 months	5,432	10,059
3–6 months	190	31
6–12 months	881	1,528
1–2 years	1,528	—
2–3 years	—	—
3–4 years	22	22
	8,053	11,640
Less: provision for impairment	(209)	(155)
	7,844	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.

19 TRADE AND OTHER RECEIVABLES *(continued)*

(a) *(continued)*

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

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Trade receivables — ship management business		
Opening balance	**(21)**	(17)
Provision	**(2)**	—
Reversal	**—**	16
Closing balance	**(23)**	(1)

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Trade receivables — shipping business		
Opening balance	**(155)**	(25)
Provision	**(54)**	(197)
Closing balance	**(209)**	(222)

19 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Aging analysis of other receivables of the Group on each balance sheet date was as follows:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Within 1 year	**20,032**	10,305
1–2 years	**296**	180
2–3 years	**45**	10
Over 3 years	**58**	48
	20,431	10,543

Movement of provision for impairment of other receivables was as follows:

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Opening balance	**(79)**	(65)
Provision	**(143)**	(97)
Closing balance	**(222)**	(162)

20 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 30 June 2023 (note c and note d)	**700,000,000**	**7,000,000**

20 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 30 June 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.

(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.

20 SHARE CAPITAL *(continued)*

(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 HKD3,749,000 (equivalent to approximately USD478,000).

(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 USD0.42) each. Gross proceeds from the IPO amounted to HKD408,750,000 (equivalent to USD52,075,000). Share premium (net of share issue expenses of USD4,479,000 and share capital of USD159,000) in the amount of USD47,437,000.

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

21 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	–	–	–	–	(60)	(60)
Issue of shares (Note 20(e))	51,916	–	–	–	–	51,916
Share issue expenses (Note 20(e))	(4,479)	–	–	–	–	(4,479)
Capitalization of share premium (Note 20(d))	(478)	–	–	–	–	(478)
Balance at 30 June 2023	46,959	4,018	115	5,635	(136)	56,591
Balance at 1 January 2022	–	3,157	17	5,635	30	8,839
Exchange differences on translation of foreign operations	–	–	–	–	(58)	(58)
Debt waive from shareholders of the Company (i)	–	914	–	–	–	914
Merger reserves arising from the Reorganisation	–	(53)	–	–	–	(53)
Capital injection	–	10	–	–	–	10
Balance at 30 June 2022	–	4,028	17	5,635	(28)	9,652

(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.

22 BORROWINGS

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Non-current		
Long-term borrowings		
Bank loans		
— secured (i)	3,866	5,386
— unsecured	64	217
Other borrowings (ii)		
— secured (i)	139,683	55,972
	143,613	61,575
Current		
Bank loans		
— secured (i)	1,926	2,144
— unsecured	279	8
Other borrowings (ii)		
— secured	13,994	7,699
	16,199	9,851
	159,812	71,426

The increase in long-term borrowings as at 30 June 2023 were mainly secured borrowings for the purpose of vessel purchase.

22 BORROWINGS *(continued)*

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

		Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Guarantor:	**Pledge:**		
The Company	Vessels	136,233	41,098
The Company/Seacon Shipping Pte. Ltd.*	Vessels	17,446	18,514
The Company/Mr. Guo/Mr. Chen	Vessels	–	4,060
Seacon Osaka Ltd*	Vessels	1,980	2,340
Seacon Kobe Ltd*	Vessels	1,755	2,048
Seacon Victory Ltd*	Vessels	1,593	1,883
N/A	Buildings	462	502
Individual F	N/A	–	383
Mr. Guo/Mr. Wang Guangfu	N/A	–	373
		159,469	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 nine (2022: five) owned vessels with a combined net book value of US$186,789,000 (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.

22 BORROWINGS *(continued)*

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Bank loans		
Within 1 year	2,205	2,152
1–2 years	2,317	2,597
2–5 years	1,592	2,860
Over 5 years	21	146
	6,135	7,755
Other borrowings		
Within 1 year	8,214	7,699
1–2 years	11,972	6,176
2–5 years	41,681	18,934
Over 5 years	91,810	30,862
	153,677	63,671
	159,812	71,426

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

(c) The Group was required to maintain cash on deposit in respect of certain borrowings under sales and lease back arrangement. The cash cannot be withdrawn or used by the Group for liquidity purposes whilst the borrowing is outstanding. Upon maturity of the borrowing, the Group and the lender intend to net settle. As a result, the Group's borrowings have been presented net of the cash on deposit, as the requirements under HKFRS to offset have been met. The offsetting amounts were US$1,043,000 as at 30 June 2023 (2022: US$809,000).

23 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Trade payables (a)		
— third parties	13,330	20,498
— related parties (Note 27(i))	517	556
	13,847	21,054
Other payables (b)		
— amount due to related parties (Note 27(h))	22	1,345
— deposits from related parties (Note 27(h))	9	18
— amount due to third parties	14	108
— deposits and guarantees	2,656	980
— salaries and staff welfare payable	847	1,903
— dividend payable	4,156	—
— provisions for legal proceeding	1,834	1,398
— listing expenses	496	650
— others	533	239
	10,567	6,641
	24,414	27,695

(a) Aging analysis of trade payable of the Group on each balance sheet date, based on the invoice date, was as follows:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Less than 1 year	12,832	20,866
1–2 years	910	76
2–3 years	74	110
Over 3 years	31	2
	13,847	21,054

23 TRADE AND OTHER PAYABLES *(continued)*

(b) Aging analysis of other payables of the Group on each balance sheet date was as follows:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Less than 1 year	**9,203**	5,893
Over 1 year	**1,364**	748
	10,567	6,641

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

24 DIVIDENDS

As at 30 June 2023, Seacon Enterprise Pte. Ltd. was a non-wholly owned subsidiary which the Group and Wealth & Glory Marine Pte. Ltd. (the "Wealth & Glory") has 60% and 40% shareholding interests, respectively. Seacon Enterprise Pte. Ltd. declared cash dividend of US$10,388,951 for the six months ended 30 June 2023 to the Group of US$6,233,371 and the non-controlling interests of US$4,155,580 (the "2023 Dividend"). As of the date of the Interim Financial Information, Seacon Enterprise Pte. Ltd. has not yet settled 2023 Dividend. During the six months ended 30 June 2022, Seacon Enterprise Pte. Ltd. has declared and settled dividend payable of USD1,942,764 and USD1,295,176 to the Group and its non-controlling interests.

No dividends have been declared or paid by the Company for the six months ended 30 June 2023 (2022: Nil).

25 CONTINGENCIES

As mentioned in Note 8, there were four on-going legal proceedings as at 30 June 2023.

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 arose from the redelivery date of one vessel. Based on the legal counsel's opinion that the Group had a good chance of success to defend the claim, management made a provision of US$384,000 in 2022 based on the estimated compensation amount.

The Group chartered in one vessel from one supplier ("Claimant A") and then chartered out to one customer ("Sub-charterer"). A dispute arose from the readiness of the holds of this vessel on arrival in 2021. In February 2022, Claimant A claimed reimbursement of US$296,000 against the Group for the entire off-hire deduction plus cleaning expenses, while the Group claimed reimbursement of US$403,000 against the Sub-charterer in March 2022. Based on the legal counsel's opinion, the management made a provision of US$296,000 based on the estimated compensation amount in 2022. The Group has reversed the compensation amount to US$168,000 according to the negotiation with Claimant A in 2023. However, the contingent assets was not recognised regarding to the claimed reimbursement against the Sub-charterer.

25 CONTINGENCIES *(continued)*

There is also a dispute over a bareboat charter contract and management made a provision of RMB5,000,000 (US$803,000) in 2021. The compensation amount is approximately RMB7,446,000 (US$1,031,000) according to the Court decision made on 31 March 2023. The Directors made a further provision according to the Court decision in March 2023.

A dispute arose from the short delivery of cargo on a vessel owned and managed by the Group on arrival in May 2023. In June 2023, a customer ("Claimant B") claimed reimbursement of US$251,000 against the Group for the short delivery losses which will be covered by insurance compensation with a deductible amount of US$15,000. The management made a provision of US$251,000 in 2023 based on the customer claimed reimbursement amount and recognised an amount of US$15,000 to other losses after deducting insurance compensation.

26 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Property, plant and equipment	**223,893**	183,045
Share purchase from non-controlling shareholders (Note 28)	**730**	—
	224,623	183,045

The Group had nine vessels purchase contracts of which the vessels were not yet delivered up to 30 June 2023, the expected delivery date of two vessels will be in 2023, four vessels will be in 2024 and three vessels will be in 2025.

27 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 six months ended 30 June 2023.

(a) Purchases of goods or services

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Seacon Group	**2,015**	12,304

(b) Services provision

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Joint ventures and associates	**1,379**	2,449
Seacon Group	**30**	243
	1,409	2,692

(c) Lease

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Right-of-use assets		
Seacon Group	**109**	–

27 RELATED PARTY TRANSACTIONS *(continued)*

(d) Advances to related parties

Advances to joint ventures and associates

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Advances to related parties during the period		
— Cash	**1,960**	2,226
Repayments from related parties during the period		
— Cash	**–**	243

Advances to Seacon Group

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Advances to related parties during the period		
— Cash	**–**	5,974
— Non cash	**119**	19,482
	119	25,456
Repayments from related parties during the period		
— Cash	**279**	6,199
— Non cash	**24**	21,887
	303	28,086

Advances to related parties also include 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.

27 RELATED PARTY TRANSACTIONS *(continued)*

(e) Advances from related parties

Advances from joint ventures and associates

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Advances from related parties during the period		
— Non cash	**–**	21
Repayments to related parties during the period		
— Non cash	**–**	21

Advances from Seacon Group

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	US$'000
Advances from related parties during the period		
— Cash	**185**	7,517
— Non cash	**20**	11,158
	205	18,675
Repayments to related parties during the period		
— Cash	**1,325**	26,107
— Non cash	**203**	14,320
	1,528	40,427

27 RELATED PARTY TRANSACTIONS *(continued)*

(e) Advances from related parties *(continued)*

Advances from other related parties

	Unaudited Six months ended 30 June 2023 US$'000	2022 US$'000
Repayments to related parties during the period		
— Non cash	–	24

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.

(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.

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'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

27 RELATED PARTY TRANSACTIONS *(continued)*

(f) Guarantees provided by related parties *(continued)*

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 2022, excluding existing borrowings and lease liabilities with the change of guarantors.

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
For 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.

(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:

	Unaudited Six months ended 30 June	
	2023 US$'000	2022 US$'000
Salaries, bonuses and other benefits	**460**	346

27 RELATED PARTY TRANSACTIONS *(continued)*

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Receivables from related parties		
Trade receivables:		
— Joint ventures and associates	**245**	458
— Seacon Group	**—**	15
	245	473
Other receivable:		
Amount due from:		
— Joint ventures and associates	**1,960**	—
— Seacon Group	**—**	184
	1,960	184
Dividends receivable from:		
— Joint ventures and associates	**—**	3,104
Total other receivables from related parties	**1,960**	3,288

27 RELATED PARTY TRANSACTIONS *(continued)*

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

	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
Payables to related parties		
Trade payables:		
— Seacon Group	517	556
Other payables:		
Amount due to:		
— Seacon Group	20	1,343
— Other related parties	2	2
	22	1,345
Deposits from:		
— Joint ventures and associates	9	18
Total other payables to related parties	31	1,363
Lease liability:		
— Seacon Group	100	439

Except amount due to and due from Seacon Group which were generated from non-operating activities and were non-trade in nature and had been settled before the initial public offering of the Company, all other balances with related parties were generated from normal operating activities and were of trade in nature.

28 SUBSEQUENT EVENTS

The Group has contracted with a third party in August 2023 to purchase office building for consideration of RMB224,400,000 and the parking slots for consideration of RMB15,434,400. The office building and parking slots are under construction and expected to be delivered by 2026.

On 29 June 2023, the Group and Wealth & Glory entered into an agreement, pursuant which Wealth & Glory transferred 40% shareholding interests in Seacon Enterprise Pte. Ltd. to the Group for the consideration of US$730,000. The transfer of the shareholding interests has completed on 1 August 2023.