

XIN YUAN ENTERPRISES GROUP LIMITED 信源企業集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1748

GLOBAL OFFERING



Sole Sponsor



Joint Global Coordinators



Joint Bookrunners



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Xin Yuan Enterprises Group Limited

信源企業集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.76 per Offer Share and expected to be not less than HK\$1.29 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.01 per Share
Stock code	:	1748

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 18 September 2018 or such later date as may be agreed by the Joint Global Coordinators and our Company, but in any event not later than Wednesday, 19 September 2018. The Offer Price will not be more than HK\$1.76 per Offer Share and is currently expected to be not less than HK\$1.29 per Offer Share, unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.76 for each Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.76.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.xysgroup.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, 19 September 2018, the Global Offering will not become unconditional and will lapse immediately.

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

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of US persons.

11 September 2018

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Stock Exchange (www.hkexnews.hk) and our Company (www.xysgroup.com).

Latest time to complete electronic applications under the
HK eIPO White Form service through the designated
website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Monday, 17 September 2018

Application lists for the Hong Kong
Public Offering open⁽³⁾ 11:45 a.m. on Monday, 17 September 2018

Latest time for (a) lodging **WHITE** and **YELLOW**
Application Forms, (b) giving **electronic**
application instructions to HKSCC and
(c) completing payment of **HK eIPO White**
Form applications by effecting internet banking
transfer(s) or PPS payment transfer(s)⁽⁴⁾ 12:00 noon on Monday, 17 September 2018

Application lists for the Hong Kong
Public Offering close⁽³⁾ 12:00 noon on Monday, 17 September 2018

Expected Price Determination Date⁽⁵⁾ Tuesday, 18 September 2018

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering;
- the basis of allocation in the Hong Kong Public Offering; and
- the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the International Offering

to be published on the website of the Stock Exchange
at www.hkexnews.hk and our Company's website
at www.xysgroup.com⁽⁶⁾ on or before Monday, 24 September 2018

Announcement of results of allocations in the Hong Kong
Public Offering (with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels. (See the section headed
"How to Apply for Hong Kong Offer Shares — 11.
Publication of Results" in this prospectus) from Monday, 24 September 2018

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a “search by ID” function from Monday, 24 September 2018

Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾ Monday, 24 September 2018

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾ Monday, 24 September 2018

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 26 September 2018

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** service provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 17 September 2018, the application lists will not open and will close on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, 18 September 2018, and in any event, not later than Wednesday, 19 September 2018. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or before Wednesday, 19 September 2018, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 24 September 2018 or any other date as notified by us.

EXPECTED TIMETABLE⁽¹⁾

Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by sending their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms and have provided all required information may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques, if any, will be despatched by ordinary post to the addresses specified in the relevant Application Form at the applicants' own risk. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Applicants who apply through **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Share certificates are expected to be issued on Monday, 24 September 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, of their respective directors, officers, employees, agents, affiliates, or advisers or any other person or party involved in the Global Offering. Information contained on our website at www.xysgroup.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and CoAs. According to the F&S Report, in 2017, our Group ranked fourth in the global asphalt tanker chartering services market in terms of total carrying capacity (dwt) of vessels and in terms of revenue with market share of approximately 3.9% and 5.5%, respectively.

Asphalt is a product of petroleum commonly used in infrastructure construction, road maintenance and waterproofing products. Transportation of asphalt usually requires a high temperature to avoid solidification, a technology to control and maintain the high temperature and minimise heat loss of their tanks. In 2017, there were around 6,000 specialised tankers all over the world, among which there were 290 asphalt tankers. In addition, dwt of asphalt tankers accounted for approximately 0.4% of the total dwt of specialised tankers.

OUR BUSINESS OPERATIONS

During the Track Record Period, we principally provided asphalt tanker chartering services under the following types of charter agreement: (i) time charters, and (ii) voyage charters and CoAs, to our customers:

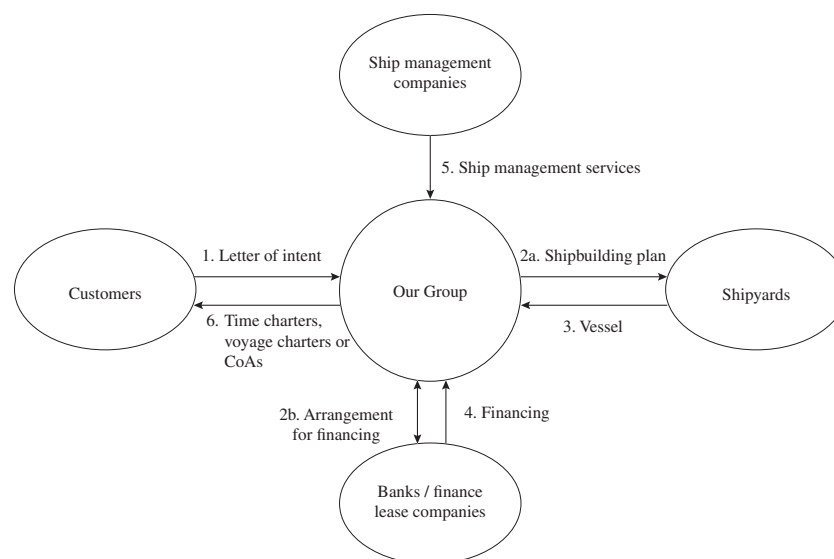
	(i) Time charters	(ii) Voyage charters and CoAs
Major customers	Global shipping group, global energy trader and global energy company.	Companies which provide asphalt trading and transportation services.
Nature of services	Our vessels are chartered to our customers on a long-term basis ranging from two to ten years.	Our vessels are chartered to our customers for (in the case of voyage charters) a single voyage or (in the case of CoAs) a series of voyages.
Cargo shipments	Our customers are responsible for cargo shipments according to their needs during the charter period.	Based on our customer's instructions, we are responsible for the cargo shipments from the loading port to the discharging port.
Costs	We are responsible for the operating costs of our vessels. Our customers are responsible for the voyage costs of our vessels.	We are responsible for both the operating costs and voyage costs.
Payments	We usually charge charter hire on a per day basis and generally receive monthly prepayment from our customers.	Under voyage charters, we generally receive full payment within five business days after completion of cargo loading. Under CoAs, we generally receive full payment within three business days after completion of cargo discharging.

OUR BUSINESS MODEL

We endeavour to provide high quality asphalt tanker chartering services. We have our own team of engineers and we are actively involved in the design of our vessels. Our team works closely with the ship design experts, our customers, the shipyards, an international classification society and the banks or finance lease companies. We formulate customised shipbuilding plans for shipyards to build new vessels for us that suit our customers' requirements, such as fuel consumption efficiency and carrying capacity.

SUMMARY

The following diagram sets out the business model of our asphalt tanker chartering services:



Note 1: Our business model generally commences upon our customers’ intention to engage us.

Note 2: Shipyards are Independent Third Parties we engaged to build new vessels for us. We formulate customised shipbuilding plans to build new vessels for us that suit our customers’ requirements, which are considered under our Group’s technical feasibility considerations and financial feasibility considerations. For further details, please refer to the section headed “Business — Our Fleet — Engaging shipyards to build new vessels for us” in this prospectus.

Note 3: Ship management companies are Independent Third Parties we engaged to manage our vessels. For further details, please refer to the section headed “Business — Suppliers — Ship management companies” in this prospectus.

We identify and secure our customers through our business department or shipbrokers. For the purpose of business development, our staff at business department regularly attends asphalt-related industry conferences to meet prospective customers. Our primary role is to finance the shipbuilding of the vessel from shipyards when such need for a new vessel is identified and after the consideration of the feasibility of new vessel from technical and financial perspectives to formulate a shipbuilding plan. After the vessels are built and delivered, we outsource the management responsibilities of our vessels to the ship management companies.

During the Track Record Period and up to the Latest Practicable Date, we outsourced the management responsibilities of our vessels, including technical management, crew management, crew insurances, safety management and compliance with international conventions, to BSM and Group A as the ship management companies. For details, please refer to the section headed “Business — Suppliers — Ship Management Companies” in this prospectus.

OUR PRICING

Our pricing is determinable with reference to: (i) reputation of the customer; (ii) duration of charter period; (iii) the prevailing market circumstances; (iv) past business relationship with the customer; (v) the financing cost of our vessel; (vi) cost of shipbuilding and operation; and (vii) cargo quantity. For details, please refer to the section headed “Business — Sales and Marketing — Our pricing” in this prospectus.

The following table sets out the standard range of charter hire offered to our customers for time charters during the Track Record Period. The average charter hire for time charters remained relatively stable during the Track Record Period but the widening in the range of charter hire is resulted from (i) the entering into of supplementary agreements with existing customers to adjust the charter hire which is dependent on our customers’ hire performance; and (ii) the entering into of new time charterparties.

SUMMARY

Time charters	Average USD per dwt per day	USD per dwt per day range
Year ended 31 December		
2015	1.26	1.23-1.29
2016	1.25	1.15-1.29
2017	1.25	1.15-1.41
Four months ended 30 April		
2017	1.22	1.15-1.27
2018	1.27	1.15-1.41

The following table sets out the standard range of charter hire or freight charges and the throughput of our vessels operated under voyage charters or CoAs during the Track Record Period. The widening of range of charter hire/freight charge for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was primarily due to the increase in the number of voyage charters and CoA undertaken in the year ended 31 December 2017. In the year ended 31 December 2016, our Group only performed four voyages under voyage charters, whereas in the year ended 31 December 2017, our Group performed more than 40 voyages under voyage charters or CoAs. The narrowing of range of charter hire/freight charge for the four months ended 30 April 2018 as compared to the corresponding period in 2017 was primarily due to the decrease in the number of voyage charters and CoA undertaken in the four months ended 30 April 2018. In the four months ended 30 April 2017, our Group performed 18 voyages under voyage charters or CoAs, whereas in the four months ended 30 April 2018, our Group performed 16 voyages under voyage charters or CoAs. The increase in the number of voyages widened the variation in routes and cargoes transported.

Voyage charters and CoAs	Throughput (Metric tons)	Average USD per dwt per day	USD per dwt per day range
Year ended 31 December			
2015	—	—	—
2016	40,235	1.85	1.20-2.42
2017	314,966	1.77	0.46-2.98
Four months ended 30 April			
2017	124,682	1.97	0.89-3.01
2018	107,587	1.93	1.34-3.28

Our pricing under voyage charters and CoAs is generally higher than that under time charters. Our throughput under voyage charters and CoAs increased significantly from 2016 to 2017, which was mainly attributable to the number of our vessels operated under voyage charters and CoAs increased from one vessel to four vessels. The decrease in throughput for the four months ended 30 April 2018 as compared to the corresponding period in 2017 was primarily due to the decrease in the number of voyage and CoA undertaken in the four months ended 30 April 2018.

RESULT OF OPERATIONS

The following table sets out our revenue by the types of our asphalt tanker chartering services during the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	<i>Revenue</i> <i>US\$'000</i>	%	<i>Revenue</i> <i>US\$'000</i>	%	<i>Revenue</i> <i>US\$'000</i>	%	<i>Revenue</i> <i>US\$'000</i>	%	<i>Revenue</i> <i>US\$'000</i>	%
Time charters	10,760	100	14,117	91.3	20,061	59.5	5,271	53.8	7,987	59.8
Voyage charters and CoAs	—	—	1,340	8.7	13,666	40.5	4,524	46.2	5,361	40.2
Total	<u>10,760</u>	<u>100</u>	<u>15,457</u>	<u>100</u>	<u>33,727</u>	<u>100</u>	<u>9,795</u>	<u>100</u>	<u>13,348</u>	<u>100</u>

We experienced significant growth during the Track Record Period. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the total revenue of our Group was approximately US\$10.8 million, US\$15.5 million, US\$33.7 million and US\$13.3 million, respectively.

SUMMARY

For the year ended 31 December 2017, our revenue increased by approximately US\$18.3 million or 118.2%, when compared to the year ended 31 December 2016. The increase was mainly due to the increase in the number of our vessels by 133.3% from three vessels to seven vessels. For the year ended 31 December 2016, our revenue increased by approximately US\$4.7 million or 43.7%, when compared to the year ended 31 December 2015. The increase was mainly due to the increase in the number of our vessels by 50% from two vessels to three vessels. For the four months ended 30 April 2018, our revenue increased by approximately US\$3.6 million or 36.3%, when compared to the corresponding period in 2017. The increase was mainly due to the increase in the number of vessels by 28.6% from seven vessels to nine vessels.

Our net profit for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018 was approximately US\$3.4 million, US\$4.5 million, US\$6.0 million and US\$3.4 million, respectively. For further details, please refer to the section headed “Financial Information — Principal Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income” in this prospectus.

The following table sets out our gross profit and gross profit margin by types of our asphalt tanker chartering services during the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross Profit US\$'000	Gross Profit Margin %	Gross Profit US\$'000	Gross Profit Margin %	Gross Profit US\$'000	Gross Profit Margin %	Gross Profit US\$'000	Gross Profit Margin %	Gross Profit US\$'000	Gross Profit Margin %
Time charters	4,403	40.9	5,858	41.5	9,083	45.3	2,579	48.9	3,617	45.3
Voyage charters and CoAs	—	—	556	41.5	4,186	30.6	582	12.9	1,649	30.8
	<u>4,403</u>	<u>40.9</u>	<u>6,414</u>	<u>41.5</u>	<u>13,269</u>	<u>39.3</u>	<u>3,161</u>	<u>32.3</u>	<u>5,266</u>	<u>39.5</u>

(unaudited)

Under our Group’s time charters, we are not responsible for the bunker fees and port charges, while for voyage charters and CoAs, bunker fees and port charges are components of our cost of sales. Therefore, our gross profit margin for time charters is generally higher than the gross profit margin for voyage charters and CoAs.

OUR FLEET

As at the Latest Practicable Date, our Group had nine vessels in operation. All of our Group’s vessels are capable of providing asphalt tanker chartering services under time charters, voyage charters and CoAs. As at the Latest Practicable Date, we had five vessels operated under time charters. The remaining four vessels were operated under voyage charters or CoAs.

We have five vessels under finance lease arrangements, pursuant to which the titles to the vessels are transferred to or vested in the finance lease companies. The remaining four vessels are financed under bank loans, the titles to which remain with our Group. For further details, please refer to the section headed “Business — Fleet Management — Operational management — Financing arrangements for the fleet” in this prospectus.

The following table sets forth the general information of our fleet as at the Latest Practicable Date:

Name of vessel	Month delivered	Remaining useful life	Charterparty	Approximate carrying capacity	Classification society	Flag state	Ownership
		(months)		(dwt)			
1. San Du Ao	August 2011	216	Time Charters	12,000	BV	Hong Kong	Finance lease company ^{Note 1}
2. Zhuang Yuan Ao	July 2012	227	Time Charters	12,000	BV	Hong Kong	Finance lease company ^{Note 1}
3. Feng Huang Ao	January 2016	269	Time Charters	12,800	BV	Hong Kong	Finance lease company ^{Note 2}
4. Lilstella	January 2017	281	Time Charters	8,000	BV	Singapore	Our Group
5. Poestella	January 2017	281	Time Charters	8,000	BV	Singapore	Our Group
6. Orcstella	March 2017	283	Voyage Charters and CoAs	8,000	BV	Singapore	Our Group
7. Rostella	April 2017	284	Voyage Charters and CoAs	8,000	BV	Singapore	Our Group
8. Baustella	February 2018	294	Voyage Charters and CoAs	8,000	BV	Hong Kong	Finance lease company ^{Note 2}
9. Jastella	April 2018	296	Voyage Charters and CoAs	8,000	BV	Hong Kong	Finance lease company ^{Note 2}

SUMMARY

Note 1: The relevant vessel is under a finance lease arrangement with a finance lease company. Accordingly, ownership of the relevant vessel is transferred to the finance lease company. For further details, please refer to the section headed “Business — Fleet Management — Operational management — Finance lease arrangements” in this prospectus.

Note 2: The relevant vessel is under a finance lease arrangement with a finance lease company. Accordingly, ownership of the relevant vessel is vested in the finance lease company. For further details, please refer to the section headed “Business — Fleet Management — Operational management — Finance lease arrangements” in this prospectus.

The following table sets forth the utilisation rate of our fleet during the Track Record Period:

Name of vessel ^{Note 2}	Utilisation rate ^{Note 1}				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
1. San Du Ao	99.1%	90.9%	99.9%	99.8%	99.0%
2. Zhuang Yuan Ao	100%	100%	99.0%	97.7%	100%
3. Feng Huang Ao	N/A	100%	99.9%	100%	100%
4. Lilstella	N/A	N/A	100%	100%	100%
5. Poestella	N/A	N/A	100%	100%	100%
6. Orcstella	N/A	N/A	100%	100%	100%
7. Rostella	N/A	N/A	100%	100%	100%
8. Baustella	N/A	N/A	N/A	N/A	100%
9. Jastella	N/A	N/A	N/A	N/A	100%

Note 1: The utilisation rate for each vessel is calculated based on the actual number of days during which the vessel was chartered, divided by the total number of days in the year less the actual number of off-hire days due to dry-docking or other repair and maintenance under the inspection survey required by the classification society.

OUR CUSTOMERS AND SUPPLIERS

Our major customers include: (i) Group A, one of the largest global shipping and logistics groups in the world; (ii) Group B, one of the largest global independent energy traders in the world; and (iii) Customer D, a subsidiary of one of the largest publicly traded energy companies in the world based in the United States. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group’s total revenue amounted to approximately US\$10.8 million, US\$15.5 million, US\$33.7 million and US\$13.3 million, respectively, representing an increase at a CAGR of approximately 77.0% from 2015 to 2017. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group’s five largest customers contributed approximately US\$10.8 million, US\$15.5 million, US\$31.3 million and US\$12.9 million to our total revenue, respectively, representing approximately 100%, 100%, 92.7% and 96.8% of our total revenue for the same periods. For the same periods, Group A, our largest customer for the years ended 31 December 2015, 2016, 2017 and the second largest customer for the four months ended 30 April 2018, contributed approximately US\$10.8 million, US\$10.2 million, US\$10.0 million and US\$3.4 million to our total revenue, respectively, representing approximately 100%, 66.2%, 29.7% and 25.5% of our total revenue, respectively. For further details, please refer to the sections headed “Business — Customers — Relationship with Group A” and “Risk Factors — Risks relating to our business — During the Track Record Period, one of our customers, Group A, accounted for a significant portion of our Group’s total revenue and was also one of our major suppliers” in this prospectus. For the four months ended 30 April 2018, our largest customer, Bilsea International, accounted for US\$4.2 million of our total revenue, representing approximately 31.5% of our total revenue. To the best knowledge and belief of our Directors, save for Bilsea International, none of our Directors, their respective close associates and our Shareholders who, owned more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that each of our five largest customers, except Bilsea International, is an Independent Third Party.

Our suppliers mainly include ship management companies, insurance companies, a shipbroker and bunker providers. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the cost of sales payable to our five largest suppliers amounted to approximately US\$3.0

SUMMARY

million, US\$4.3 million, US\$12.4 million and US\$5.0 million, respectively, representing approximately 78.1%, 73.2%, 83.2% and 85.1% of our total cost of sales (excluding depreciation), respectively. For the same periods, the cost of sales payable to our largest supplier amounted to approximately US\$2.7 million, US\$3.9 million, US\$6.6 million and US\$3.0 million, respectively, representing approximately 70.2%, 66.2%, 44.0% and 51.2% of our total cost of sales (excluding depreciation), respectively. Save for Seabridge which is indirectly owned by Bilsea International, to the best knowledge and belief of our Directors, none of our Directors, their associates or our Shareholders who owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that each of our five largest suppliers, except Seabridge, is an Independent Third Party.

Shipbroker provides us with information in relation to potential customers' need in terms of their preferred vessel's specifications and charter terms. The shipbroker acts as a middleman to match what our Group can provide and what the potential customers need. Having identified suitable potential customers, we would either participate in tendering process with the assistance of the shipbroker or negotiate indirectly with the potential customers through the shipbroker. If both sides intend to proceed, our Group will enter into charterparty with the potential customers. For further details, please refer to the section headed "Business — Sales and Marketing — Shipbroker" in this prospectus.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our market position and the success of our business are attributable to the following competitive strengths:

- Our fleet of vessels is relatively new and fit for purpose to meet customers' needs
- We have stable cash inflow from long-term contract with customers
- We have established stable relationships with our customers and shipyards
- We focus on high standard of maintenance of our fleet to offer quality and safe asphalt tanker chartering services
- We have an experienced management team with a proven track record

OUR BUSINESS STRATEGIES

Our Group is well-positioned to further develop our presence in the asphalt tanker chartering services market and capture new business opportunities. Our Group plans to continue to capitalise on opportunities to leverage our competitive strengths to focus on the following strategies:

- Leverage our position as a leading provider of asphalt tanker chartering services to enhance our global presence
- Expand our Group's fleet size to strengthen our global market position
- Maintain our Group's variety of service types to meet different demands in the market

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), the total issued shares of our Company will be owned as to 66.03% by Centennial Best, as to 0.14% by Golden Boomer, as to 2.08% by Gigantic Path and as to 6.75% by Bilsea International. Centennial Best is owned as to 43% by Golden Boomer, which is wholly owned by Mr. Ding Xiaoli, as to 42% by Perfect Bliss, which is wholly owned by Mr. Xu Wenjun, and as to 15% by Gigantic Path, which is wholly owned by Mr. Ding Yuzhao. Centennial Best, Golden Boomer, Perfect Bliss, Gigantic Path, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao will be our Controlling Shareholders upon Listing as defined under the Listing Rules and in aggregate hold 68.25% of our Shares upon Listing.

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KEY FINANCIAL DATA

The following tables set forth the selected information extracted from our consolidated financial statements as set out in Appendix I to this prospectus during the Track Record Period:

Highlights of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	<i>(unaudited)</i>				
Revenue	10,760	15,457	33,727	9,795	13,348
Cost of sales	(6,357)	(9,043)	(20,458)	(6,634)	(8,082)
Gross profit	4,403	6,414	13,269	3,161	5,266
Other income	250	666	332	121	740
Administrative expenses	(642)	(783)	(2,095)	(518)	(871)
Other operating expenses	—	(162)	(350)	(206)	—
Exchange gain/(loss), net	14	299	(1,543)	(473)	(261)
Profit from operations	4,025	6,434	9,613	2,085	4,874
Finance costs	(649)	(1,912)	(3,581)	(986)	(1,462)
Profit before tax	3,376	4,522	6,032	1,099	3,412
Income tax expense	—	—	—	—	—
Other comprehensive income	—	—	—	—	10
Profit and total comprehensive income for the year	3,376	4,522	6,032	1,099	3,422

Highlights of consolidated statements of financial position

	As at 31 December			As at
	2015	2016	2017	30 April 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets	62,319	103,563	157,547	178,081
Current assets	7,931	7,170	6,486	9,360
Total assets	70,250	110,733	164,033	187,441
Non-current liabilities	22,129	44,694	63,789	80,360
Current liabilities	29,048	52,238	25,809	29,224
Total liabilities	51,177	96,932	89,598	109,584
Net assets	19,073	13,801	74,435	77,857
Net current liabilities	(21,117)	(45,068)	(19,323)	(19,864)

Highlights of consolidated statements of cash flows

	Year ended 31 December			Four months ended
	2015	2016	2017	30 April 2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and cash equivalents at the beginning of the year	80	313	1,064	863
Net cash flows generated from operating activities	6,271	10,690	20,220	4,036
Net cash flows used in investing activities	(20,375)	(33,809)	(60,043)	(3,617)
Net cash flows generated from financing activities	14,337	23,870	39,622	846
Net increase/(decrease) in cash and cash equivalents	233	751	(201)	1,265
Effect of foreign exchange rate changes	—	—	—	10
Cash and cash equivalents at the end of year	313	1,064	863	2,138

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KEY FINANCIAL RATIOS

	At 31 December/ Year ended 31 December			At 30 April / Four months ended 30 April
	2015	2016	2017	2018
Gross profit margin	40.9%	41.5%	39.3%	39.5%
Net profit margin	31.4%	29.3%	17.9%	25.6%
Current ratio	0.27	0.14	0.25	0.32
Gearing ratio	1.69	5.48	1.04	1.26
Net debt to equity ratio	1.63	5.20	0.99	1.19
Interest coverage ratio	4.3 times	3.2 times	2.7 times	3.3 times
Return on total assets ratio	4.8%	4.0%	3.3%	N/A
Return on equity ratio	17.8%	32.8%	7.4%	N/A
Trade receivables turnover day	—	—	29	28
Average trade payables turnover days	64	44	23	20

INCOME TAX EXPENSE

During the Track Record Period, our Group had no assessable profit. Our Tax Adviser has reviewed our tax position and agreed that no provision for Hong Kong profits tax, PRC corporate income tax and Singapore corporate income tax is required for the Track Record Period.

NET CURRENT LIABILITIES

Our net current liabilities as at 31 December 2015, 2016, 2017 and 30 April 2018 were approximately US\$21.1 million, US\$45.1 million, US\$19.3 million and US\$19.9 million, respectively. We recorded net current liabilities during the Track Record Period which mainly resulted from our continuous capital expenditures for purchase of new vessels that were mainly financed by bank loans and finance lease payables, and our payables and accruals arising from our business operation. Our Directors confirmed that they were not aware of any material breach of any restrictive covenants contained in our bank loans and finance lease payables during the Track Record Period and up to the Latest Practicable Date.

For further details of our net current liabilities, please refer to the sections headed “Risk Factors — Risks Relating to Our Business — We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities”, and “Financial Information — Discussion of Certain Items in the Consolidated Statements of Financial Position — Net current liabilities” in this prospectus.

RECENT DEVELOPMENT

After the Track Record Period and up to the Latest Practicable Date, we continued to focus on developing our business and monitoring the process of our shipbuilding plan. Based on the unaudited financial information of our Group, which were reviewed by our reporting accountants, our Group’s revenue increased by approximately US\$2.8 million or 32.6% in the three months ended 31 July 2018 in comparison with the corresponding period in 2017. Such increase was mainly due to our vessels, Baustella and Jastella, were put into operation in February and April 2018, respectively. In the three months ended 31 July 2018, approximately 53.3% of our revenue were generated from time charters and approximately 46.7% of our revenue were generated from voyage charters and CoAs.

There was no material adverse change in our total assets and net assets after the Track Record Period as compared with that of 30 April 2018. Our Group entered into two finance lease agreements, which are sale and leaseback arrangements, in respect of our vessels San Du Ao and Zhuang Yuan Ao amounted to approximately US\$25.4 million in July 2018, mainly to repay the bank loans, advance from related companies and amounts due to related companies.

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According to the F&S Report, the recent Sino-U.S. trade war after 30 April 2018 did not have any material adverse impact on our business because the trade war would not have direct impact on the asphalt tanker chartering industry. According to F&S, in the trade war, the United States' tariff increase against China has mainly targeted Chinese technical products, while China's tariff increase against the United States has mainly targeted agricultural products and automobiles from the United States. However, if the trade war persists and as a result the global economic environment deteriorates, the demand for infrastructure construction materials could be affected, which may in turn have an adverse impact on our business, financial condition and results of operations. For details of risks relating to the Sino-U.S. trade war, please refer to the section headed "Risk Factors — Global or regional economic, political, trade or other factors may affect our business" in this prospectus.

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position or prospects of us since 30 April 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus), and there had been no event since 30 April 2018 which would materially affect the financial information shown in the Accountants' Report.

OFFERING STATISTICS

	Based on an Offer Price of HK\$1.29	Based on an Offer Price of HK\$1.76
Market capitalisation of our Share ⁽¹⁾	HK\$516.0 million	HK\$704.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	US\$0.23 (Equivalent to approximately HK\$1.79)	US\$0.25 (Equivalent to approximately HK\$1.95)

Notes:

- (1) The calculation of market capitalisation is based on the 400,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments set forth in Appendix II to this prospectus and on the basis of 400,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.

DIVIDENDS

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, we declared dividends in the amount of approximately nil, US\$9.3 million, nil and nil, respectively. All the dividends declared were fully settled as at the Latest Practicable Date.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. We currently do not have a formal dividend policy or a fixed dividend distribution ratio. In addition, any final dividends for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial condition, and other factors our Board may deem relevant.

LISTING EXPENSES

The estimated total listing fees for our Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are approximately US\$3.1 million (equivalent to approximately HK\$24.2 million), based on an Offer Price of HK\$1.53 per Share, being the mid-point of the estimated Offer Price range, and assuming the Over-allotment Option is not exercised. Among the estimated total listing fees, approximately US\$1.0 million (equivalent to approximately HK\$7.8 million) is expected to be capitalised after the Listing. The remaining amount of approximately US\$2.1 million (equivalent to approximately HK\$16.4 million) was or is expected to be charged to our profit and loss accounts, of which approximately US\$530,000 was charged on or before 31 December 2017 and approximately US\$1.6 million is expected to be charged for the year ending 31 December 2018.

SUMMARY

REASONS FOR LISTING AND USE OF PROCEEDS

Our Company is seeking the Listing in order to (i) improve our Group's financial position; (ii) enhance our Group's corporate profile and brand awareness; and (iii) enhance market status amongst our Group's customers, suppliers, banks and employees.

The net proceeds to be received by us from the Global Offering based on the mid-point of the estimated Offer Price range of HK\$1.53 per Share and assuming the Over-allotment Option is not exercised, after deducting related expenses in connection with the Global Offering, are estimated to be approximately HK\$129.0 million (equivalent to approximately US\$16.5 million).

Our Directors presently intend that the net proceeds will be applied as follows:

- approximately 90.2% of the net proceeds from the Global Offering, or approximately HK\$116.4 million (equivalent to approximately US\$14.9 million), will be used for expanding our fleet by purchasing two new vessels in the next two years in order to cope with our business development, strengthen our brand name and increase our competitiveness in the industry as well as our ability to cater for different needs and requirements of different customers; and
- approximately 9.8% of the net proceeds from the Global Offering, or approximately HK\$12.6 million (equivalent to approximately US\$1.6 million), will be used as our working capital.

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Global Offering. We believe the following are some of the major risks that may have a material adverse effect on us:

- During the Track Record Period, one of our major customers, Group A, accounted for a significant portion of our Group's total revenue and was also one of our major suppliers
- Most of our Group's revenue during the Track Record Period was derived from our five largest customers
- We face risks inherent in concentrating our business in providing tanker chartering services for principally a single type of cargo, asphalt, which may be subject to the cyclical nature of the market of infrastructure construction industry
- We are exposed to fluctuations in charter hire and freight charges under voyage charters and CoAs, and will also be exposed to risks of long periods of off-hire under voyage charters
- Our chartering income from the provision of asphalt chartering services may be subject to taxation in local jurisdictions
- We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities
- Our Group relies on third parties to oversee the business operations of our vessels and the procurement of new vessel
- Our business is vulnerable to outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, piracy, political unrest and other events beyond our control

NON-COMPLIANCE MATTERS

Our Directors confirm that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. For details, please refer to the section headed "Business — Our Licences and Regulatory Compliance" in this prospectus.

DEFINITIONS

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period set out in Appendix I to this prospectus
“Acting-in-Concert Agreement”	the acting-in-concert agreement executed by the Concerted Group on 21 August 2014
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 6 September 2018, which shall become effective upon commencement of trading of our Shares on the Stock Exchange, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Baustella Shipping”	Baustella Shipping (Hong Kong) Limited (紫荊星船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 March 2017, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Begstella Shipping”	Begstella Shipping (Hongkong) Limited (海棠星船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 20 June 2017, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Bilsea Holdings”	Bilsea International Holdings Pte. Ltd., a private company limited by shares incorporated in Singapore on 1 August 2008, which is wholly-owned by Bilsea International, and a connected person of our Group
“Bilsea International”	Bilsea International Pte. Ltd., an exempt private company limited by shares incorporated in Singapore on 1 August 2008, which is owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai, who are directors of Bilxin Shipping and its subsidiaries, respectively, and a connected person of our Group

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“Bilxin Shipping”	Bilxin Shipping Group Pte. Ltd., a private company limited by shares incorporated in Singapore on 15 July 2015, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Board”	the board of Directors
“Brilliant Star”	Brilliant Star Shipping Limited (榮星船務有限公司), a company incorporated in Hong Kong with limited liability on 18 October 2012, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“BSM”	Bernhard Schulte Shipmanagement (Singapore) Pte. Ltd., an Independent Third Party
“Bureau Veritas” or “BV”	a French ship classification society and a member of IACS, an Independent Third Party
“business day(s)”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 247,013,756 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Global Offering referred to in the section headed “Statutory and General Information — Further Information About Our Company — 3. Resolutions in writing of our Shareholders passed on 6 September 2018” in Appendix IV to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Centennial Best”	Centennial Best Limited, a company incorporated in the BVI limited by shares on 24 August 2016 and a Controlling Shareholder, which is indirectly wholly owned by the Concerted Group, comprising Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, through their respective wholly-owned companies, namely Golden Boomer, Perfect Bliss and Gigantic Path, which own 43%, 42% and 15% in Centennial Best, respectively
“China”, “PRC” or “Mainland”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“CISIC”	China Industrial Securities International Capital Limited, a corporation licenced by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Act”	the Companies Act (Cap. 50) of Singapore, as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company” or “our Company”	Xin Yuan Enterprises Group Limited (信源企業集團有限公司), a company incorporated in the Cayman Islands on 28 June 2016 as an exempted company with limited liability

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“Concerted Group”	collectively refers to Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholder(s) (having the meaning ascribed to it in the Listing Rules) of our Company, namely, Centennial Best, Golden Boomer, Perfect Bliss, Gigantic Path, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 6 September 2018 entered into among our Company, the Cornerstone Investor, the Sole Sponsor and the Joint Global Coordinators, pursuant to which the Cornerstone Investor agreed to subscribe for 19,600,000 Shares at the Offer Price
“Cornerstone Investor”	Shibaomiao International (Hongkong) Limited
“Deed of Indemnity”	the deed of indemnity dated 6 September 2018 executed by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information — Other Information — 14. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 6 September 2018 executed by each of our Controlling Shareholders in favour of our Company (for itself and for the benefit of each of the members of our Group) regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Fujian Chuan Yuan”	Fujian Chuanyuan Investment Co., Ltd* (福建川源投資有限公司), a company established in the PRC with limited liability on 25 May 2006, which is owned as to approximately 60% equity interest by Mr. Xu Wenjun, 20% by Mr. Chen Chengmei, our senior management member, and the remaining 20% equity interest by Independent Third Parties

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“Fujian Lian Xin”	Fujian Lian Xin Group Co., Ltd* (福建聯信集團有限公司), a company established in the PRC with limited liability on 19 December 2000, which is owned as to 60% by Ms. Chen Qinhui (陳欽惠女士), the spouse of Mr. Ding Xiaoli, and 40% by Mr. Ding Xiaosheng (丁孝生先生), a brother of Mr. Ding Xiaoli, on behalf of Mr. Ding Xiaoli
“F&S”	Frost & Sullivan Limited, an independent market research agency engaged by our Company to prepare the F&S Report
“F&S Report”	an industry report prepared by F&S which was commissioned by us in relation to, among others, the asphalt tanker chartering services market
“GDP”	gross domestic product
“Gigantic Path”	Gigantic Path Limited, a company incorporated in the BVI limited by shares on 22 August 2016 and a Controlling Shareholder, which is directly wholly-owned by Mr. Ding Yuzhao
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Golden Boomer”	Golden Boomer Limited, a company incorporated in the BVI limited by shares on 22 August 2016 and a Controlling Shareholder, which is directly wholly-owned by Mr. Ding Xiaoli
“Government”	the government of Hong Kong
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or, as the case may be, the predecessors
“Group A”	one of the largest global shipping and logistics groups in the world, our major customer and major supplier for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018
“Group B”	one of the largest global independent energy traders in the world, our major customer for the years ended 31 December 2016, 2017 and the four months ended 30 April 2018

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“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	The HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards
“HK\$” or “HK dollars” or “cents” or “HKD”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law and our legal counsel as to certain aspects of Hong Kong law in connection with the Global Offering
“Hong Kong Offer Shares”	the 10,000,000 Shares (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong, on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 10 September 2018 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Huatae”	Xiamen Huatae Group Corporation Ltd.* (廈門華特集團有限公司), an Independent Third Party
“Independent Third Party(ies)”	a person or persons or a company or companies who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected person(s) of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 90,000,000 Shares (subject to reallocation and the exercise of the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by our Company for subscription at the Offer Price pursuant to the International Offering
“International Offering”	the offering of the International Offer Shares by the International Underwriters at the Offer Price to institutional, professional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Sanctions”	sanctioned-related laws and regulations issued by the United States, the European Union, the United Nations or Australia
“International Sanctions Legal Counsel”	Hogan Lovells, our legal counsel as to International Sanctions laws
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into on or about 18 September 2018 by, among others, our Company and the International Underwriters, as further described in the section headed “Underwriting” in this prospectus
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Issuing Mandate”	the unconditional mandate granted to our Directors to allot and issue Shares pursuant to the resolutions set forth in the section headed “Statutory and General Information — 3. Resolutions in writing of our Shareholders passed on 6 September 2018” in Appendix IV to this prospectus
“Jastella Shipping”	Jastella Shipping (Hong Kong) Limited (茉莉星船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 March 2017, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Jincheng Hengtong”	Fujian Jincheng Hengtong Investment Co., Ltd* (福建錦誠亨通投資有限公司), formerly known as Fujian Xin Yuan Vessel Equipment Leasing Limited* (福建信源船舶設備租賃有限公司), a company established in the PRC with limited liability on 23 November 2009 and the former shareholder of Xin Yuan Ocean immediately before the Reorganisation, which is owned as to approximately 40% by Fujian Lian Xin, 38.57% by Mr. Xu Wenjun and 21.43% by Mr. Ding Yuzhao
“Latest Practicable Date”	3 September 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Lilstella Shipping”	Lilstella Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore on 17 March 2016, which is wholly-owned by Bilxin Shipping
“Joint Bookrunners”	CISIC, Zhongtai International Securities Limited, SPDB International Capital Limited, Southwest Securities (HK) Brokerage Limited and ZMF Asset Management Limited
“Joint Global Coordinators”	CISIC and Zhongtai International Securities Limited
“Joint Lead Managers”	CISIC, Zhongtai International Securities Limited, SPDB International Capital Limited, Southwest Securities (HK) Brokerage Limited, ZMF Asset Management Limited, ChaoShang Securities Limited, Yicko Securities Limited and China Sky Securities Limited
“Listing”	listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lotstella Shipping”	Lotstella Shipping (Hongkong) Limited (荷花星船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 20 June 2017, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, adopted on 6 September 2018 which shall become effective on the Listing Date and as supplemented, amended or otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 1. Memorandum of Association” in Appendix III to this prospectus
“Mr. Ding Xiaoli”	Mr. Ding Xiaoli (丁肖立先生), an executive Director of our Company and a Controlling Shareholder who holds the entire interest in Golden Boomer, which in turn holds 43% interest in Centennial Best
“Mr. Ding Yuzhao”	Mr. Ding Yuzhao (丁玉釗先生), an executive Director of our Company and a Controlling Shareholder who holds the entire interest in Gigantic Path, which in turn holds 15% interest in Centennial Best
“Mr. Xu Wenjun”	Mr. Xu Wenjun (徐文均先生), an executive Director of our Company and a Controlling Shareholder who holds the entire interest in Perfect Bliss, which in turn holds 42% interest in Centennial Best
“Nomination Committee”	the nomination committee of the Board
“OFAC”	the Office of Foreign Assets Control which is a financial intelligence and enforcement agency of the U.S. Treasury Department

DEFINITIONS

“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK\$1.76 and is expected to be not less than HK\$1.29, to be determined as described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Orcestella Shipping”	Orcestella Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore on 17 March 2016, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators, on behalf of the International Underwriters, pursuant to the International Underwriting Agreement pursuant to which our Company may be required to allot and issue up to 15,000,000 additional Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Perfect Bliss”	Perfect Bliss Limited, a company incorporated in the BVI limited by shares on 22 August 2016 and a Controlling Shareholder, which is directly wholly-owned by Mr. Xu Wenjun
“Phoenix Shipping”	Phoenix Shipping (Hong Kong) Limited (鳳凰船務(香港)有限公司), a company incorporated in Hong Kong with limited liability on 9 September 2015, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Poestella Shipping”	Poestella Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore on 17 March 2016, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“PRC Legal Advisers”	AllBright Law Offices Hangzhou Offices, the legal advisers to our Company as to PRC laws

DEFINITIONS

“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date on which the Offer Price will be fixed for the purposes of the Global Offering, which is expected to be on or about 18 September 2018, but, in any event, no later than 19 September 2018
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Group Structure” in this prospectus and in the section headed “Statutory and General Information — Further Information About Our Company — 4. Group reorganisation” in Appendix IV to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed “Statutory and General Information — Further Information About Our Company — 6. Securities repurchase mandate” in Appendix IV to this prospectus
“RMB” and “Renminbi”	the lawful currency of the PRC
“Rostella Shipping”	Rostella Shipping Pte. Ltd., a private company limited by shares incorporated in Singapore on 17 March 2016, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sanctioned Person(s)”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, European Union, United Nations or Australia

DEFINITIONS

“Seabridge”	Seabridge Bunkering Pte. Ltd., a private company limited by shares incorporated in Singapore on 8 September 2004, which is wholly-owned by Bilesea Holdings, and a connected person of our Group
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD” or “Singaporean dollars” or “S\$”	Singapore dollar(s), the lawful currency of Singapore
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal or par value of US\$0.01 each
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 6 September 2018, the principal terms of which are summarised in the section headed “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holders of Shares from time to time
“Shun Yuen HK”	Shun Yuen Group (Hong Kong) Limited (信源集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on 19 August 2014, which is indirectly wholly-owned by our Company upon Listing
“Singaporean Legal Advisers”	Avant Law LLC, our legal advisers as to Singapore laws
“SITA”	the Singapore Income Tax Act (Chapter 134 of the Laws of Singapore), as amended, supplemented or otherwise modified from time to time
“Sole Sponsor”	CISIC
“Stabilising Manager”	CISIC
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into between Centennial Best and the Stabilising Manager on or about the Price Determination Date
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	RSM Tax Advisory (Hong Kong) Limited, the tax adviser of our Company
“Track Record Period”	the period comprising the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018
“Underwriters”	the International Underwriters and the Hong Kong Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“Union Faith”	Union Faith Group Holdings Limited (聯信集團控股有限公司), a company incorporated in Hong Kong with limited liability on 9 February 2011, which is wholly-owned by Mr. Ding Xiaoli, and a connected person of our Group
“United States” or “U.S.”	the United States of America
“US\$” or “U.S. dollars” or “USD”	the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“Virtue Glory”	Virtue Glory Holdings Limited (德榮控股有限公司), a company incorporated in the BVI limited by shares on 25 May 2016, which is a direct wholly-owned subsidiary of our Company
“ WHITE Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“Xinlanhai”	Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd (福建信源新藍海進出口貿易有限公司*), a company with limited liability established in the PRC on 11 October 2017, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation
“Xin De Yuan”	Xin De Yuan (Hong Kong) Shipping Limited (信德源(香港)船務有限公司), a company incorporated in Hong Kong with limited liability on 26 November 2010, which is an indirect wholly-owned subsidiary of our Company after the Reorganisation

DEFINITIONS

“Xin Yuan Ocean”	Xin Yuan Ocean Shipping (HK) Group Limited (信源遠洋運輸(香港)集團有限公司), a company incorporated in Hong Kong with limited liability on 1 February 2010, which is an indirect wholly-owned subsidiary of our Company after Reorganisation
“YELLOW Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

The English translation of terms or names in Chinese which are marked with “” is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.*

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the Over-allotment Option is not exercised.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our Group's business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others.

“bareboat charter”	an arrangement for the hire of a vessel whereby no administration or technical maintenance is included. The charterer obtains full possession and full control of the vessel
“bunker”	fuel, consisting of diesel or heavy fuel oil, used for vessels
“charterparty(ies)”	contract(s) for leasing of vessel
“charter hire”	the sum paid to the shipowner by a charterer for the use of vessel under a charterparty
“classification society”	an independent organisation that certifies that a vessel has been built, delivered and maintained in accordance with the rules of such organisation
“CoA”	contract of affreightment, a type of charterparty where it covers a series of voyage (instead of a single voyage) usually over a fixed period of time and the freight charges are pre-determined under the contract made between a shipowner and a charterer
“demurrage”	a penalty charge against charterer, shipper or receiver for failing to complete loading/discharging within time allowed according to charterparty
“discharge”	the act of taking cargo out of a vessel
“dry-dock”	a facility or establishment where a vessel can be removed from the water for inspection, maintenance and/or repair of submerged parts
“dwt”	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship's carrying capacity, including cargoes, bunker, fresh water, crew and provisions
“flag state”	the country where the vessel is registered
“freight charges”	the sum paid to the shipowner by a charterer for the use of vessel under CoA

GLOSSARY OF TECHNICAL TERMS

“FSC”	flag state control. The flag state of a commercial vessel is the state under whose laws the vessel is registered or licensed. The flag state has the authority and responsibility to enforce regulations over vessels registered under its flag, including those relating to inspection, certification, and issuance of safety and pollution prevention documents. As a ship operates under the laws of its flag state, these laws are applicable if the ship is involved in an admiralty case. In Hong Kong, the Marine Department is responsible for flag state control and enforcement under the Flag State Quality Control Scheme
”GPS”	Global Positioning System, a global navigation system that provides location information
“IACS”	the International Association of Classification Societies, a non-governmental organisation which is allowed to develop guidance for the IMO
“IMO”	International Maritime Organisation, a United Nations agency that issues international trade standards for shipping
“International Group of P&I Clubs”	International Group of Protection & Indemnity Clubs, an unincorporated association of the 13 principal underwriting P&I Associations (Clubs) and their affiliated and reinsured entity
“ISM Code”	International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention
“ISPS Code”	the International Ship and Port Facility Security Code, an amendment to the SOLAS Convention
“loading”	the act of putting cargo on board a vessel
“MARPOL Convention”	the International Convention for the Prevention of Pollution from Ships
“MLC”	the Maritime Labour Convention, an international labour organisation convention
“OCIMF”	Oil Companies International Marine Forum, a voluntary association of oil companies having an interest in the shipment and terminalling of crude oil and oil products and which mission is to be the foremost authority on the sale and environmentally responsible operation of oil tankers and terminals and promoting continuous improvement in standards of design and operation

GLOSSARY OF TECHNICAL TERMS

“off-hire”	the period a vessel is temporarily unable to perform the services for which it is required under a time charter, or the period between two charters
“P&I”	protection and indemnity. This denotes the insurance coverage taken by a shipowner or charterer against third party liabilities such as oil pollution, cargo damage, crew injury or loss of life
“P&I Association(s)”	association(s) of shipowners who, by means of contributions, known as calls, provide mutual protection against liabilities not covered by insurance, such as claims for injury to crew and loss or damage to cargo. It is also abbreviated to “P&I club” or “pandi club”
“Paris Mou”	the Paris Memorandum & Understanding on Port State Control, recognized by maritime authorities including but not limited to Haly, United Kingdom & Great Britain and Northern Ireland and Croatia
“pmt”	per metric tons
“port charge”	a general term which includes charges and dues of every nature assessed against a vessel, cargo and passengers in a port. Such charges can be classified into three categories: (i) charges in relation to the vessel such as vessel tonnage tax, vessel port dues, pilot fee and towage, (ii) charges in relation to the cargoes such as cargo port duties, loading and discharge fees and cargo handling fees and (iii) other expenses such as ship repairing costs and advances by the crew
“PSC”	port state control. It is an internationally agreed regime for the inspection of foreign ships in other national ports by PSC inspectors. The remit of these PSC officers is to investigate compliance with the requirements of international conventions, such as International Convention for the Safety of Life at Sea (SOLAS), International Convention for the Prevention of Pollution From Ships (MARPOL), International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), and the Maritime Labour Convention (MLC). Inspections can involve checking that the vessel is manned and operated in compliance with applicable international law, and verifying the competency of the ship’s master and officers, and the ship’s condition and equipment
“SOLAS Convention”	the International Convention for the Safety of Life at Sea

GLOSSARY OF TECHNICAL TERMS

“time charter”	an arrangement whereby a shipowner hires out the vessel for a specified period, whereby the shipowner is required to provide and pay for the crew and other fixed cost of the vessel (such as insurance, repair and maintenance), while the charterer may, at its disposal, select the ports and direct the vessel where to go, and shall generally pay for all bunker, port charge, pilotages, canal charges and other costs that are directly related to the voyage. Charter hire under a time charter is generally charged on a per day basis for the charter period, and is customarily paid periodically in advance
“Tokyo Mou”	the Memorandum & Understanding on Port State Control in the Asia-Pacific Region, recognised by maritime authorities including but not limited to Hong Kong, Singapore, Australia and China
“voyage charter”	an arrangement for the hire of a vessel under which the shipowner is paid on the basis of the cargo movement from the loading port to the discharge port. The shipowner is generally responsible for paying both operating costs and voyage costs and the charterer is generally responsible for any delay at the loading or discharging ports

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed “Summary,” “Risk Factors,” “Future Plans and Use of Proceeds,” “Financial Information,” “Industry Overview” and “Business” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed “Risk Factors,” in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects, including without limitation, our projected production or capacity;
- our financial conditions and our operating results and performance;
- industry trends and competition;
- our services and products under development or planning;
- our strategies and initiatives, business plans, objectives and goals;
- our ability to attract users and further enhance our brand recognition;
- our dividend distribution plans;
- the amount and nature of, and potential for, future development of our business;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in the section headed “Risk Factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

The forward-looking statements made in this prospectus relate only to events or information as at the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely and with the understanding that our actual future results or performance may be materially different from what we expect.

In this prospectus, statements of, or references to, our intentions or those of any of our Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decisions in relation to the Offer Shares. Any of the following risks may adversely affect our business, financial condition, results of operations and prospects, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose all or part of the value of your investment. These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date, will not be updated thereafter, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this prospectus.

Our operational results are subject to several risk factors that can be categorised into the following areas: (i) risks relating to our business; (ii) risks relating to the industry; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

During the Track Record Period, one of our major customers, Group A, accounted for a significant portion of our Group’s total revenue and was also one of our major suppliers

During the Track Record Period, Group A was one of our major customers and one of our major suppliers. To the best knowledge and belief of our Directors, Group A is an Independent Third Party.

During the Track Record Period, our Group chartered our vessels San Du Ao and Zhuang Yuan Ao to Group A under time charters. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our revenue attributable to Group A was approximately US\$10.8 million, US\$10.2 million, US\$10.0 million and US\$3.4 million, respectively, representing 100%, 66.2%, 29.7% and 25.5% of our total revenue, respectively. For the same periods, our gross profit attributable to Group A was approximately US\$4.4 million, US\$3.4 million, US\$4.4 million and US\$1.5 million, respectively, representing approximately 100%, 53.7%, 33.4% and 28.9% of our total gross profit, respectively.

There may be risks associated with having a single largest customer contributing a significant portion of the revenue. We cannot assure you that we will be able to maintain or improve our relationship with Group A, and we cannot assure you that we will be able to continue to provide chartering services to it at current levels on similar terms, or at all. In addition, our business is to a large extent affected by the businesses of Group A. Any deterioration in the businesses of Group A could lead to a decline in their purchase orders placed with us or a change in our business relationships with Group A. In the event that Group A terminates the business relationship or fails to settle the charter hire in accordance with the agreed credit terms, our Group’s working capital position may be materially and adversely affected. For further details, please refer to the section headed “Business — Customers — Customer concentration” in this prospectus.

On the other hand, during the Track Record Period, Group A provided ship management and crew management services to our Group and Group A supplied vessel related spare parts and consumables such as lubricant oil to our Group. In 2017, during which our Group chartered our vessels San Du Ao

RISK FACTORS

and Zhuang Yuan Ao to Group A under time charter, our Group had entered into a voyage charter with Group A to charter in San Du Ao from Group A back to us for a short period so that we could meet another customer's demand for our chartering services under CoAs. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our costs payable to Group A amounted to approximately US\$2.7 million, US\$3.9 million, US\$3.1 million and US\$761,000, respectively, representing approximately 70.2%, 66.2%, 20.6% and 12.9% of our cost of sales (excluding depreciation), respectively.

In the event that Group A terminates its ship management or crew management services to us, substantially reduces the volume and/or value of supplies it offers to our Group or were to terminate its business relationship with our Group, there is no assurance that our Group would be able to find alternative ship management or crew management services or alternative supplies from other suppliers or secure similar commercial terms. For further details, please refer to the section headed "Business — Suppliers — Suppliers concentration" in this prospectus.

For further details of our relationship with Group A, please refer to the sections headed "Business — Customers — Relationship with Group A" and "Business — Suppliers — Major supplier which was also major customer" in this prospectus.

Most of our Group's revenue during the Track Record Period was derived from our five largest customers

During the Track Record Period, most of our Group's revenue was derived from our five largest customers. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, approximately 100%, 100%, 92.7% and 96.8% of our Group's total revenue, respectively, was derived from our five largest customers.

As at the Latest Practicable Date, two of the time charterparties, which contributed to a significant part of our revenue, were due to expire in the next 8 to 10 months. There can be no assurance that these time charterparties will be renewed. The non-renewal of the time charterparties by our important customers may cause material adverse impact on our results of operations.

We face risks inherent in concentrating our business in providing tanker chartering services for principally a single type of cargo, asphalt, which may be subject to the cyclical nature of the market of infrastructure construction industry

Our principal business strategy of strengthening our market leadership and capitalising on the significant market opportunities in asphalt tanker chartering services market exposes us to the risks inherent in concentrating our business on a single type of cargo. These risks include an economic or market downturn for asphalt, which would in turn affect the demand for our vessels, and result in a decrease in charter hire and insolvency of charterers. These risks may also restrict our ability to raise funds for our business and result in higher financing costs. If these risks were materialised, it could have a material and adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Asphalt is mainly used for infrastructure construction. The global infrastructure construction industry has been subject to cyclical fluctuations. The demand for asphalt is influenced by global and regional economic conditions, government's infrastructure investment decisions and other factors. As such, changes in the demand for asphalt are difficult to predict. On the other hand, the supply of asphalt is affected by the production of crude oil, which is also subject to cyclical fluctuations.

Decreases in demand for asphalt are caused by factors which are beyond our Group's control and are of an unpredictable nature. If the decrease in demand for asphalt persists, it could have a direct significant negative impact on the demand of our Group's asphalt tanker chartering services and/or the rates of charter hire, which may thereby materially and adversely affect the business, profitability and financial conditions of our Group.

We are exposed to fluctuations in charter hire and freight charges under voyage charters and CoAs, and will also be exposed to risks of long periods of off-hire under voyage charters

As at the Latest Practicable Date, our Group had four vessels operated under voyage charters or CoAs. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, voyage charters and CoAs accounted for approximately nil, 8.7%, 40.5% and 40.2% of our total revenue, respectively, and we expect that charter hire and freight charges under voyage charters and CoAs will continue to account for a growing component of our revenue. Under voyage charters and CoAs, we typically provide our vessels on an immediate or ad hoc basis, and charter hire and freight charges under voyage charters and CoAs will be based on the prevailing market rates and are usually for a short duration. While voyage charters and CoAs under voyage charters and CoAs allow us greater flexibility in managing our fleet's utilization and in negotiating more flexible rates as compared to time charters, this may expose us to possible fluctuations in charter hire and freight charges or long period of off-hire, which are affected by factors such as general global shortage of shipping capacity, vessel availability and variation in shipping demands. If charter hire or freight charges under voyage charters and CoAs declines or our vessels become off-hire for a long period, this may adversely affect our financial performance.

Our chartering income from the provision of asphalt chartering services may be subject to taxation in local jurisdictions

As advised by our Tax Adviser, our Group is eligible for certain profits or corporate income tax exemptions in Hong Kong and Singapore. Our Group's chartering income is not subject to corporate income tax in the PRC. Please refer to the section headed "Financial Information — Principal Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income tax expense" in this prospectus for further details.

It is possible that the tax laws in Hong Kong, the PRC and Singapore might change. It is also possible that any local tax laws and regulations of any particular jurisdiction or port in the world, to which our Group's vessels may from time to time travel, may impose any income tax, profits tax, withholding tax or other special taxes or levies on our Group's income derived from the relevant vessels, and there is no assurance that our Group may have the right to claim against the relevant charterers or sub-charterers for reimbursement of such taxes or levies. If such risks materialise, our Group may need to pay the taxes and/or levies and our profitability may be adversely affected.

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We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities

Due to the nature of our business, our Group finances additions to our vessel fleet primarily by utilising positive cash flow from our operations and drawdown of borrowings from bank or finance lease companies. As all material additions to our vessel fleet were classified as non-current assets, while a portion of the borrowings used for financing the building of the vessels were classified as current liabilities, the material additions to our vessel fleet had contributed to the incurrence of net current liabilities of our Group during the Track Record Period. Our Directors are of the view that we will continue to record a net current liability in our business expansion phase due to: (i) the difference between the term loan period and useful life of vessels; and (ii) current portion of our bank loans that are due within one year are classified as current liabilities.

The position of our net current liabilities, would expose us to liquidity risks which would restrict our ability to make the necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. In addition, if we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our operations or satisfy our current liabilities in a timely manner, our business operations, our liquidity and our ability to raise funding may be materially and adversely affected by our net current liabilities. There can be no assurance that we will maintain sufficient working capital, revenue or raise the necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial position, results of operations and prospects could be materially and adversely affected.

Our Group relies on third parties to oversee the business operations of our vessels and the procurement of new vessel

Ship management companies

To facilitate the efficient operation and management of our vessels, we outsource the management responsibilities of our vessels, including technical management, crew management, crew insurances, safety management and compliance with international conventions, to two ship management companies, BSM and Group A. For further details of the responsibilities of the ship management companies, please refer to the section headed “Business — Suppliers — Ship Management Companies” in this prospectus.

The ship management agreements entered into between our Group and the ship management companies usually have a term of approximately one year, subject to renewal, and some are on-going with no fixed term. If our Group fails to meet our obligations under the agreement, the ship management companies may give notice requiring us to remedy it. In the event that our Group fails to remedy it within a reasonable time to the reasonable satisfaction of the ship management companies, the ship management companies shall be entitled to terminate the agreement immediately.

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There is no assurance that the existing ship management companies will continue to provide us the ship management services. In the event of termination of, or changes to, the current arrangements with the ship management companies, we may not be able to timely engage alternative ship management companies of comparable quality and credentials to execute the ship management in the same standard. In such case, our Group's financial operations and financial results will be adversely affected.

There is no assurance that the existing or future ship management companies will always be able to meet the requirements set by our Group, the classification societies and our customers. If they are unable to manage any of our vessels properly and meet all such requirements, we will face the risk of our vessels being suspended or arrested.

Shipbroker

We identify and secure our customers through our business department or shipbrokers. Our Group engages the services of a shipbroker which provides our Group with information in relation to potential customers. The shipbroker acts as a middleman to match what our Group can provide and what the potential customers need. There is no assurance that the customers introduced by the shipbroker have good credit or good trading records, or that the customer information provided by the shipbroker is accurate and up-to-date. In the event that our customers introduced by the shipbroker default, breach or repudiate our charterparty, and our Group is unable to engage a new customer in a timely manner, the off-hire period and legal costs in pursuing against the defaulting customers may materially and adversely affect our operations and financial results.

Shipyards

We engage shipyards to build all of our nine vessels so that we can monitor the vessels' architectural and functional design which is customized for the specific purpose of carrying asphalt. As at the Latest Practicable Date, we had engaged a shipyard to build a new vessel for us. The new vessel is under construction which is expected to be completed within 2018. For further details, please refer to the section headed "Business — Our Fleet" in this prospectus. Although we have a department which works with the shipyards to oversee the shipbuilding process and trial runs of every new vessel, we cannot assure that the new vessels are free from any quality issue that may affect our operations and financial results adversely.

Our business is vulnerable to outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, piracy, political unrest and other events beyond our control

Our business could be materially and adversely affected by the outbreak of health epidemics such as H1N1, swine influenza, avian influenza, Severe Acute Respiratory Syndrome ("SARS"), influenza caused by H7N9 and H3N3, Ebola, or Middle East Respiratory Syndrome ("MERS"). Any such outbreaks or health epidemics in any jurisdiction our vessels operate may lead to a decline in the demand for our Group's asphalt tanker chartering services due to a consequential decline in the volume of international or regional trade, which could thereby adversely affect our Group's operations

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and profitability. Outbreak of epidemics may also result in disruption to our Group's business if the local health or governmental authorities impose quarantine or other inspection measures on our Group's vessels, or impose restrictions against import or export of cargo from or to the affected countries.

Our operations are also vulnerable to interruption or damage caused by fires, floods, power losses, telecommunications failures, acts of war, human errors, piracy and similar events. If any of these events occurs in the future, particularly in jurisdictions where our vessels visit, our operations could be materially and adversely disrupted and affected due to loss of personnel, damage to property or decreased demand.

We may not have sufficient insurance to cover the risks related to our operations and losses and may not be able to maintain existing insurance coverage

In operating our fleet, we are exposed to inherent risks and external factors which are out of our control, such as collisions and other marine disasters or accidents, environmental pollution caused by, among others, oil spills, cargo and property loss or damage, piracy or terrorism attacks. Disruption of operations may also be caused by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. Any such circumstances or events can result in loss of revenue or increased costs.

For details of the insurance maintained by our Group, please refer to the section headed "Business — Insurance" in this prospectus. However, there can be no assurance that all risks are insured or adequately insured against, or that any particular claim will be paid or that our Group will be able to procure adequate insurance coverage of any of these risks at commercially viable rates in the future. The insurance policies that we have currently obtained do not cover, for instance, the following risks: (i) cancellation of a charterparty or other engagement of the vessels; (ii) loss of freight charges or charter hire for the vessel; (iii) loss or damage from terrorism and radioactive and chemical contamination; (iv) nuclear risks or blockade running; (v) loss, shortage, damage or delay occurring on land after discharge; or (vi) act of wilful misconduct of the captain or the crew of our Group's vessels. We have not effected insurance policies to cover loss of revenue due to delay or detention caused by political unrest, labour strikes, arrest, crew desertion, crew illness, infectious diseases, stowaways, drug seizure, inability to load or discharge cargo which are considered as trading risks.

Under most of the insurance policies, there are applicable deductibles so that loss or damage or liability suffered or incurred by us below a prescribed amount may not be claimed from the insurance companies, but must be borne by our Group. In addition, we will not be able to maintain the existing insurance coverage if we are in wilful breach of any warranties under the relevant insurance policy.

Our Group's insurance policies contain certain standard exceptions, exclusion, limitation and deductibles in relation to losses arising from acts of war, terrorism, wilful misconduct or fraud. In the event there are payments owed to the P&I Association, our vessels may be subject to liens by way of arrest or detention in any jurisdiction in which the vessel may call.

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In March 2016, due to the negligence of the crew members, San Du Ao was ordered to leave a port before completion of cargo discharging. In the incident, during the process of mooring the vessel, the crew members noticed the vessel shifted forward unexpectedly. Thus, the crew members adjusted the ropes on their own and failed to communicate this to the port. This was a breach of the port's regulations. The mooring master of the port then filed a complaint against the vessel which was ordered to leave the port before completion of cargo discharging until the crew members' breach was rectified. The order to leave the port caused a disruption to the schedule of the next voyage and caused the charterer an economic loss for such 25 off-hire days. As a result, our Group agreed to deduct the charter hire by US\$425,000 as compensation to the charterer.

As crew members are not our staff but the staff of the ship management companies that we engage to manage our vessels, whether the crew members can perform their role satisfactorily is beyond our control. In the event the abovementioned incidents or the like happen in the future, our revenue may be deducted and no insurance can be claimed for our loss of charter hire.

Our business relies on a limited number of vessels

As at the Latest Practicable Date, our Group's fleet consisted of nine vessels. Please refer to the section headed "Business — Our Fleet — Our vessels in operation" in this prospectus for further details of our Group's vessels. During the Track Record Period, our Group had nine vessels in operation. The revenue attributable by the nine vessels were as follows:

Name of vessel or company	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
San Du Ao	49.7%	28.2%	14.9%	16.8%	12.2%
Zhuang Yuan Ao	50.3%	34.1%	14.8%	17.7%	13.3%
Feng Huang Ao	—	37.7%	17.4%	19.3%	14.7%
Lilstella	—	—	13.8%	17.2%	9.5%
Poestella	—	—	12.8%	17.3%	10.2%
Orcestella	—	—	14.1%	6.9%	12.6%
Rostella	—	—	11.1%	0.8%	15.0%
Baustella	—	—	—	—	9.5%
Jastella	—	—	—	—	3.0%
Bilxin Shipping ^{Note 1}	—	—	1.1%	4.0%	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Note 1: Revenue of approximately 1.1% was generated by Bilxin Shipping for the year ended 31 December 2017, mainly attributed to our fulfilment of COAs, for further details, please refer to the section headed "Business — Customers — Relationship with Group A" in this prospectus.

The reason for San Du Ao and Zhuang Yuan Ao contributing to a significant portion of our Group's revenue during the Track Record Period was that our Group used to have a limited number

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of vessels. Therefore, if the operation of any of our Group's vessels is disrupted due to retirement, ship arrests, inspection, repair or maintenance, marine accident, mechanical failure, labour strikes, human errors, adverse weather conditions, terrorist attacks, piracy or other reasons, or any loss or damage suffered by our Group in respect of the vessel, such as default in payment of charter hire of any of our vessels, could have significant impact on the business, profitability and operating results of our Group.

Although our Group had nine vessels in operation and there was a new vessel under construction as at the Latest Practicable Date, there is no assurance that the additional new vessel that was expected to be completed within 2018 would be sufficient for our Group to minimise the impact on our Group as a result of any disruption or cessation of, or loss or damage suffered in respect of, the other vessel(s) of our Group.

We rely on the certificates issued to our vessels by the classification society and we are required to obtain, retain and renew such certificates for each vessel

Each of our vessels is required to be classed by a reputable international classification society. To ensure our vessels are properly classed by an international classification society, namely BV, our Group is obliged to pass the annual, intermediate and renewal surveys. These surveys are essential for the maintenance and renewal of our vessels' classification status.

Apart from surveys conducted by BV, we are also subject to inspections by PSC, FSC and OCIMF which implement international conventions and codes, such as International Convention for the Safety of Life at Sea (SOLAS Convention), International Convention for the Prevention of Pollution From Ships (MARPOL Convention), International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), and the Maritime Labour Convention (MLC). The inspection system and review system in relation to the inspections at ports are recorded on a memorandum of understandings under PSC. Our vessels docked at ports registered under Paris MOU and Tokyo MOU are required to pass their inspection. For further details, please refer to the section headed "Laws and Regulations" in this prospectus. Our fleet may be subject to such inspections upon every arrival and departure at ports. Failure to pass any of these inspections may lead to suspension of our vessels' certificates.

During the Track Record Period, we successfully passed every survey and inspection conducted by BV, PSC, FSC and OCIMF. However, there is no assurance that our operation of vessels will pass these surveys and inspections all the time in the future. Any failure of pass will lead to the suspension of the certificate, which in return may lead to a breach of our relevant charter agreement and have a material effect on our operations and revenue.

We rely on stable cash inflows to service the cash outflows for repayment of long-term borrowings

Our ability to repay our long-term borrowings and to fund the planned vessel building depends to a certain extent on the level of our chartering income and operating cash flows. We cannot assure you that our business will generate stable cash inflows to service the cash outflows for repayment of our long-term borrowings. Nor are we able to assure you that our customers will pay charter hire and/or freight charges to us promptly.

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If our cash flows and financial resources are not sufficient to service our long-term borrowings and/or to support our business growth, we may need to re-schedule the implementation of our growth strategies and our future investments in vessels. We may also need to arrange for new borrowings, the availability of which is subject to the condition of the capital and credit markets and our financial condition at such time. Any new borrowings obtained by us may be at higher interest rates and may require us to comply with onerous undertakings and covenants, which could further restrict our business and adversely affect our operating results and financial condition.

Our Group has a high level of indebtedness

As at 30 April 2018, our Group had a total outstanding borrowings of approximately US\$97.9 million, with a gearing ratio of approximately 1.26. Among the outstanding borrowings, approximately US\$97.3 million was bank loans and finance lease payables. Our Group's ability to repay our borrowings and loans as they fall due depends heavily upon our future operating performance, cash flow, and the results of the Global Offering. Any decrease in our Group's operating cash flows or decline in the future operating performance may impair our Group's liquidity and our ability to service our debts and other payables. Our Group's working capital for the purpose of our operations could be constrained, which could have an adverse impact on our Group's business operations. Our Group may need to divert our cash flow from our expansion plans or to raise funds by way of equity or debt financing, in which cases our Group's expansion plans and our financial position could be adversely affected.

We are subject to foreign exchange rate fluctuations

Presently, our revenue is denominated in U.S. dollars. The majority of our operating costs are denominated in U.S. dollars and to a smaller extent in Renminbi and Singaporean dollars. In addition, some of the bank loans to finance our shipbuilding are denominated in Singaporean dollars. To the extent that our sales and purchases are not exactly matched in the same currency, to the extent that there are timing differences between invoicing and collection / payment, or to the extent the Singaporean dollars appreciates significantly against the U.S. dollars, thereby inflating the amount of loan denominated in Singaporean dollars, we will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than our functional currency and reporting currency, U.S. dollars. During the Track Record Period, due to the fluctuations of the exchange rates between U.S. dollars against Singaporean dollars, we incurred net exchange gain of approximately US\$14,000 in 2015, net gain of approximately US\$299,000 in 2016, net loss of approximately US\$1.5 million in 2017 and net loss of approximately US\$261,000 for the four months ended 30 April 2018. There is no assurance that we will be able to successfully manage our foreign exchange risks. Accordingly, any significant adverse foreign currency fluctuations may adversely impact on our financial performance.

We are exposed to changes in fair value of our derivative financial instruments

Any gain or loss arising from a change in fair value of our derivative financial instruments is recognised in the consolidated statements of profit or loss and other comprehensive income. Our derivative financial instruments may incur negative fair value change in the future, which may

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adversely affect our profitability. Our results may fluctuate due to increases or decreases in the appraised fair value of our derivative financial instruments. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such derivative financial instruments.

The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure the changes in market conditions (if any) will continue to create fair value gains on our derivative financial instruments at previous levels or at any level at all, or that the fair value of our derivative financial instruments will not decrease in the future or that our derivative financial instruments will increase substantially or at all.

We are exposed to interest rate risks

As at the Latest Practicable Date, our Group had nine vessels in operation, five of them, namely, San Du Ao, Zhuang Yuan Ao, Feng Huang Ao, Baustella and Jastella are under finance lease arrangements and the remaining four vessels are financed under bank loans. As at the Latest Practicable Date, 100% of the bank borrowings and finance lease of our Group in effect bore interest at floating rates. During the Track Record Period, our Group employed an interest rate swaps in 2017 in order to mitigate our exposure associated with the interest rate fluctuations risk. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group's finance costs amounted to approximately US\$649,000, US\$1.9 million, US\$3.6 million and US\$1.5 million, respectively. Any increase in the interest rates could cause our Company's finance costs to increase, which could adversely affect the results of our Group.

As bank borrowings and finance lease arrangements are one of the means to finance the expansion of the fleet size of our Group, any rise in the interest rate will constrain our Group's competitiveness by increasing our finance cost and our results of operations can be adversely affected. There is no assurance that our Group will be able to obtain external bank financings or finance lease arrangements at competitive interest rates to facilitate the implementation of our fleet expansion plan in the future. If the implementation of our Group's fleet expansion is constrained by the increase in interest rates and the finance costs, our Group's competitiveness and our results of operations could be adversely affected.

We are exposed to credit risk of our customers

Our trade receivables as at 31 December 2015, 2016, 2017 and 30 April 2018 amounted to approximately nil, nil, US\$1.1 million and US\$1.4 million, respectively. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected.

There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In the event that the settlements from our customers are not made on a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

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Any material breach of the undertakings and covenants in our existing borrowings could adversely affect our business and financial conditions

The agreements for our borrowings contain some undertakings and covenants which principally include: -

- the revenue generated from our operation have to be deposited into specified accounts;
- the loan to value ratio shall not exceed a pre-determined percentage of the market value of our vessels;
- our Group shall maintain a minimum balance with the lender at all time;
- no change in vessels' class and flag;
- for time chartered vessels, no cancellation of the existing time charterparty without the lender's written approval.

If we fail to comply with any of such undertakings and covenants, it may constitute a breach of the relevant agreements, which may entitle the lenders to demand us to repay the total borrowings and accrued interest immediately or cancel our borrowing arrangements. In any of these events, our business, operating results, and financial condition could be adversely and materially affected.

Additional insurance contributions may be levied on us by P&I Associations to which we belong

We have maintained P&I insurance for our fleet from China Shipowners Mutual Assurance Association and an insurance company based in Norway. As a result, we became a member of two P&I Associations. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The aim of a P&I Association is to provide mutual insurance based on the aggregate tonnage of the members' vessels which entered into the association. Claims are paid through the aggregate premiums contributed by all members of the association. The P&I Associations could call for additional funds if the aggregate premiums are insufficient to cover claims submitted or claims submitted to the association from other P&I Associations where the association has entered into interclub agreements. There is a risk that the P&I Associations to which we belong will call for additional funding from its members and such funding calls might adversely affect our financial performance.

Failure to obtain sufficient funds may affect our Group's expansion needs

Our Group's business is capital intensive and it requires a substantial amount of fund to finance our expansion. Thus, the cash generated from our operations as well as access to external financing to operate are paramount for expanding our business. Our Group's bank borrowings repayable was approximately US\$59.6 million as at 30 April 2018. Our Group's future funding capacity will mainly depend on our working capital status and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control of our Group. Any tightening measure by our bank may increase the interest costs on our Group's bank borrowings and

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create difficulties for our Group to refinance the existing bank borrowings or to obtain additional funding for our Group's operations and/or implementation of our expansion plans. We cannot guarantee that our Group will be able to obtain sufficient funds that may effect our Group's expansion needs.

Our Group may face counterparty risk

Our Group's customer base is diverse all over the world. During the Track Record Period, we identified and secured our customers through our business department or a shipbroker. It is our Group's practice to engage customers with good credit record and preferably larger companies with a long established records. As such customer information may not always be readily available and transparent in the market and the information collected by our business department or provided by the shipbroker may not be accurate, for customers whom we have not worked with before, we may rely on their general reputation in the market in assessing their credibility and we are subject to the counterparty risk. There is no assurance that such assessment is correct or these customers can fulfil their obligations under the relevant charter agreements. If a customer defaults or repudiates the charter agreement, apart from non-payment of charter hire, our Group may need to incur additional costs in handling any cargo which are on board, and may also incur costs on port expenses and stevedoring costs, and our Group's financial condition could be materially adversely affected.

Our major customer, Group A, is an international player in the asphalt tanker chartering services market, if we fail to retain Group A as our major customer, it could adversely affect our business and financial conditions

During the Track Record Period, Group A contributed approximately 100%, 66.2%, 29.7% and 25.5% of our Group's total revenue for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively. Group A's indirect operating subsidiary ("**Subsidiary of Group A**"), which shares are listed on the Shanghai Stock Exchange, is one of the major international players in the asphalt tanker chartering services market according to the F&S Report. For the year ended 31 December 2017, the Subsidiary of Group A ranked among the top five in terms of total carrying capacity of vessels and in terms of revenue in the global market, while our Group ranked fourth. For further details of our major customers and their respective contributions to our revenue and the competitive landscape of our asphalt tanker chartering services, please refer to the sections headed "Business — Customers" and "Industry Overview — Competitive Landscape" in this prospectus.

As at the Latest Practicable Date, we have had eight years of business relationship with Group A and we expect that our Group will continue to, albeit decreasingly, rely on the revenue generated from our chartering services to Group A. Due to the competitive landscape of global asphalt tanker chartering services market, we consider that competition with the Subsidiary of Group A may intensify in the future. If we fail to retain Group A as a major customer, or if, for reason of competition with the Subsidiary of Group A or any other reason, Group A stop engaging our services, we may not be able to find other customers for substitution in a timely manner and on similar terms, or at all. As a result, our business, financial position and operation results may be materially and adversely affected.

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Our revenue derived from time charters would depend on our customers' hire performance of our vessels

Our Group's vessels are chartered to our customers on a long-term basis ranging from two to ten years. Multiple sub-periods may exist if the charter period is longer and at the end of each sub-period, charter hire is re-negotiated within the agreed ceiling and floors.

Under our time charters, our customers are responsible for cargo shipments according to their needs. If our customers cannot utilise our vessels effectively, they may propose a lower charter hire at the end of the sub-period. Besides, our customers may request our Group to enter into supplementary agreement to adjust the charter hire. During the Track Record Period, our Group entered into two supplementary agreements with Group A to reduce the charter hire. For details, please refer to the section headed "Business — Sales and Marketing — Our pricing" in this prospectus.

There is no assurance that our customers will utilise our vessels effectively, and there is no assurance that our customers will not request adjustments on the charter hire. A downward adjustment in the charter hire would affect our Group's revenue, profitability and financial position.

An increase in bunker fees may reduce our Group's profitability

Bunker fees are generally borne by our customers under time charters, whereas such costs are generally borne by us under voyage charters and CoAs. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, voyage charters and CoAs accounted for approximately nil, 8.7%, 40.5% and 40.2% of our total revenue. As voyage charters and CoAs contributed increasingly to our revenue, our cost of sales are more subject to the fluctuations of the bunker fee. The factors affecting the bunker fee are beyond the control of our Group as it can be influenced by various economic and/or political factors. Any increase in the bunker fee may affect the costs of global maritime trade and thereby may lead to a decline in demand for our Group's services. The fluctuation of bunker fee may also affect our vessels' operational costs during their off-hires. In addition, under voyage charters and CoAs, our Group is responsible for the bunker fees, any increase of the bunker price, coupled with our failure to timely transfer the rise in cost to our customers, would adversely affect our Group's financial performance.

We are exposed to risk of inventory obsolescence

Our inventories are principally bunker and lubricant oil stored in our vessels under voyage charters and CoAs. As both bunker and lubricant oil are essential to a smooth operation of our vessels and can only be reloaded at ports, we generally purchase a slightly extra amount of inventories in case of any unexpected event or extended voyage. Any inventory obsolescence due to over-purchase of inventory may require us to make adjustments to write down our inventory to the lower of cost or net realisable value, which is subject to the market price of crude oil, and our operating results and financial condition may be adversely affected.

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We may not be able to grow or manage our growth effectively

In light of the expected improving demand for asphalt trading market in the coming years as indicated in the F&S Report, we plan to expand the size of our fleet by engaging shipyards to build new vessels for us. However, our projected growth will depend upon our ability to maintain, expand or develop our customer relationships, engage shipyards to build new vessels and/or retain qualified personnel to manage and operate our growing business and fleet, and identify new markets.

There is no assurance that we will be able to effectively achieve growth. An example which may hinder our Group's growth and development will be the emergence of price war among the competitors. This may have an adverse impact on our growth, and even profitability. The failure to manage any of such factors effectively may materially and adversely affect our business, financial position and results of operations.

Our operations may be adversely affected if there is any significant downtime of our vessels

If there occurs any event will cause a prolonged and significant downtime of our vessels, our operations may be adversely affected with major disruptions. These events may include but are not limited to lack of staff or materials, extensive servicing or repair, collision, special inspection, captain or crew's strike, captain or crew's sickness or death, legal proceedings caused by the vessels, captain or crew, vessels being detained by national or foreign authorities. In the event we are affected by such prolonged and significant downtime of our vessels, our operations and financial performance may be adversely affected.

Reliance on key management personnel may impose risks on our Group

Our Group's performance and success is, to a significant extent, attributable to the vision and leadership of our Directors and senior management team, in particular, Mr. Xu Wenjun, our executive Director and chief executive officer and Mr. Xu Jianping, our vice president. The future success of our Group will depend on the continued involvement, efforts, performance and abilities of our Directors and senior management team of our Group as a whole. Competition for senior management and key management personnel, in particular, qualified, skilful and experienced practitioners in the asphalt tanker chartering service industry, is intense and the pool of experienced candidates is limited. There is no assurance that our Group can maintain, develop and continually tap on the experience and skills of our key management personnel, and our Group may lose our key management personnel to competitors. If our Group fails to retain our key management personnel or attract and engage a suitable replacement on a timely basis, it may materially adversely affect the business, operations and financial condition of our Group.

Our leased properties may be subject to certain specific risks including those arising from defective title and we may be required to relocate

As at the Latest Practicable Date, the landlord of ("Landlord A") 09, 10, 11A, No. 43 floor, Sheng Long Financial Centre, No. 1 South Guang Ming Road, Fuzhou, the PRC* (福州台江區光明南路1號升龍滙金中心, 43層09, 10, 11A單元) ("Property A") and the landlord of ("Landlord B") 17th

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Floor, Building 3, Jinjingwan Business Ying Yun Center, Pingtan, Fuzhou, the PRC* (平潭綜合實驗區金井灣商務營運中心3號樓17層) (“**Property B**”) could not provide us with the building ownership certificates concerning Property A and Property B. Property A and Property B are mainly used as offices for our Directors and senior management for administrative purpose.

Our PRC Legal Advisers advised us there is a risk that we may need to relocate from Property A and Property B. Our PRC Legal Advisers advised us that we may be subject to a maximum penalty of RMB10,000 in each case.

In case we relocate from Property A or Property B or both, our administrative functions at Property A and Property B will be interrupted and we will incur expenditures for relocation. If we are unable to find alternative office premises with comparable location, rents, or leasing terms and condition in a timely manner, our administrative functions and business operation may be affected.

Depreciation expenses in respect of our vessels may affect our profitability

As part of our established accounting policy, depreciation is charged so as to write off the costs of our vessels over their remaining estimated useful lives from the date of their delivery with the initial estimated useful life of 25 years, after allowing for residual values estimated by our Directors, using the straight-line method. The residual value of our vessels is reviewed annually by reference to scrap steel price at the end of each reporting period. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our depreciation expenses in respect of our vessels amounted to approximately US\$2.5 million, US\$3.2 million, US\$5.5 million and US\$2.2 million, respectively, representing approximately 38.9%, 35.4%, 27.1% and 26.9% of our total cost of sales, respectively.

As we had engaged a shipyard to build a new vessel, Lotstella, for us as at the Latest Practicable Date and we planned to build two additional vessels each with a carrying capacity of approximately 21,000 dwt, the depreciation expenses in the coming financial years are expected to increase. The expected increase in depreciation expenses for Lotstella is approximately US\$175,200 and US\$700,800 for the years ending 31 December 2018 and 2019, respectively. No depreciation expenses will be incurred for the two additional vessels for the years ending 31 December 2018 and 2019 because the two additional vessels will be built according to the future plan of our Company and no depreciation expenses will be incurred before they are delivered. If our future revenue declines for whatever reasons, our depreciation expenses may outweigh our revenue, and our profitability may thereby be materially and adversely affected.

Major litigation may affect our business

As our asphalt tanker chartering services business has inherent risks of marine accidents, we are exposed to risk of being involved in major legal proceedings, which could result in loss or damage of property or even death or injury to persons. If we are involved in any legal proceedings, our management’s time and efforts could be diverted from the operation of our business to pursue or defend the legal proceedings, and the insurers may also increase our insurance premium. These may materially and adversely affect our operations and financial performance.

RISK FACTORS

From time to time, if we fail to claim or defend any legal proceedings involved, or fail to settle such legal proceedings on commercially reasonable terms, and the damages which we may be found liable to pay in respect of such legal proceedings are not covered by current insurance policy or otherwise not paid by the insurers for whatever reasons, our business and results of operations may be materially and adversely affected.

Our Group's vessels could be arrested by maritime claimants, which could adversely affect the business and results of our Group

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to enforce its unsatisfied debts, claims or damages by seeking court orders from the relevant jurisdictions to either arrest or attach the vessel. As a shipowner, we may need to pay a substantial amount of money or provide other security in order to have the arrest of or attachment to our vessels lifted. Our Group may also suffer loss of revenue during the off-hire period as a result of such detention of the vessels. If any of our Group's vessels is detained for any reason, our Group's business, financial conditions and results of operations may be materially and adversely affected.

Changes in environmental regulations may materially and adversely affect our business operations and financial performance

Each of our vessels is required to obtain the relevant certificates issued by the classification societies pursuant to the ISM Code for compliance with various requirements relating to prevention of air pollution, oil pollution and other kinds of marine pollution. For further details of the relevant certificates of our vessels, please refer to the section headed "Laws and Regulations" in this prospectus. In the event that there are more stringent environmental regulations on emission requirements, we may have to incur additional costs to fulfil such requirements or replace our vessels, which may materially and adversely affect our business operations and financial performance.

The interests of the Controlling Shareholders may differ from those of other Shareholders

The Controlling Shareholders will control the exercise of 68.25% voting rights in the general meeting of our Company immediately after the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). In light of the foregoing, the Controlling Shareholders could exercise significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of the assets, election of directors, and other significant corporate actions, but except those connected transactions which are related to the controlling shareholders. The interests of the Controlling Shareholders may differ from the interests of the other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of the other Shareholders, or if the Controlling Shareholders choose to cause our Group to pursue strategic objectives that conflict with the interests of the other Shareholders, those Shareholders could be disadvantaged by the actions of the Controlling Shareholders.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

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

Our business are substantially affected by the global and regional economic and market conditions, and level of international and regional trade. If the demand for infrastructure construction materials, and thereby asphalt, declines due to slowing economic growth, recession, trade restrictions, or other reasons, it will automatically lead to a decline in the demand for our chartering services or otherwise lower our charter hire rates. Political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs and other factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume and, in turn, could have a material adverse effect on our business, financial condition and results of operations as well as affecting our future expansion strategies.

For example, if the recent Sino-U.S. trade war persists and as a result the global economic environment deteriorates, the demand for infrastructure construction materials could be affected, which may in turn have an adverse impact on our business, financial condition and results of operations.

In addition, the utilization rate of our vessels is affected by the market demand and supply of asphalt tanker chartering services, which is subject to the global economic condition of infrastructure construction industry. In the event that the global economy fails to improve or further suffers a recession, the demand for asphalt tanker chartering services would decrease accordingly. Thereby, the utilization rate of our vessels would decrease and our operating results and financial performance would be materially and adversely affected.

We operate in a competitive industry

We face competition from both big and small participants in the industry. Our competitors may have a smaller fleet than we do (hence with smaller capacity or flexibility to meet customer requirements), but they may nevertheless compete with us through lower pricing. On the other hand, the larger competitors, with their greater fleet capacity and optimal fleet composition, wider ports and route coverage, may have more opportunities to gain market share than we do. In the event that competition increases in some or all of our principal markets, or our competitors are able to provide comparable services at a lower price and/or better quality and as a result, necessitate us to lower our prices significantly in order to secure charter agreements, this will result in us having a lower profit margin. Furthermore, we may not be able to secure charter agreements that we are prospecting. This may have an adverse effect on our financial performance.

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

The ownership, operation and management of vessels is highly regulated. Our Group's operations are subject to compliance of extensive international conventions, treaties, international and local laws and regulations in force from time to time in the countries and ports where our Group's vessel visit,

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the applicable laws in Hong Kong and Singapore, being the jurisdiction in which our Group's vessels are registered, and the international conventions and regulations adopted by the IMO, including the ISM Code, the SOLAS Convention and the MARPOL Convention. Please refer to the section headed "Laws and Regulations" in this prospectus for an overview of the regulatory environment in which our Group operates.

We may have to incur extra cost for ship improvements or modifications, maintenance and inspection for the purpose of compliance with such regulations. Extra cost may also be incurred in relation to changes in operating procedures.

There is no assurance that our Group will be able to comply with the applicable international conventions, treaties, international and local laws and regulations. The failure to comply may subject our Group to increased liability, decreased insurance coverage for the affected vessels, and may result in denial of access to, or detention in, certain ports, which may have an adverse effect on the business operation, financial condition and results of our Group.

In the event that any international conventions, national, state or local laws and regulations, or any applicable codes, guidelines and standards which may be recommended, adopted or implemented from time to time by maritime industry organisations and agencies become more stringent in the future and/or additional regulations requiring our compliance are introduced, our costs of operations may increase and this may have an adverse effect on our profitability.

There are operational risks inherent to the vessel chartering industry, such as pirates attacks, that may adversely affect our operations and business

The seaborne operation of vessels carries certain inherent risks, including marine accidents, oil spills or other pollution incidents, cargo and property losses or damages, grounding, fire, explosions, collisions, as well as business interruptions caused by mechanical failure, labour strikes, human errors, adverse weather conditions and piracy. If any of these risks materialises, it may result in death or injury to persons, loss or damage of property, environmental pollution or damage, delays of the freight, breach or termination of charter agreements, imposition of fines or penalties, arrests or detention of vessels, increase in insurance costs and/or disputes with customers, which may adversely affect our business operations and results.

The seaborne operation of vessels for vessel chartering industry is vulnerable to pirates attacks. Due to our business nature, it is inevitably exposed to the risks of possible pirates attacks to our vessels over their course of sails.

There is no assurance that our policies and procedures will prevent all of our vessels from pirates attacks in the future. If any of our vessels is attacked, captured or hijacked by pirates in the future, this may involve loss or damage to the property on board (or loss of our vessels altogether in the event that our vessels are destroyed or taken away by the pirates) or even deaths or injuries to persons, our business and results of operations could be materially and adversely affected.

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Labour risks could disrupt our business, including labour unrest and increase in labour costs

Our Group's operations at ports are dependent on the external parties providing labour services, including shipping agencies, stevedores and others at the relevant ports to carry out the import, loading, unloading and other operations thereat. Our Group's operations are also dependant upon the crew on board, who are employed by external parties.

Industrial action or other labour unrest with respect to such external labour could prevent or hinder our Group's normal operating activities and, if not resolved in a timely manner, may have an adverse effect on the business operations of our Group.

Government requisitions during periods of emergency or war may disrupt our business

Our vessels may be requisitioned or seized by governments for use during wartime or other emergency situations. Shipowners, however, may not be able to receive any compensation from the government, or vessels may be chartered at the charter hire rates which are below the then prevailing market rates. Requisitions by governments could thereby adversely affect our business and results of operations.

The utilisation rate of our vessels is determined by the market demand and supply of asphalt tanker chartering services, which is subject to the global economic condition

During the Track Record Period, our fleet utilisation rate was above 90%. The utilisation rate of our vessels is determined by the market demand and supply of vessel chartering, which is subject to the global economic conditions. In the event that the global economy fails to improve or further suffers a recession, the demand for asphalt tanker chartering services would decrease accordingly. This would lower our fleet utilisation rate and would materially and adversely affect our operating results and financial performance.

Apart from the above, in recent years, multi-national companies and/or large companies may, for purpose of ensuring stable means of asphalt transport, own and operate their fleet of vessels, hence lowering their demands for chartered vessels. In these circumstances, our turnover may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Global Offering, there has been no public market for our Shares. Following the completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are listed. There is no guarantee that an active public trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price will be determined by agreement between us and the Joint Global Coordinators (for themselves and on

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behalf of the Underwriters), and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares may be materially and adversely affected.

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, such as general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business may affect the trading price of the Shares. The performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may also affect the volatility in the price of and trading volumes for our Shares. Recently, a number of companies have listed their securities, or are in the process of preparing for listing their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performance of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong and may consequently impact the trading performance of the Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of the Shares in the public market could have a material adverse effect on the prevailing market price of the Shares

Immediately after completion of the Global Offering and the Capitalisation Issue and without taking account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, our Company will have 400,000,000 Shares in issue, of which 100,000,000 Shares will be held by investors participating in the Global Offering, representing 25% of the entire enlarged issued share capital of our Company, and an aggregate of 273,000,000 Shares will be held by the Controlling Shareholders, representing 68.25% of the entire enlarged issued share capital of our Company. The Offer Shares issued under the Global Offering will be eligible for immediate resale in the public market in Hong Kong upon the Listing. On the other hand, all the Controlling Shareholders have given undertakings not to dispose of their Shares prior to the expiry of a six-month period from the Listing Date. Our Company cannot guarantee that all the Controlling Shareholders will not dispose of any Shares upon the expiry of such period. In the event that the Controlling Shareholders sell a substantial number of the Shares in the market, or where there is a perception that such sales may occur, there could be a substantial adverse effect on the prevailing market price of the Shares.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the Companies Law differs in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

RISK FACTORS

Our Company's corporate affairs are governed by our Memorandum of Association and the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of the Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located.

In addition, although our Company will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the listing of the Shares on the Stock Exchange, the Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong. As a result of any or all of the above, the Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions. For further details on the constitution of our Company and Companies Law, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" set out in Appendix III to this prospectus.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Laws and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Cayman Islands company law is set out in Appendix III to this prospectus.

Certain facts, forecast and other statistics with respect to the asphalt tanker chartering services industry contained in this prospectus may not be reliable

Certain facts and other statistics in this prospectus relating to the asphalt tanker chartering service industry have been derived from various organisations that are generally believed to be reliable. However, our Directors cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of the or their respective affiliates or advisers and, therefore, our Company makes no representation as to the accuracy of such facts and statistics. Such facts and other statistics include the facts and statistics as currently set out in the sections headed "Risk Factors" and "Business" in this prospectus. Due to

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possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them.

Further, our Company cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although our Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

Our Company strongly cautions you not to place any reliance on any information contained in press articles or media regarding our Group or the Global Offering

There may be press and media coverage regarding our Group or the Global Offering, which may include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. Our Company has not authorised the disclosure of any such information in the press or media. Our Company does not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, our Company expressly disclaims it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER PURSUANT TO RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally requires us to have at least two of our executive Directors to be ordinarily residents in Hong Kong. However, our Company would not be able to satisfy the requirements under Rule 8.12 of the Listing Rules for the following reasons:

- (a) except Mr. Ding Xiaoli, none of our executive Directors has been or will be ordinarily resident in Hong Kong;
- (b) the principal business and operations of our Company are based, managed and conducted outside Hong Kong;
- (c) for the purposes of the operations and management of our Group, appointing additional executive Directors who are ordinarily resident in Hong Kong will not only increase the administrative expenses of our Group, but will also reduce the effectiveness and responsiveness of the Board in making decisions for our Group, especially when business decisions are required to be made on a timely basis. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to the Board for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Group and its Shareholders as a whole. In particular, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time, as they will not be physically present in the operation and management base of our Group in the PRC or Singapore all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operations and development of our Group; and
- (d) each of our existing executive Directors has a vital role in the business and operations of our Group and it is of paramount importance for them to remain to be physically close to our Group's back office operations in the PRC. Relocating any of our existing PRC-based executive Directors to Hong Kong would require time to process the application for residency in Hong Kong and the application will be burdensome and costly for our Company and may not enable the relevant executive Directors to perform their strategic roles in our Group. Since such Directors, after the relocation, will not be physically present at the back office operation and management base of our Group in the PRC all the time, they may encounter the aforesaid management difficulties.

We do not and in the foreseeable future will not, have sufficient management presence in Hong Kong.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Accordingly, we have applied to the Stock Exchange a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, and the Stock Exchange has granted us the waiver, subject to the following conditions:

- (a) we have appointed Mr. Ding Xiaoli, one of our executive Directors and Mr. Yim Lok Kwan, our company secretary, as our authorised representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as the principal channel of communication of our Company with the Stock Exchange who will be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to our Company in short notice. For further biographical details of Mr. Ding Xiaoli and Mr. Yim Lok Kwan, please refer to the sections headed “Directors and Senior Management — Directors and Senior Management — Executive directors” and “Directors and Senior Management — Company Secretary” in this prospectus;
- (b) we will keep the Stock Exchange up to date in respect of any change to the contact details of the authorised representatives. Our Company will only change the authorised representatives after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement;
- (c) we have provided the authorised representatives and the Stock Exchange the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and/or fax numbers. Each of the authorised representatives has means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason. All of our Directors who are not ordinarily residents in Hong Kong have confirmed that they possess valid travel documents or will be able to apply for valid travel documents to travel to Hong Kong and will be able to meet the Stock Exchange within a reasonable period;
- (d) we have appointed China Industrial Securities International Capital Limited as the compliance adviser of our Company, pursuant to Rule 3A.19 of the Listing Rules, to act as our Company’s additional channel of communication with the Stock Exchange from the Listing Date to the date on which our Company distributes its financial results for the first full financial year immediately after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and
- (e) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. Each Director will provide his respective mobile phone numbers, office phone number, email address and fax number to the Stock Exchange. Our Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and/or our compliance adviser.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

After the Listing, certain transactions, whereby we have entered into or will continue to conduct, will constitute non-exempt continuing connected transactions for our Company under the Listing Rules. The transactions under the respective agreements are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and our Company has applied for a waiver from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transaction. Apart from the above, we will comply with all the relevant requirements under Chapter 14A of the Listing Rules. Further information on such waiver in relation to the reasons, annual caps and basis is set forth in the section headed "Continuing Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 10,000,000 Shares and the International Offering of initially 90,000,000 Shares (subject, in each case, to reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option).

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The Global Offering is managed by the Joint Global Coordinators. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Global Offering.

Each person acquiring the Offer Shares will be required, and is deemed by his/her/its subscription of the Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Tuesday, 18 September 2018 or such later date as may be agreed by the Joint Global Coordinators and our Company, but in any event no later than Wednesday, 19 September 2018.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 19 September 2018, the Global Offering will not become unconditional and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out under the section headed “Structure of the Global Offering” in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Our principal register of members will be maintained in the Cayman Islands by our Company’s principal share registrar, Eстера Trust (Cayman) Limited.

Dealings in Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our register of members in Hong Kong may be traded on the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for our Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 26 September 2018. The Shares will be traded in board lots of 2,000 Shares.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Unless otherwise specified, for illustration purposes only, the following exchange rates are used in this prospectus:

US\$1 = HK\$7.80

US\$1 = RMB6.33

US\$1 = SGD1.31

No representation is made that any amounts in US\$, RMB, SGD or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments/are rounded to one decimal place. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Ding Xiaoli (丁肖立先生) (alias Mr. Ding Xiaoming (丁孝銘先生))	Flat A, 27/F, Block 1 23 Hing Hon Road Sai Ying Pun Hong Kong	Chinese
Mr. Xu Wenjun (徐文均先生)	Room 2160, Tower 2 Zijing Garden 182 Shutang Road Gulou Qu Fuzhou Fujian Province China	Chinese
Mr. Ding Yuzhao (丁玉釗先生)	Room 1102, Block 6 Ming Yang Di Jing North Ningchuan Road Dongqiao Development District Ningde City Fujian Province China	Chinese
Independent non-executive Directors		
Mr. Lai Guanrong (賴觀榮先生)	Unit 1001, Building 11 No. 17 Courtyard Xi Cui Road Haidian District Beijing China	Chinese
Mr. Suen Chi Wai (孫志偉先生)	Flat F, 45/F, Tower 1 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong	Chinese
Mr. Xu Jie (徐捷先生)	Room 102, No.17 1058 Nong Jin Gao Road Shanghai China	Chinese

For further details about our Directors and senior management members, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Industrial Securities International Capital Limited 7/F Three Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	China Industrial Securities International Capital Limited 7/F Three Exchange Square 8 Connaught Place Central Hong Kong Zhongtai International Securities Limited 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
Joint Bookrunners	China Industrial Securities International Capital Limited 7/F Three Exchange Square 8 Connaught Place Central Hong Kong Zhongtai International Securities Limited 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong SPDB International Capital Limited Suites 3207-3212, 32/F One Pacific Place 88 Queensway Hong Kong Southwest Securities (HK) Brokerage Limited 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	ZMF Asset Management Limited Unit 2502, 25/F World Wide House 19 Des Voeux Road Central Central Hong Kong
Joint Lead Managers	China Industrial Securities International Capital Limited 7/F Three Exchange Square 8 Connaught Place Central Hong Kong
	Zhongtai International Securities Limited 19/F Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
	SPDB International Capital Limited Suites 3207-3212, 32/F One Pacific Place 88 Queensway Hong Kong
	Southwest Securities (HK) Brokerage Limited 40/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
	ZMF Asset Management Limited Unit 2502, 25/F World Wide House 19 Des Voeux Road Central Central Hong Kong
	ChaoShang Securities Limited Rooms 4001-4002, 40/F China Resources Building 26 Harbour Road Wanchai Hong Kong
	Yicko Securities Limited 19/F, Tung Ning Building 125-127 Connaught Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Sky Securities Limited

Room 1106, 11/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong Law:

Li & Partners

22/F
World-Wide House
19 Des Voeux Road Central
Hong Kong

As to Cayman Islands Law:

Appleby

2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

As to International Sanctions Laws:

Hogan Lovells

11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to the PRC Law:

AllBright Law Offices Hangzhou Offices

12/F
HuaCheng International Development Tower
No. 308 Fuchun Road
Jiangan District
Hangzhou
Zhejiang
China

As to Singapore Law:

Avant Law LLC

10 Anson Road
#10-02 International Plaza
Singapore 079903

**Legal advisers to the Sole
Sponsor and the Underwriters**

As to Hong Kong Law:

Addleshaw Goddard (Hong Kong) LLP

802-804 Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to the PRC Law:

Jingtian & Gongcheng Law Firm

45th Floor

K.Wah Centre

1010 Huaihai Road (M)

XuHui District

Shanghai 200031

China

Reporting accountants

RSM Hong Kong

29th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

Tax adviser

RSM Tax Advisory (Hong Kong) Limited

29th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

Compliance adviser

China Industrial Securities International Capital Limited

7/F

Three Exchange Square

8 Connaught Place

Central

Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited

Bank of China Tower

1 Garden Road

Central

Hong Kong

CORPORATE INFORMATION

Registered office	P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Headquarters and principal place of business in Hong Kong	40th Floor Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's website	<u>www.xysgroup.com</u> (information contained on this website does not form part of this prospectus)
Company secretary	Mr. Yim Lok Kwan (嚴洛鈞先生) (ACS, ACIS) 40th Floor Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Ding Xiaoli (丁肖立先生) Flat A, 27/F, Block 1 23 Hing Hon Road Sai Ying Pun Hong Kong Mr. Yim Lok Kwan (嚴洛鈞先生) (ACS, ACIS) 40th Floor Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Suen Chi Wai (孫志偉先生) (<i>Chairman</i>) Mr. Lai Guanrong (賴觀榮先生) Mr. Xu Jie (徐捷先生)
Remuneration Committee	Mr. Xu Jie (徐捷先生) (<i>Chairman</i>) Mr. Suen Chi Wai (孫志偉先生) Mr. Xu Wenjun (徐文均先生)

CORPORATE INFORMATION

Nomination Committee	Mr. Ding Xiaoli (丁肖立先生) (<i>Chairman</i>) Mr. Suen Chi Wai (孫志偉先生) Mr. Xu Jie (徐捷先生)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar and transfer Office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong Norddeutsche Landesbank Girozentrale 138 Market Street #36-03 CapitaGreen Singapore 048946 Maybank Banking Berhad 2 Battery Road #01-01 Maybank Tower Singapore (049907) DBS Bank Ltd. 12 Marina Boulevard Marina Bay Financial Centre Singapore 018982 Bank of China Limited Fujian Pilot Free Trade Zone Pingtan Branch Zhongyin Tower Haibin Road Pingtan country PRC

INDUSTRY OVERVIEW

The information presented in this section and elsewhere in this prospectus, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by F&S, which was commissioned by us. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in market information since the date of the F&S Report which may qualify, contradict or adversely impact the quality of the information in this section. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Directors and the Sole Sponsor have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved, except F&S, in the Global Offering and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned F&S, an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the asphalt tanker chartering market. During the preparation of the F&S Report, F&S performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the target research market. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers and recognised third-party industry association. Secondary research involved reviewing company reports, independent research reports and data based on its own research database.

The F&S Report was compiled based on the following assumptions: (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period.

Based on the above, our Directors and the Sole Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

F&S is an independent global consulting firm, which was founded in New York, the United States in 1961. It conducts industry research and provides market and enterprise strategies, consultancy services for various industries. We have agreed to pay a fee of HK\$500,000 to F&S in connection with the preparation of the F&S Report. We have extracted certain information from the F&S Report in this section and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

All statistics are based on information available as at the date of the F&S Report. The study covered the historical years of 2012 to 2017, took 2017 as the base year and 2018—2021 as the forecast period. However, since the study was conducted in 2017, some of the 2017 figures were not available from public statistical sources at the time of the study. Under such circumstances, Frost and Sullivan would use the latest information available (e.g. 2016) or make projections based on historical trends.

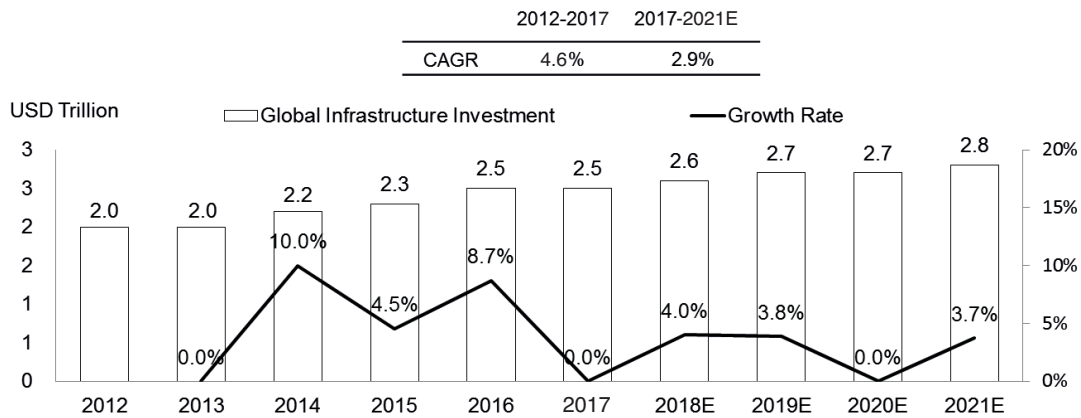
INDUSTRY OVERVIEW

MACRO ECONOMY OVERVIEW

Global infrastructure investment

According to the Global Infrastructure Hub, which was established in 2014 by the Group of Twenty (G20) to increase the quality and flow of world infrastructure investments, the global infrastructure investment has increased from USD2.0 trillion in 2012 to USD2.5 trillion in 2017, representing a CAGR of 4.6%. Going forward, along with the development in world macro economy, it is expected that the global infrastructure investment will further grow to USD2.8 trillion in 2021 at a CAGR of 2.9%.

Global Infrastructure Investment, 2012-2021E

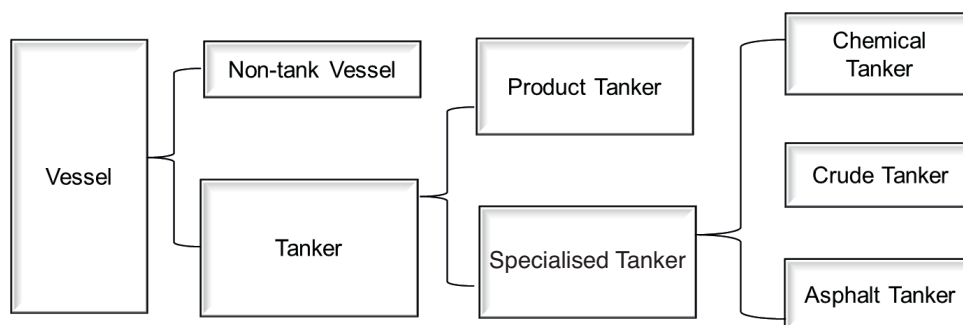


Source: Global Infrastructure Hub, Frost & Sullivan

Note: G20 is a forum of 19 countries plus the European Union and was officially designated as the premier forum for economic co-operation in 2009. Its role is to co-ordinate policies at the international level and to make globalisation a smoother, more harmonious and sustainable process.

MACRO ECONOMY OVERVIEW OF THE GLOBAL SHIPPING MARKET

Definition and Classification of Vessel



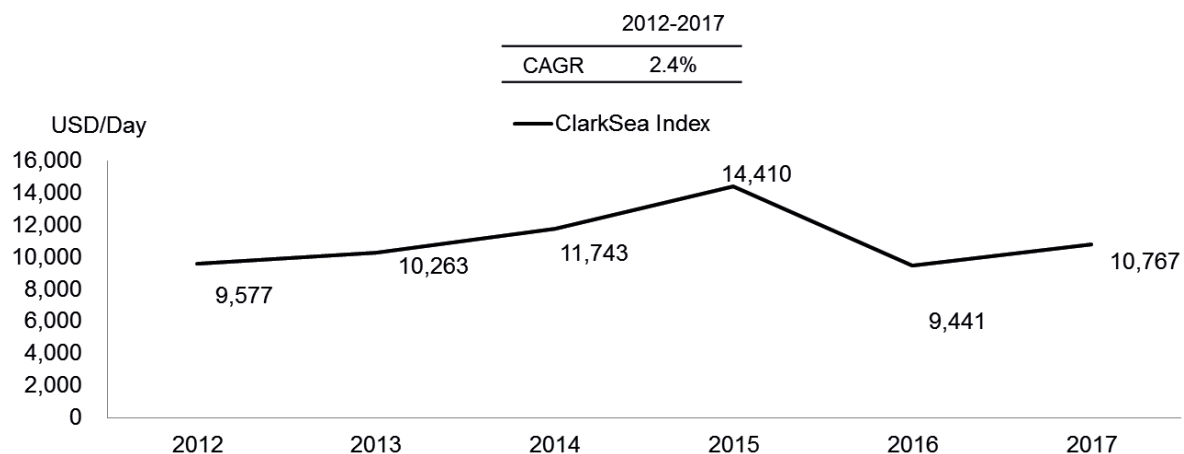
INDUSTRY OVERVIEW

Vessels can be generally divided into two categories by the type of goods transported, namely tankers and non-tank vessels. Tankers refer to the merchant vessels designed to transport gas or liquid, especially oil. Tankers can be further classified into product tankers and specialised tankers. Product tankers are mainly used to carry refined oil products, and currently there are more than 40,000 tankers all over the world. Specialised tankers refer to tankers which can carry goods with special requirements on the vessel, such as heat insulation, anti-corrosion. Specialised tankers include chemical tankers, crude tankers and asphalt tankers. Chemical tankers are used for toxic, flammable or corrosive chemicals. Crude tankers are mainly used to transport crude oil, and asphalt tankers are mainly used to transport asphalt. In 2017, there were around 6,000 specialised tankers all over the world, among which there were 290 asphalt tankers. In addition, dwt of asphalt tankers accounted for approximately 0.4% of the total dwt of specialised tankers.

ClarkSea Index

ClarkSea Index is a weighted average index of earnings for the main vessel types such as tankers and non-tank vessels where the weighting is based on the number of vessels in each fleet sector. It is an important measurement of the revenue of the shipping industry. In the past few years, benefiting from the overall recovery of the world economy since the economic crisis in 2008 and the development of international trade of all products which grew from approximately USD18,480.1 billion in value in 2012 to approximately USD18,972.8 billion in 2014 according to the International Trade Centre, the joint cooperation agency of UNCTAD (United Nations Conference on Trade and Development) and WTO (World Trade Organization) for business aspects of trade development, the shipping industry experienced positive growth. For ClarkSea Index, it grew from approximately USD9,577 per day in 2012 to approximately USD11,743 per day in 2014. However, influenced by the world economic downturn and the decline of international trade which dropped to approximately USD16,643.7 billion in 2015, pressure was placed on earnings of vessels. Consequently, the ClarkSea Index then decreased from approximately USD14,410 per day in 2015 to approximately USD9,441 per day in 2016. In 2017, since the global economy regained its momentum, and international trade recovered to approximately USD17,706.0 billion, the ClarkSea Index increased to approximately USD10,767 per day representing a CAGR of approximately 2.4% from 2012 to 2017.

ClarkSea Index, 2012-2017



Source: *Clarksons, Frost & Sullivan*

INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL ASPHALT INDUSTRY

Definition and classification

Asphalt, also known as bitumen, is a sticky, dark-colored, and highly viscous liquid or semi-solid hydrocarbon products produced from refining crude or coke. Asphalt is primarily used in the infrastructure construction industry, most notably for roofing and road surfaces, where asphalt is applied as the glue or binder mixed with aggregate particles to create asphalt concrete. Other main uses of asphalt are for adhesives, insulation, and bituminous waterproofing products.

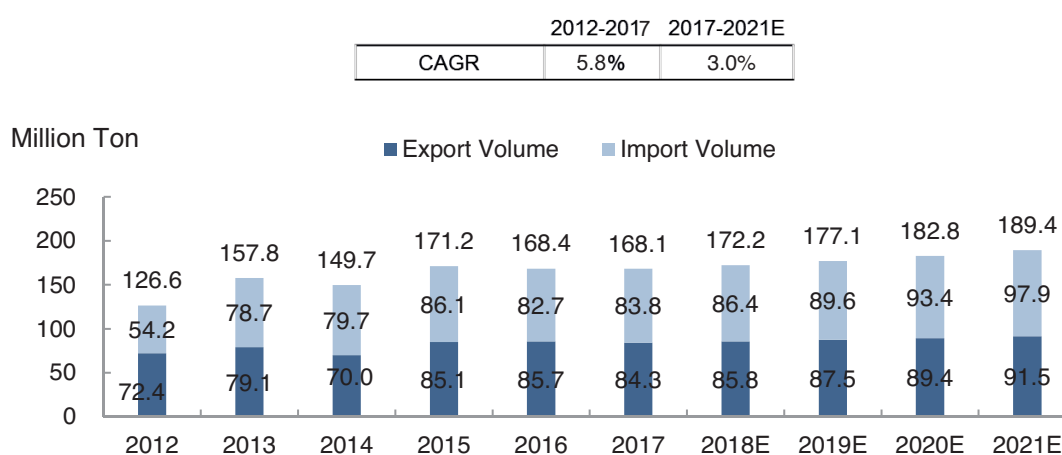
Modes of transportation for asphalt

The modes of transportation for asphalt are classified into two categories based on the state of asphalt, which are solid asphalt transport and liquid asphalt transport. It is widespread that asphalt is transported under the state of liquid by asphalt thermal insulation tanker. Liquid asphalt transportation is more effective and efficient compared with the mode of solid asphalt transportation, as the liquid mode simplifies the processes of asphalt transportation and usage. Thermal liquid asphalt can be directly used for road pavement with steadily quality performance.

Global trade volume of asphalt

The global trade volume of asphalt increased from approximately 126.6 million tons in 2012 to approximately 168.1 million tons in 2017, growing at CAGR of 5.8%. This was driven by the development of urbanisation in developing countries and scheduled maintenance for infrastructure construction in developed countries which stimulate the growth in trade volume. It is expected that developing countries and new emerging markets will maintain the progress of urbanisation and development of infrastructure. Going forward, the PRC will gradually transform into an exporter from an importer due to excessive domestic production of asphalt as a result of improvement of capacity, cost advantage, and completeness of major transportation network. It is therefore expected that the overall trade volume of asphalt in the world will continue to grow at a CAGR of 3.0%, reaching approximately 189.4 million tons in 2021.

Global Trade Volume (million tons) of Asphalt, 2012-2021E



Source: International Trade Centre, Frost and Sullivan

INDUSTRY OVERVIEW

OVERVIEW OF GLOBAL ASPHALT TANKER CHARTERING SERVICES INDUSTRY

Definition and classification

We specialise in the asphalt tanker chartering services. Generally, a charterer pays the charter hire to the owner of asphalt tanker usually under four types of charter: time charters, voyage charters, contracts of affreightment (CoAs) and bareboat charters.

Under voyage charters, the vessel is hired to carry cargo between specified places, usually either at a freight rate pmt (per metric ton) of cargo carried or for lump sum freight to the owner. Under time charters, the owner hires the vessel to the charterer for a set period of time, usually with restrictions on trading limits and cargoes — so that the owner’s interest is protected. CoAs are contracts similar to a voyage charters, but shipowner only undertakes to carry a number of cargoes within a specified period of time on a specified route. There is no specification on vessel or voyage. A bareboat charters or demise charters is an arrangement for the hiring of a vessel whereby no administration or technical maintenance is included as part of the agreement. The charterer obtains possession and full control of the vessel.

Market size of global asphalt tanker chartering services

The global asphalt tanker chartering services market is directly affected by the upstream industry, and the production, consumption and trading of asphalt. Globally, the market of global asphalt tanker chartering services grew from approximately US\$488.8 million in 2012 to US\$612.6 million in 2017 at a CAGR of 4.6%. The main growth is from Asian countries, especially from Southeast Asia countries and China, as fast growing economy demands for more asphalt for infrastructure construction. The increase in 2015 is mainly attributed to the drastic downfall of crude price (from over US\$ 100 per barrel in 2014 to an average of US\$ 50 per barrel in 2015) which resulted in a corresponding decline of asphalt production cost and increase of production volume. The percentage of four kinds of asphalt tanker charter services remains stable.

In the next five years, the market is estimated to maintain the growth globally. Not only the less developed region like Africa and South America, developing regions like Southeast Asia and China will continue to contribute to the growth, but also United States’ new infrastructure plan about to release will boost the demand for asphalt.

Sales value (USD million) and CAGR of global asphalt tanker chartering services, 2012-2021E

	2012-2017	2017-2021E
Time Charter	4.8%	4.0%
Voyage Charter	2.2%	1.8%
CoA	4.2%	0.3%
Bareboat Charter	1.1 %	-1.0%
Total	4.6%	3.7%

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
CoA	27.4	22.9	22.0	28.3	27.5	33.6	33.6	33.4	31.7	34.0
Bareboat Charter	17.3	16.3	17.3	17.8	17.2	18.3	18.4	18.6	18.2	17.6
Voyage Charter	21.5	21.9	23.1	23.7	24.2	24.0	24.5	25.0	25.4	25.8
Time Charter	439.9	464.0	479.5	526.6	535.6	555.0	580.2	605.4	629.3	649.2
Total	488.8	508.8	524.6	578.6	587.3	612.6	638.3	663.8	686.4	709.0

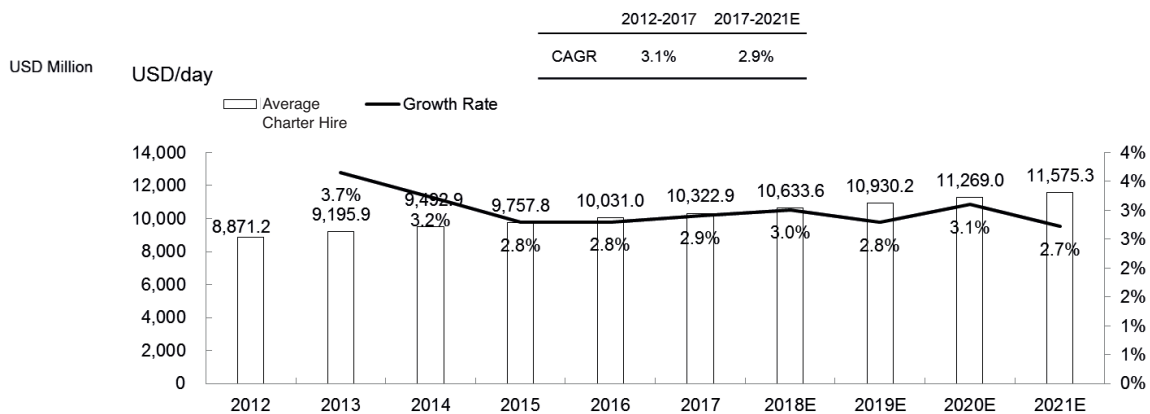
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Average charter hire of global asphalt tanker chartering services

The average dwt of total 290 asphalt tankers in the world is 6,053 dwt. In terms of this average dwt, the average charter hire of global asphalt tanker charter services is US\$10,322.9/day in 2017, which grew from US\$8,871.2/day in 2012. The price is relatively stable, mainly affected by the exchange rate of U.S. dollars and inflation rate. In the forecast period, the average price of global asphalt tanker chartering services is estimated to reach US\$11,575.3/day in 2021.

Average charter hire of global asphalt tanker chartering services, 2012-2021E

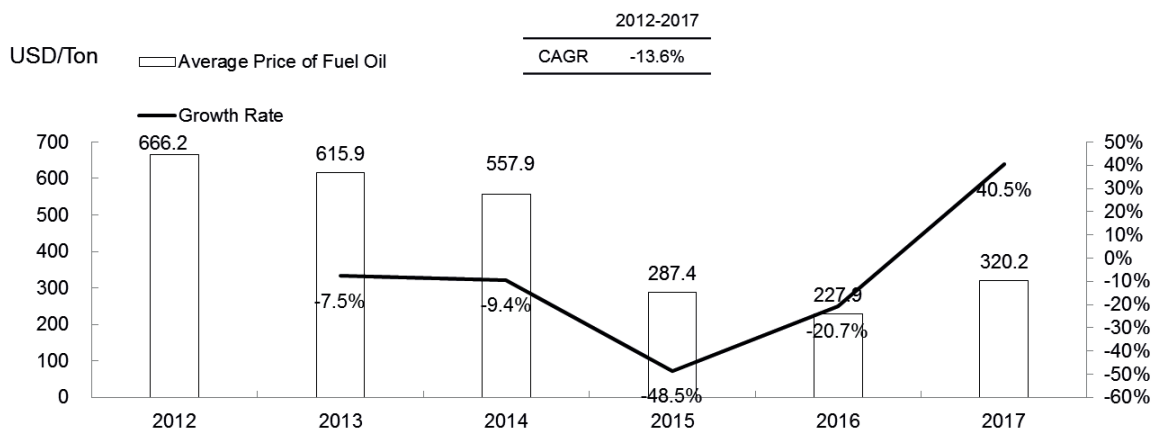


Source: Frost & Sullivan

Average price of bunker

From 2012 to 2017, the average price of bunker decreased from US\$666.2/ton to US\$320.2/ton at a CAGR of -13.6%. The reason for the decline was that the supply exceeds the demand for bunker especially in the Europe and America caused by slowing down economic development. In addition, the appreciation of U.S. dollars also contributes to the price decrease.

Average price of bunker, 2012-2017



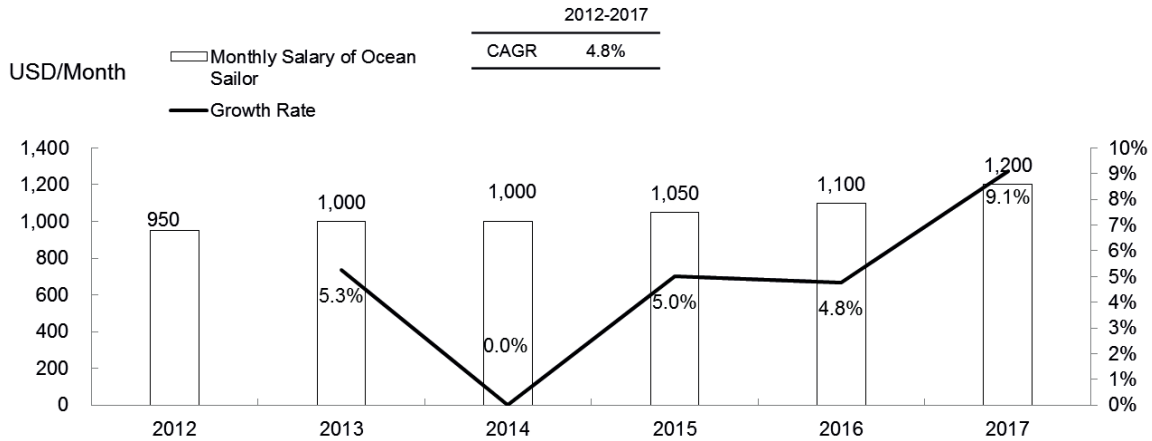
Source: International Energy Online Platform; Frost & Sullivan

INDUSTRY OVERVIEW

Average monthly salary of ocean sailor

Crew cost accounts for a large portion of total cost for shipowners. From 2012 to 2017, the average monthly salary of ocean sailors grew from US\$950/month in 2012 to US\$1,200/month in 2017 at a CAGR of 4.8%.

Average Monthly Salary of Ocean Sailor, 2012-2017



Source: China Shipping Information, Frost & Sullivan

From 2013 to 2017, the price of chartering service has experienced an overall upward trend. The bunker price and salary of ocean sailor are two of the major influential factors of the price of chartering service. In general, the growth rate of chartering service price decreases along with the decline in bunker price, while the increasing labor cost leads to the increasing price of chartering service.

Key growth drivers

- Rising demand for asphalt in different sectors.** The global demand for infrastructure construction, especially in developing countries, has boosted the demand for asphalt. The implementation of “The Belt and Road Initiative”, in particular, can stimulate the asphalt tanker chartering services industry to a certain extent. “The Belt and Road Initiative” covers the areas of Association of Southeast Asian Nations (ASEAN), South Asia, West Asia, Central Asia, North Africa and Europe. The level of infrastructure construction in countries along the Belt and Road Initiative varies, and many developing countries still lag behind and have strong demand for the construction of road and other facilities. The vast market overseas has created new business opportunities for the asphalt tanker chartering services industry to transport asphalt towards countries with needs within area of the Belt and Road Initiative. Meanwhile, road maintenance has also boosted the demand for asphalt, thus driving the need for asphalt transportation and promoting the development of the asphalt tanker chartering services industry. Specifically,

INDUSTRY OVERVIEW

benefiting from the rising demand for asphalt in different sectors, vessels operate under time charters tend to have less idle time and higher utilisation for charterer and therefore less down adjustment pressure of charter hire for shipowners. In addition, vessels operated under voyage charters and CoAs may witness more demands and benefit to higher charter hire or freight rate and less idle time of vessels.

- *Imbalanced asphalt production volume among countries as a boosting factor for trade.* Countries such as China and some Asian countries having exceeding demand for asphalt for infrastructure construction over their domestic production volume may tend to import asphalt from asphalt rich areas which have less need for domestic infrastructure construction. By the same token, more developed countries may demand for higher grade of asphalt which they cannot produce locally and need to import from other countries.
- *Cost advantages of transporting asphalt by sea.* Water transportation becomes increasingly popular due to (i) its nature to incur lower cost among other transportation means and (ii) being relatively more established in terms of standards and systems to segregate the rights obligations between shipowners and charterers.

Key market trends

The market will remain stable as the industry is relatively mature

The global asphalt tanker chartering services market is expected to remain relatively stable as a mature industry after years of development. The existing enterprises may upgrade their current vessels or purchasing extra ones, instead of merging or acquiring other competitors to obtain more vessels, as they can choose to cooperate with each other by chartering vessels from each other, but not owning vessels. Thus, the competitive nature of the industry will remain the same.

More demand for asphalt tanker chartering services in Asia, Africa and Americas

The increasing demand for asphalt for infrastructure construction in developing regions, such as Asian countries resulting from the promotion of the “Belt and Road Initiative” of the PRC, the stronger need to improve their transportation conditions by the African and South American countries, and the proposed \$1 trillion infrastructure investment plan in the United States, will boost the demand for asphalt tanker chartering services.

Entry Barriers

Business Network

Existing enterprises have accumulated customer base and established good relationship with related parties such as ports, shipyards, and ship management companies after years of operation, which renders it less easy for new entrants to acquire needed business resources for entry into the industry.

INDUSTRY OVERVIEW

Capital requirement

Prohibitively high costs of purchasing and maintaining vessels coupled with the need to service the recurring fuel and crew salaries may deter a lot of potential market entrants to gain a foothold to compete with the existing asphalt tanker owner.

Compliance requirement

Shipowners are bound to a series of regulations including, among others, to comply with the MARPOL Convention and the International Convention on the Control of Harmful Anti-fouling Systems on Ships (AFS), the failure of any of which will subject the unskilled and inexperienced shipowners to loss of the relevant licences and thus the charterparties.

Technical specification

The certain heating and temperature requirements, the prevention of heat-loss requirement and the control of volatilised toxic chemical requirement during voyage all formed an entry barrier for new entrants as it can be exceedingly onerous for inexperienced market entrants to comply with both transportation requirements and safety requirements.

COMPETITIVE LANDSCAPE

Competition landscape of global asphalt tanker chartering services

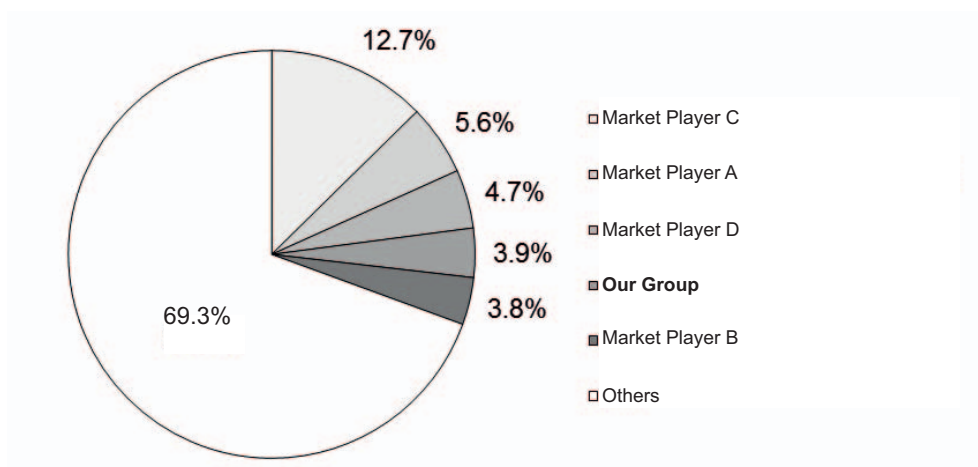
The top five players accounted for 30.6% of total market in terms of total dwt in 2017. There were 147 shipowners in total with 290 asphalt tankers involved in the market by the end of 2017.

Among the top five players, our Group ranked fourth, accounting for approximately 3.9% share of total market in terms of fleet total dwt.

Rank	Company name	Fleet total dwt	Market share
1	Market Player C	222,139	12.7%
2	Market Player A	98,633	5.6%
3	Market Player D	81,632	4.6%
4	Our Group	68,800	3.9%
5	Market Player B	65,937	3.8%
	Others	1,218,699	69.4%
	Total	1,755,840	100%

INDUSTRY OVERVIEW

Market share of global asphalt tanker chartering services in terms of total dwt, 2017



Source: Frost & Sullivan.

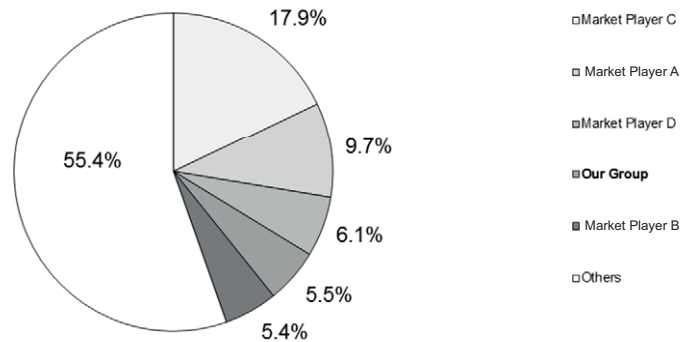
In 2017, the top five players have a total revenue of approximately USD273.3 million generated by asphalt tanker chartering services, which accounted for approximately 44.6% of the total market in terms of revenue by the end of 2017.

Among the top five players, our Group ranked fourth, accounting for approximately 5.5% of the total market in terms of revenue for 2017.

Rank	Company Name	Revenue (USD Million)	Market Share
1	Market Player C	109.7	17.9%
2	Market Player A	59.7	9.7%
3	Market Player D	37.4	6.1%
4	Our Group	33.7	5.5%
5	Market Player B	32.8	5.4%
	Others	<u>339.3</u>	<u>55.4%</u>
	Total	<u>612.6</u>	<u>100%</u>

INDUSTRY OVERVIEW

Market Share of global asphalt tanker chartering services in terms of revenue, 2017



Profile of top five market players

- *Market Player C* — a leading ship leasing services provider in Asia, based in Tianjin, the PRC, mainly engaged in commercial vessel leasing in relation to more than 300 vessels, marine equipment leasing, cold-chain fishery leasing, energy equipment leasing, medical equipment leasing and aircraft leasing.
- *Market Player A* — a member of Group A, who is one of the largest global shipping and logistics groups in the world. Market Player A mainly engaged in shipping services, pure car carriers chartering, logs carriers chartering and asphalt tanker chartering.
- *Market Player D* — a company based in the Netherlands, mainly engaged in chartering services of livestock carriers, dry cargo vessels, offshore-support vessels, container vessels, product/chemical tankers and asphalt tankers.
- *Market Player B* — a member of Group B, who is one of the largest global independent energy traders in the world based in London. Market Player B mainly engaged in asphalt trading, asphalt storage, asphalt transportation by vessel, container and truck.

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OVERVIEW

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising (i) time charter; and (ii) voyage charter and CoAs. During the Track Record Period, our vessels have provided services in Asia, Australia, North America, South America, Africa and Europe. Our vessels are registered in their respective jurisdictions under the laws and flag of Hong Kong and Singapore. Each and every country or nation has sovereignty over its territorial waters so the vessels utilised by our Group must comply with the laws of the countries or nations when they are in the territorial waters of those respective countries and nations.

Below sets out the summaries of certain aspects of major laws and regulations which are relevant to our Group's operation and business. They can generally be categorised as international laws and regulations, Hong Kong laws and regulations, Singapore laws and regulations and the PRC laws and regulations.

1. INTERNATIONAL LAWS AND REGULATIONS

Those vessels utilised by our Group are subject to various international laws, regulations and rules which can generally be classified as: (1) international conventions and codes; (2) flat state regulations; (3) port state regulations; (4) classification society rules and regulations; and (5) Oil Companies International Marine Forum's ("OCIMF") requirement of ship inspection report ("SIRE") programme and tanker management and self-assessment ("TMSA") programme.

We are principally engaged in asphalt tanker chartering business. The parties to the carriage of asphalt are generally to the rules and regulations as set out below.

(1) International conventions and codes

Conventions

There should be compliance with various conventions by the vessels utilised by our Group including those set out below:

- (a) SOLAS Convention
- (b) MARPOL Convention
- (c) STCW Convention
- (d) MLC
- (e) Convention on the International Regulations for Preventing Collisions at Sea ("COLREGS")
- (f) International Convention on Load Lines

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The conventions set out above have been incorporated or enacted in the domestic laws or the local laws of a majority of countries or nations. The vessels registered in the member states or cruising in the territorial waters of the member states are subject to them depending on the extent of incorporation into the respective domestic or local laws.

Some highlighted salient features of certain conventions are set out as follows:

SOLAS Convention concerns merchant vessels' safety. The convention prescribes minimum standards for the construction, equipment and operation of vessels. Various prescribed certificates for the vessels can be obtained to prove such standards are met.

MARPOL Convention is about the prevention of marine environment pollution by vessels from their operations or accidents. The convention controls emission of various kinds of pollutants by the vessels including oil, sewage, garbage and gas.

STCW Convention prescribes standards for the training, certification and watchkeeping for seafarers working on board of the vessels which operate on international voyages. Vessels are required to be operated and controlled by sufficient officers, and crew having specified amounts of sea time and each of them must have the trainings and the certificate for performance of their respective duties on board the vessels.

COLREGS prescribes the rules of road for vessels on the high seas. There are rules therein for steering and sailing, the conduct of vessels in limited visibility, etc.

International Convention on Load Lines prescribes the limit to the draught to which a ship may be loaded, in addition it also contain provisions to prevent water from entering a ship through doors, hatches, widows, ventilators, etc.

Codes

There should be compliance with the rules and regulations adopted by various regulatory bodies such as IMO from time to time, for example:

(g) ISM Code

(h) International Ship and Port Facility Security Code ("ISPS Code")

ISM Code imposes greater responsibility to onshore management in respect of safe operation of vessels as well as the prevention of pollution. All vessels owned by our Group have to comply with the ISM Code.

The ISPS Code is for the reduction of the vulnerability of a ship to be used in terroristic acts.

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The vessels of our Group need to visit different nations during international voyages so they are subjected to the laws, regulations and rules of those nations which in the respective territorial waters of those nations.

(2) **Flag state regulations**

A ship must be registered in a country and sailed under the flag of the country which that ship is registered (the “**Flag State**”). The effect is that the ship will have a nationality. Even in another state’s territorial waters, those on board of the ship are also subject to the law of the Flag State.

The ship is subject to the jurisdiction of the Flag State and the Flag State can exercise regulatory control over the ship that sails under its flag. The jurisdiction and regulatory controls involve inspection, certification and the issue of papers in relation to safety and pollution prevention pursuant to the applicable international conventions and national laws.

The vessels owned by us are registered in Hong Kong and Singapore. In addition to the international convention, the vessels owned by our Group are also subject to the applicable laws, regulations and requirements of Hong Kong and Singapore. These law, regulations and requirements include the following:

(3) **Port state regulation**

There are various aspects including pollution, navigation, ballast and berthing/anchoring requirements which are applicable to a ship when it sails to and from a port.

(4) **Classification society rules and regulations**

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

There are a number of classification societies in the world. Some of them are members of the International Association of Classification Societies (“**IACS**”).

Nowadays, compliance with the rules and regulations of a recognised classification society for every seagoing merchant ship is strictly required. Every new ship will be given a class designation by the classification society based on the way it is designed, constructed, tested and operated in accordance with the rule of the classification society. After the relevant surveys, a certificate of class will be issued if it is completed with acceptable results. Relevant surveys will also be conducted for ships in service. This is for the purpose to ensure that the ship remains compliance with those rules.

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Structural integrity and design in light of the purpose of the vessel are used as reference for the classification of vessels. The primary concerns of the rules of classification concern are generally the integrity and strength of the hull, machinery, control engineering and electrical arrangements.

Generally speaking, the validity of a certificate of class is five years. Thereafter it can be revalidated each year on condition that the results of an annual survey for the hull and machinery in various aspects including the general examination on the electrical plant, safety equipment, and communication equipment are acceptable.

Special survey which is thorough and in detail will be conducted after five years to decide whether the certificate will be renewed and reissued. The areas of examination of the vessel include the hull and the machinery covering various aspects such as out-of-water examinations to ensure that the structure, main and essential auxiliary machinery, systems and equipment of the ship remain in a satisfactory condition according to the rules. Ultrasonic thickness measurements of the steel structures may be utilised under certain rules for the examination of the hull. Any substantial corrosion, significant deformation, fractures, damages or other structural deterioration are required to be identify so that effective structural integrity can be sure. Repair works are needed to be done in the event that the thickness of a vessel's steel structure is not up to the class requirement of the relevant classification society. The way of undertaking of the repair works must be approved by the classification society. For example, in the case of welding, appropriate materials approved by the classification society must be used. The welders must be duly qualified and an approved procedure must be adopted by them. Those are generally prerequisite required in order to maintain the classification status and the vessel's continued service.

A vessel with classification is required to be dry-docked twice within five years for inspections and examinations on various aspects such as shell plating, shafting, propellers and rudders.

A vessel being certified to have maintained her classification status by a recognised classification society is commonly a condition precedent for insurance.

(5) OCIMF's requirement of ship inspection report ("SIRE") programme and tanker management and self-assessment ("TMSA") programme

According to its website:

OCIMF is a voluntary association of oil companies with an interest in the shipment and terminalling of crude oil, oil products, petrochemicals and gas.

SIRE was launched by OCIMF in 1993 to specifically address concerns about sub-standard shipping. The SIRE Programme is a unique tanker risk assessment tool of value to charterers, ship operators, terminal operators and government bodies concerned with ship safety. The SIRE programme requires a uniform inspection protocol that is predicated by the following:

Vessel Inspection Questionnaire (VIQ)

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Barges Inspection Questionnaire (BIQ)

Uniform SIRE Inspection Report

Vessels Particulars Questionnaire (VPQ)

Barge Particulars Questionnaire (BPQ)

Inspection reports are maintained on the index for a period of 12 months from the date of receipt and are maintained on the database for 2 years.

The TMSA programme provides companies with a means to improve and measure their own safety management systems.

The programme encourages companies to assess their safety management systems (SMS) against key performance indicators (KPIs) and provides a minimum expectation (level 1) plus three levels of increasing best practice guidance. Self-assessment results can be used to develop phased improvement plans that support continuous improvement of their ship management systems. Companies are encouraged to regularly review their self-assessment results against the TMSA KPIs and to create achievable plans for improvement.

2. APPLICABLE HONG KONG LAWS AND REGULATIONS

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

(1) Merchant Shipping Ordinance (Chapter 281 of the Laws of Hong Kong) ("MSO")

The MSO principally deals with (a) registration and licensing of ships; (b) forfeiture of ship; (c) compulsory third party risks insurance; and (d) detention of ships. Under the MSO, there are three subsidiary legislations applicable to us which comprise Merchant Shipping (Forms) Regulations, Merchant Shipping (Fees) Regulations and Merchant Shipping (Marine Courts) Regulations, relating mainly to forms and fees for the purpose of the MSO or of regulations under the MSO, and formal investigations into casualties and inquiries into charges of incompetency or misconduct.

(2) Merchant Shipping (Registration) Ordinance (Chapter 415 of the Laws of Hong Kong) ("MS(R)O")

The MS(R)O provides for the registration of ships and mortgages of ships in Hong Kong. According to the *MS(R)O*, a ship subject to a demise charterparty may be registered in Hong Kong if the demise charterer or lessee of that ship is a "qualified persons" as defined in MS(R)O. There is no requirement that a ship owned by a qualified person must be registered in Hong Kong.

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Qualified persons under MS(R)O include:

- an individual who is a resident of Hong Kong and holds a valid Hong Kong identity card
- a company incorporated in Hong Kong and
- a company incorporated outside Hong Kong, but which has established a place of business in Hong Kong and has registered under the Companies Ordinance in Hong Kong as “an oversea company” with a place of business in Hong Kong.

Our Group falls within the definition of “qualified persons”. Therefore, MS(R)O and its subsidiary legislations are applicable to us.

Under the MS(R)O, there are subsidiary legislations applicable to us which include, among others, Merchant Shipping (Registration) (Fees and Charges) Regulations (*Chapter 415A of the Laws of Hong Kong*), Merchant Shipping (Registration) (Ships’ Names) Regulations (*Chapter 415B of the Laws of Hong Kong*) and the Merchant Shipping (Registration) (Tonnage) Regulations (*Chapter 415C of the Laws of Hong Kong*).

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

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

(4) Merchant Shipping (Liability and Compensation for Oil Pollution) Ordinance (Chapter 414 of the Laws of Hong Kong) (“MS(LCOP)O”)

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

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

The MS(CDLS)O governs the law relating to salvage operations. This Ordinance incorporates the International Convention on Salvage 1989, thereby bringing this aspect of Hong Kong law in line with international laws.

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

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

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

3. APPLICABLE SINGAPORE LAWS AND REGULATIONS

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

(1) Maritime Legislations

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

(a) *Merchant Shipping Act (Cap. 179)*

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

- registration of ships;
- manning and certification of qualified persons;
- crew matters;
- survey and safety of ships;
- inquiries and investigations of ship officers and shipping casualties;

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- delivery of goods;
- liability of shipowners;
- wreck and salvage of ships; and
- legal proceedings governing ships subject to the MSA

Four of our vessels are registered under the Singapore flag (the “**Singaporean Vessels**”) and have been issued with certificates of registration by the MPA. These certificates are only issued to vessels which have met the requirements specified in the MSA for registration.

In addition, the subsidiary regulations below set out the specific requirements in relation to registration of Singaporean Vessels.

(i) *Merchant Shipping (Registration of Ships) Regulations*

Registration of vessels is open to all types of ship, including offshore vessels such as oil rigs and floating platforms, excluding fishing vessels, hydrofoils and wooden vessels. Vessels should comply with the relevant requirements in the IMO Conventions, including the International Convention for the Safety of Life at Sea 1974; the International Convention on Load Lines 1966; the International Convention on the Tonnage Measurement of Ships 1969; and the International Convention for the Prevention of Pollution from Ships 1973; as modified by the Protocol of 1978.

Vessels must be less than 17 years of age (taking reference from the year its keel is laid) which meet these requirements and are classed with any of the eight (8) recognized classification societies, will be accepted for registration as evidence of seaworthiness under Section 14 of the Regulations. Vessels that have been classed according to the classification society according to the IMO standards will be accepted for registration.

As at the Latest Practicable Date, all four of our Singaporean Vessels are classified by the International Classification Society, BV.

To be registered as owners of Singapore vessels, the person must be citizen or permanent resident of Singapore, or is a company incorporated in Singapore that are either locally or foreign-owned further to Section 3 of the Regulations.

- A locally-owned company is a company incorporated in Singapore in which more than 50% of its equity is owned by Singapore citizens or another locally owned company.
- A foreign-owned company is a company incorporated in Singapore in which more than 50% of its equity is owned by non-citizens of Singapore;
- The Singapore-incorporated companies must have a minimum paid-up capital sum of S\$50,000.

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Further, the owner of every ship to be registered in Singapore must have appointed a Commercial Manager whose place of residence is in Singapore as a point of contact. As at the Latest Practicable Date, our Commercial Manager is Bilxin Shipping. The owner of the ship is also required to appoint a Technical Manager who is responsible for matters relating to the Ship International Ship Manager (ISM) Code and ISPS Code. As at the Latest Practicable Date, we have entered into ship management agreements with third-party ship management company and as our technical manager to provide us with the necessary services and crew for the operation of our Singaporean Vessels.

(ii) *Merchant Shipping (Tonnage) Regulations (“MSTR”)*

The International Convention on Tonnage Measurement of Ships, 1969 (“*ICTMS*”) was ratified by Singapore through the MSTR, which sets out the requirement for tonnages of ships to be determined in accordance to the Regulations, for the purpose of application of the Merchant Shipping (Safety Convention) Regulations, and the Merchant Shipping (Non-Convention Ships) Safety Regulations, based on when the keel of the ship is laid.

All vessels must have their tonnages determined in accordance with the Regulations. A tonnage certificate may be issued by the MPA’s Shipping Division or one of the authorized classification societies authorized by MPA. Tonnage taxes are applicable upon new registration of vessels as prescribed in the MSA. By virtue of Regulation 7, every ship shall be issued with an International Tonnage Certificate where the length of the ship is 24 metres and above; or a Singapore Tonnage Certificate where the length of the ship is less than 24 metres.

(iii) *Merchant Shipping (Load Line) Regulations of Singapore (“MSLL”)*

The International Convention on Load Line, 1966 was ratified by Singapore through the MSLL which sets out the requirements to determine the minimum allowable freeboard and defines conditions of load line assignment.

The MSLL provide that no vessel which MSLL apply shall proceed to sea on an international voyage unless the vessel has been surveyed, marked and provided with an international load line certificate or, where appropriate, international load line exemption certificate, or Singapore load line certificate or Singapore load line exemption certificate in accordance with the provisions of the MSLL.

(iv) *Merchant Shipping (Training, Certification and Manning) Regulations*

Part III of the regulations provides for the minimum manning requirements on board of ships. The minimum manning requirements for deck officers and marine engineer officers on board of ships further to Regulation 13 and 14 are set out in Schedule 2 of the said Regulations. The minimum manning requirements of deck officers on board varies depending on the type of ship, ship tonnage, and the class of the ship. The minimum number of marine engineer officers required on board are dependent upon the trading area and registered propulsion power of ships.

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

Our Singaporean Vessels are subject to the CLCA which was enacted to bring into effect in Singapore the International Convention on Civil Liability for Oil Pollution Damage 1992 and the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1992. The CLC governs oil pollution caused by any ship constructed or adapted for carrying oil in bulk as cargo.

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

The CLCA also provides for the limitation of liability for damage caused by the discharge or escape of oil and for the availability of an international fund for compensation to the person suffering the damage caused. Such international fund is contributed to by importers as well as receivers of oil.

Pursuant to Section 12(2) of the CLCA, for any vessel having a gross tonnage greater than 1,000, shall not enter or leave any port in Singapore unless a contract of insurance or other security in respect of the ship satisfying the requirements of Article 7 of the Bunker Convention; and a Bunker Convention Certificate (“BCC”) issued by the MPA of Singapore for Singapore registered vessels.

Further, if a ship operates within the territorial sea in contravention of subsection (2) of the CLCA, the master or the registered owner of the ship shall be guilty of an offence and shall be liable upon conviction to a fine not exceeding S\$ 1 million. If a ship fails to carry or fails to produce a BCC upon request of any officer of MPA, the master of the ship shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$ 20,000.

(c) *Prevention of Pollution of the Sea Act (Cap. 243)* (“PPSA”)

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

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

Section 6 of the Act prohibits the discharge of refuse, garbage, wastes, effluents, plastics and dangerous pollutants from ships into Singapore waters and the master, the owner and the agent of the ship shall each be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$ 10,000 or to imprisonment for a term not exceeding 2 years or both.

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(d) *Telecommunications Act (Cap. 323)*

The Ship Station License is issued by the Infocomm Media Development Authority (“IMDA”) for the operation of the radio-communication equipment installed on-board of any ships registered in Singapore.

Further to Section 35 of the Act, any person who establishes, installs, maintains, provides or operates a radio-communications system or service or any radio-communication equipment in any place or on board any vessel without a licence granted under Section 5 or any regulation made under the Act shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$ 10,000 or to imprisonment for a term not exceeding 3 years or to both and in the case of a continuing offence, to a further fine not exceeding S\$ 1,000 for every day or part thereof. As at the Latest Practicable Date, our Singaporean Vessels are authorized by the IMDA of Singapore and the ship station license are in place and valid.

The Singaporean Vessels owned by our Companies has obtained the Cargo Ship Safety Radio Certificate issued by virtue of the International Convention for the Safety of Life at Sea, 1974 under the authority of the Government of Republic of Singapore, as certified by BV.

(e) *Merchant Shipping (Maritime Labour Convention) Act (“MSML”)*

MSML and its regulations incorporated the Maritime Labour Convention 2006 (“MLC”). The MLC applies to all Singapore-registered (“MLCS”) ships ordinarily engaged in commercial activities.

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

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

For Singapore-registered vessels, Singapore-registered ships that ordinarily engage in commercial activities are subject to the regime. In addition, for Singapore-registered ships of 500 gross tonnage and above, in order to operate at sea, shipowners have to acquire a Maritime Labour Certificate and a Declaration of Maritime Compliance issued by the MPA and maintain the certification for five years. MLCS ships below 500 gross tonnage are required to comply with the MSML but are not required to be certified. Such ships may attain MLCS certification at the shipowner’s request.

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Under section 2 of the MSML, while the MSML imposes on strict liabilities on the shipowners, the same strict liabilities are also imposed on the ship manager or anyone “who has assumed the responsibility for the operation of the ship from the owner and who, on assuming such responsibility, has agreed to take over the duties and responsibilities imposed on the shipowners,”.

As such, while the technical operations of the vessels owned by our Group are contracted to third-party ship management companies, the subsidiary companies under our Group who are shipowners, as well as the ship management company would need to abide by strict regulations on management of crews on board.

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

Singapore maritime legislations adopts the *International Convention for the Safety of Life at Sea 1974 (“SOLAS 1974”)* through MSSC Regulations which specified the minimum standards for the building, equipping and operations of vessels. Some standards include the requirement for the installation of the fire-fighting systems, machinery and electrical equipment on board a vessel which are essential for its safe operation under various emergency conditions. The certificates issued to our vessels by our classification societies are (i) safety equipment and safety radio certificates which certify that our vessels have met the standards under SOLAS 1974 in respect of safety; and safety construction certificates which certify that our vessels are designed, constructed and maintained in compliance with the requirements of an accredited classification society.

(g) ***ISM Code***

The ISM is made mandatory under SOLAS Chapter IX — Management for the safe operation of ships. The ISM Code required the establishment of procedures for the maintenance and safety of vessels and environmental protection, among others. From 1 July 1998 onwards, the ISM Code is applicable to passenger ships and high-speed craft passenger, and oil/chemical/gas tankers, bulk carriers and high-speed craft cargo ship of 500 tonnage and above. Companies are mandated to develop, implement and maintain a safety management system (“SMS”) in accordance with the provisions of the ISM Code. The SMS must be implemented in their shore-based organisations (main and branch offices), as well as on their ships. Any of the 9 classification societies which has been authorized by the MPA may conduct company and ship board ISM audits and to issue Documents of Compliance (“DOC”) and Safety Management Certificates (“SMC”) to the Companies and their Singapore ships.

(h) ***ISPS Code***

The ISPS Code provides for a set of measures to enhance the security on board of ships and port facilities, developed in response to threats that may be faced by ships on voyage. As a SOLAS contracting government and port authority, vessels flagged in Singapore are required to designate appropriate security officers and personnel on each ship in preparation against any potential security threats.

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

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

(2) **Company Laws and Regulations**

Bilxin Shipping and its subsidiaries, Lilstella Shipping, Orcstella Shipping, Rostella Shipping and Poestella Shipping are indirect wholly-owned subsidiaries of our Company. Both are private companies limited by shares, incorporated and governed under the provisions of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) and its regulations.

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

Members of a company are also subject to and bound by the provisions in its constitution (refers to the memorandum and articles of association for companies which are incorporated before 3 January 2016). The memorandum of association of a company provides for, inter alia, the objects of the company while the articles of association of the company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

4. APPLICABLE PRC LAWS AND REGULATIONS

In addition, since our management are based in China, the following are summaries of major PRC laws and regulations which are relevant to our Group.

(1) **Foreign Investment**

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the “**PRC Company Law**”), which was promulgated on December 29, 1993 and amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company

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Law also applies to foreign-invested limited liability companies and companies limited by shares but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The latest amendment to the PRC Company Law took effect from March 1, 2014, pursuant to which there is no longer a prescribed timeframe for the shareholders to make full capital contribution to a company, except in situations where there are requirements otherwise in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business license of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

The Law of the PRC on Foreign-funded Enterprises (中華人民共和國外資企業法)(the “**Law on Foreign-funded Enterprises**”) promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016 forms the fundamental legal basis for the PRC Government to regulate a wholly foreign-owned enterprise. According to the Law on Foreign-funded Enterprises, in order to establish a wholly foreign-owned enterprise, the investor must apply to the Ministry of Foreign Trade and Economic Cooperation under the State Council (currently, the MOFCOM) or other administrations authorized by the State Council for approval. In the event of a split, merger or other major events of change, such event must be submitted to the approving authorities for approval, and the change shall be registered with the state or local administration for industry and commerce. However, if the wholly foreign-owned enterprise is not subject to the implementation of special administrative measures for admission stipulated by the State, it shall not apply to the examination and approval requirements specified in the preceding paragraph and shall apply for the record management. Special administrative measures for admission stipulated by the State shall be promulgated by the State Council or promulgated with approval by the State Council.

According to the Rules for the Implementation of the Law of the PRC on Foreign-funded Enterprises (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, Foreign-funded enterprises may pay dividends only out of their accumulated profits, determined in accordance with PRC accounting standards and regulations. Foreign-funded enterprises are also required to set aside at least 10% of their respective after-tax profits each year, if any, to fund certain statutory reserve funds until the aggregate amount of such reserve funds reaches 50% of their registered capital and to allocate a discretionary portion of their respective after-tax profits to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

(2) Labour and Employment

The Labour Law of the PRC (中華人民共和國勞動法) promulgated by the NPC Standing Committee on 5 July 1994 and came into effect on 1 January 1995 and amended on August 27, 2009,

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together with the relevant laws and regulations, emphasises issues of working hours, rest and vacations, and the principle of distribution of wages and equal pay for equal work, establishes a system of guaranteed minimum wages and provides special protection to female staff and juvenile workers.

The Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the NPC Standing Committee on 29 June 2007, revised on 28 December 2012 and came into effect on 1 July 2013, is applicable where the employers establish labour relationships with employees through concluding, performing, modifying, revoking or terminating labour contracts with them. Labour contracts in written form shall be executed to establish labour relationship between employees and employers, and the labour contracts consist of fixed-term labour contracts, open-ended labour contracts and labour contracts that expire upon completion of given jobs. Where the employer fails to conclude a written labour contract with an employee for more than a month but less than a year from the date of employment, it shall pay the worker two times his salary for each month. In addition, the conditions of concluding open-ended labour contracts and the payable financial compensation undertaken by employers shall also be emphasized in this law.

(3) Social Insurance

According to the Labour Law of the PRC (中華人民共和國勞動法), the Decisions of the State Council on Establishing the Unified Basic Pension Insurance System for the Employees of Enterprises (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on July 16, 1997, the Decisions of the State Council on Establishing the Basic Medical Insurance System for the Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on December 14, 1998, the Regulation on Work-related Injury Insurance (工傷保險條例), issued on April 27, 2003 and amended on December 20, 2010, the Regulation on Unemployment Insurance (失業保險條例), promulgated on January 22, 1999, the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), issued on December 14, 1994, the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), issued on March 19, 1999, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), issued on January 22, 1999, and the Regulations on the Administration of Housing Fund (2002 Revision) (住房公積金管理條例) amended on 24 March 2002, the employing units and employees must participate in social insurance and pay social insurance premiums in accordance with the law. The employing units responsible for payment shall establish and complete the registration of social insurance and housing fund, and pay fees on basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing fund for the employees.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated on 28 October 2010 and came into effect on 1 July 2011, the PRC government establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth, and emphasizes the legal obligations and responsibilities of units to pay social insurance premiums for employees.

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According to the Regulation on the Administration of Housing Fund (2002 Revision) (住房公積金管理條例) amended on 24 March 2002, a unit shall go to the housing fund management centre to undertake registration of payment and deposit of the housing fund. A newly established unit shall go to the housing fund management centre to undertake housing fund payment and deposit registration within 30 days from the date of its establishment, and go to a commissioned bank to go through the formalities of opening housing fund accounts on behalf of its staff and workers within 20 days from the date of the registration with the verified documents of the housing fund management centre. When employing new staff or workers, the units shall undertake housing fund payment and deposit registration at a housing fund management centre within 30 days from the date of the employment, and shall go through the formalities of opening or transferring housing fund accounts of staff and workers at a commissioned bank with the verified documents of the housing fund management centre. Where, in violation of the provisions of these Regulations, a unit fails to undertake payment and deposit registration of housing fund or fails to go through the formalities of opening housing fund accounts for its staff and workers, the housing fund management centre shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where, in violation of the provisions of these Regulations, a unit is overdue in the payment and deposit of, or underpays, the housing fund, the housing fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

(4) Foreign Exchange Control

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

According to the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), promulgated by the State Administration of Foreign Exchange (“SAFE”) on 30 March 2015 and came into effect on 1 June 2015, a foreign-invested enterprise shall use capital under the authentic and self-use principles within its business scope. The capital of a foreign-invested enterprise and the RMB funds obtained from the exchange settlement thereof shall not be used for the following purposes: (1) for expenditures, directly or indirectly, beyond the enterprise's business scope or those prohibited by the laws and regulations

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of the State; (2) for investment, directly or indirectly, in securities, unless otherwise provided by laws and regulations; (3) for the issuance, directly or indirectly, of entrusted RMB loans (excluding those that are permitted within the business scope), repayment of inter-enterprise loans (including third party advances) and the repayment of banks' RMB loans lent to the third parties; or (4) for the payment of relevant fees to the purchase of real estate property not for own use, except for foreign-invested real estate enterprises.

(5) SAFE Circular No. 37

According to Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 37") promulgated on 4 July 2014 by the SAFE, domestic resident natural persons or domestic resident legal persons shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle, apply to the competent local branch of the SAFE for going through the procedures for foreign exchange registration of overseas investments. Pursuant to the No. 37 Notice, the domestic resident natural persons include those individuals who hold PRC citizenship and those individuals who have no legal identity within the territory of China but reside habitually in the PRC for the purpose of economic interests.

According to the Notice of the State Administration of Taxation on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated on 13 February 2015 by the SAFE and came into effect on 1 June 2015, the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

HISTORY, REORGANISATION AND GROUP STRUCTURE

BUSINESS MILESTONES

The following are some of the important milestones in the history of our business development to date:-

Year	Milestone
2010	The first member of our Group, Xin Yuan Ocean was established in Hong Kong, which mainly carried on asphalt tanker chartering business
2011	The first vessel “San Du Ao” with capacity of 12,000 dwt was delivered and put into operation Group A, one of the largest global shipping and logistics groups in the world, became our customer, which remained one of our five largest customers during the Track Record Period
2012	The vessel “Zhuang Yuan Ao” with capacity of 12,000 dwt was delivered and put into operation
2014	Shun Yuen HK was established The vessel “Zhuang Yuan Ao” was awarded Bravery Award by Marine Department of HKSAR
2015	The vessel “San Du Ao” was awarded Qualship 21 by United States Coast Guard
2016	The vessel “Feng Huang Ao” with capacity of 12,800 dwt was delivered and put into operation Group B, one of the largest global independent energy traders, became our customer, which became one of our five largest customers for the years ended 31 December 2016 and 2017 Bilsea International became our customer, which became one of our five largest customers for the years ended 31 December 2016 and 2017
2017	The vessels “Lilistella” and “Poestella” with capacity of 8,000 dwt were delivered and put into operation in January The vessels “Orcstella” and “Rostella” with capacity of 8,000 dwt were delivered and put into operation respectively in March and in April BSM became our supplier of ship management services, which was one of our five largest suppliers in 2017 A subsidiary of one of the largest publicly traded energy companies in the world based in the United States became our customer, which became one of our five largest customers for the year ended 31 December 2017 Huatae became our customer, which was one of our five largest customers in 2017

HISTORY, REORGANISATION AND GROUP STRUCTURE

- 2018 The vessel “Baustella” with capacity of 8,000 dwt was delivered and put into operation in February
- The vessel “Jastella” with capacity of 8,000 dwt was delivered and put into operation in April

HISTORY AND CORPORATE DEVELOPMENT

The history of our Group traces back to February 2010 when Xin Yuan Ocean was established by Jincheng Hengtong in Hong Kong as a limited liability company. At the time when Xin Yuan Ocean was established by Jincheng Hengtong, Jincheng Hengtong was owned as to 50% by Fujian Lian Xin and 50% by Fujian Chuan Yuan respectively, which were ultimately controlled throughout the Track Record Period by Mr. Ding Xiaoli and Mr. Xu Wenjun, respectively. Fujian Lian Xin and Fujian Chuan Yuan had financed the establishment of Xin Yuan Ocean indirectly through Jincheng Hengtong by their investment and business income. For details, please refer to the section headed “History, Reorganisation and Group Structure — Xin Yuan Ocean” in this prospectus.

Our Group commenced our business in 2010 when Mr. Xu Wenjun, our executive Director approached Group A for the discussion of business opportunities. During the discussion with Group A, Mr. Xu Wenjun realised that Group A had demand for asphalt tanker chartering services as Group A had obtained certain requests from its customers for such services. At that time, there was excess capacity in the manufacturing industries in the PRC. The excess capacity was mainly attributable to China’s investment driven growth model and the stimulus programs implemented after the 2008 financial crisis. The state-owned enterprises in the PRC were not encouraged to invest in major production equipment and they were required to obtain approval when intended to do so. Meanwhile, the slow recovery of world economy and international trade after the 2008 financial crisis rendered the global shipping industry in general with excessive transportation capacity, where many shipping companies refrained themselves from building new vessels to maintain stable cash flow. Mr. Xu Wenjun was also aware that under the then business environment, many shipping companies such as Group A might not want to invest a significant amount of capital into building its own vessel. From the perspective of our Group, Mr. Ding Xiaoli, Mr. Ding Yuzhao and Mr. Xu Wenjun, who were the first directors of Xin Yuan Ocean, considered it was an opportunity to commence charter hire business with Group A which was a reputable market player in the shipping industry and was a state-owned enterprise in the PRC with sound financial background. In addition, they considered that the demand for asphalt tanker chartering services was more stable than other kinds of shipping business and would like to capture such opportunity to enter the asphalt tanker chartering industry by construction and possession of new vessels. This brought about the shipbuilding plan of our first vessel, San Du Ao which was delivered and put into operation in 2011.

Our Group then continued to develop and expand our tanker chartering services. As at the Latest Practicable Date, our Group had nine vessels in operation. For details, please refer to the section headed “Business — Our Fleet” in this prospectus.

The following describes the corporate history of our Company and its subsidiaries.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 June 2016 and is the holding company of our subsidiaries. As at the Latest Practicable Date, our ordinary Shares were owned as to approximately 88.04% by Centennial Best (46,651,160 Shares), 9% by Bilsa International (4,768,762 Shares), approximately 0.19% by Golden Boomer (97,894 Shares), and approximately 2.77% by Gigantic Path (1,468,428 Shares), respectively. As at the Latest Practicable Date, Centennial Best was ultimately owned as to 43% by Mr. Ding Xiaoli through Golden Boomer, 42% by Mr. Xu Wenjun through Perfect Bliss, and 15% by Mr. Ding Yuzhao through Gigantic Path, respectively.

As a result of the Reorganisation, our Company through Virtue Glory, Shun Yuen HK, and Bilxin Shipping indirectly holds all the interests in our subsidiaries in Hong Kong, Singapore and the PRC. For further details, please refer to the section headed “Reorganisation” in this prospectus.

OUR SUBSIDIARIES IN THE BVI, HONG KONG, SINGAPORE AND THE PRC

During the Track Record Period, we had conducted our business through our operating subsidiaries in Hong Kong, Singapore and the PRC, namely, Xin Yuan Ocean, Xin De Yuan, Phoenix Shipping, Jastella Shipping, Baustella Shipping, Lotstella Shipping, Begstella Shipping, Orcstella Shipping, Rostella Shipping, Poestella Shipping, Lilstella Shipping, and Xinlanhai respectively. During the Track Record Period, we established 4 intermediate holding companies in the BVI, Hong Kong and Singapore for holding interests in our 12 operating subsidiaries in Hong Kong, Singapore and the PRC respectively.

The intermediate holding company in the BVI

Virtue Glory

Virtue Glory was incorporated in the BVI on 25 May 2016 as a limited liability company authorised to issue a maximum of 50,000 shares of par value US\$1.00 per share. On 12 July 2016, 10,000 shares of Virtue Glory were issued, credited as fully paid to our Company at a subscription price of US\$10,000. Since then and as at the Latest Practicable Date, Virtue Glory is a direct wholly-owned subsidiary of our Company.

Virtue Glory serves as an intermediate holding company.

The intermediate holding companies in Hong Kong

Shun Yuen HK

Shun Yuen HK was incorporated in Hong Kong on 19 August 2014 as a limited liability company. On the date of incorporation, 4,300, 1,500, and 4,200 ordinary shares of Shun Yuen HK were allotted and issued, credited as fully paid to Mr. Ding Xiaoli, Mr. Ding Yuzhao, and Mr. Xu Wenjun respectively at a subscription price of HK\$1.00 per share.

Since then and immediately prior to the Reorganisation, Shun Yuen HK was directly wholly-owned by Mr. Ding Xiaoli (43%), Mr. Ding Yuzhao (15%), and Mr. Xu Wenjun (42%) as the Concerted Group.

Shun Yuen HK serves as an intermediate holding company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Brilliant Star

Brilliant Star was incorporated in Hong Kong on 18 October 2012 as a limited liability company. On the date of incorporation, one ordinary share of Brilliant Star was allotted and issued, credited as fully paid to an initial subscriber, who was an independent company service provider at a subscription price of HK\$1.00. On 25 March 2013, the initial subscriber share was transferred to Mr. Zhang Jian (張健), the grandson of Mr. Xu Wenjun's sister-in-law, at a consideration of HK\$1.00, and the consideration was fully settled. The consideration was determined with reference to the registered capital of Brilliant Star at the time of the transfer, and was negotiated on an arm's length basis between the parties.

Since then and immediately prior to the Reorganisation, Brilliant Star was wholly-owned by Mr. Zhang Jian.

The intermediate holding company in Singapore

Bilxin Shipping

On 15 July 2015, Bilxin Shipping was incorporated in Singapore as a private company limited by shares with an issued and paid up share capital of US\$1.00 divided into 1 share at US\$1.00 each.

On the date of its incorporation, 1 ordinary share of Bilxin Shipping was allotted and issued as fully paid at a subscription price of US\$1.00 to Bilsea International, which was owned 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), respectively.

On 17 September 2015, 59,999 and 140,000 ordinary shares were allotted, credited as fully paid to Bilsea International and Shun Yuen HK respectively at a consideration of US\$1.00 per share. On 1 September 2016, a further allotment of 240,000 and 560,000 ordinary shares were made, credited as fully paid to Bilsea International and Shun Yuen HK respectively at a consideration of US\$1.00 per share.

Since then and immediately prior to the Reorganisation, Bilxin Shipping was owned as to 30% (300,000 shares) by Bilsea International and 70% (700,000 shares) by Shun Yuen HK.

The operating subsidiaries in Hong Kong

Xin Yuan Ocean

On 1 February 2010, Xin Yuan Ocean was incorporated in Hong Kong as a limited liability company. Xin Yuan Ocean is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, 30,000,000 ordinary shares of Xin Yuan Ocean were allotted and issued credited as fully paid to Jincheng Hengtong at a subscription price of RMB30,000,000. At the

HISTORY, REORGANISATION AND GROUP STRUCTURE

time of the allotment, Jincheng Hengtong was owned as to 50% and 50% by Fujian Lian Xin and Fujian Chuan Yuan respectively. On 14 March 2011, Xin Yuan Ocean allotted and issued a further 40,000,000 ordinary shares, credited as fully paid to Jincheng Hengtong at a consideration of RMB1.00 per share.

On 1 June 2011, Fujian Hao De Yuan Recycling Technology Co., Ltd* (福建昊德元環保科技有限公司) (“**Hao De Yuan**”), formerly known as Fujian Hao De Yuan Investment Co., Ltd* (福建昊德元投資有限公司) and Fujian Chang Yuan Trading Co., Ltd* (福建昌源貿易公司) acquired approximately 21.43% equity interest in Jincheng Hengtong for an aggregate consideration of RMB12.86 million from Fujian Lian Xin and Fujian Chuan Yuan which was determined by reference to the registered capital of Jincheng Hengtong at the time of the relevant transfers. The following table sets forth the shareholding structure of Jincheng Hengtong after the above transfers and at the commencement of the Track Record Period on 1 January 2015.

Name of shareholders	Capital contribution	Approximate shareholding percentage	Relationship with our Company (other than being a shareholder)	Relationship with other connected persons
	<i>(RMB)(million)</i>			
Fujian Lian Xin	24.00	40.00%	None	Owned as to 100% by Mr. Ding Xiaoli ⁽¹⁾
Fujian Chuan Yuan	23.14	38.57%	None	Owned as to 60%, to Mr. Xu Wenjun, 20% to Mr. Chen Chengmei and the remaining 20% to Independent Third Parties ⁽²⁾
Hao De Yuan	12.86	21.43%	None	Owned as to 73.34%, to Mr. Ding Yuzhao and the remaining 26.66% to Independent Third Parties ⁽³⁾
Total	60.00	100.00%		

Note 1: Fujian Lian Xin was at the material time controlled by Mr. Ding Xiaoli through trust arrangements (the “**Trust Arrangements**”) with his spouse Ms. Chen Qinhui and his brother Mr. Ding Xiaosheng. Pursuant to trust agreements between Mr. Ding Xiaoli and Ms. Chen Qinhui (spouse of Mr. Ding Xiaoli), respectively and Mr. Ding Xiaosheng (brother of Mr. Ding Xiaoli) on 11 September 2012 respectively, Ms. Chen Qinhui and Mr. Ding Xiaosheng agreed to hold on trust, collectively 100% equity interests in Fujian Lian Xin on behalf of Mr. Ding Xiaoli and confirmed that all the investments in Fujian Lian Xin were funded by Mr. Ding Xiaoli. His investments in Fujian Lian Xin were financed by his own savings. Mr. Ding Xiaoli, his spouse Ms. Chen Qinhui and his brother Mr. Ding Xiaosheng confirm that the reason for the Trust Arrangements in the equity interest of Fujian Lian Xin was to facilitate administrative convenience.

Our PRC Legal Advisers have confirmed that (i) the Trust Arrangements were enforceable between the relevant parties, i.e. Ms. Chen Qinhui, Mr. Ding Xiaosheng and Mr. Ding Xiaoli; (ii) the Trust Arrangements were in compliance with the laws and regulations of the PRC; and (iii) the reasons for entering into the Trust Arrangements do not violate any applicable PRC laws.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Fujian Lian Xin was principally engaged in the business of, amongst other things, property investment.

Note 2: Fujian Chuan Yuan was at the material time owned as to 60% equity interest and was controlled by Mr. Xu Wenjun, 20% controlled by Mr. Chen Chengmei, our senior manager, and the remaining 20% equity interest was owned by Independent Third Parties.

Fujian Chuan Yuan was originally established by Mr. Xu Wenjun together with several Independent Third Parties in May 2006. Mr. Xu Wenjun has become a controlling shareholder with more than 50% interest in Fujian Chuan Yuan since December 2010. His investments in Fujian Chuan Yuan were financed by his own savings. Fujian Chuan Yuan was principally engaged in the business of, amongst other things, property investment.

Note 3: Hao De Yuan was at the material time owned as to approximately 73.34% equity interest and was controlled by Mr. Ding Yuzhao, and the remaining 26.66% equity interest was owned by Independent Third Parties.

Pursuant to an equity transfer agreement entered into between Fujian Chuan Yuan and Mr. Xu Wenjun dated 15 September 2015, Fujian Chuan Yuan transferred approximately 38.57% equity interests in Jincheng Hengtong to Mr. Xu Wenjun for a consideration of RMB23.14 million, and the consideration was fully settled. On the same day, Mr. Ding Yuzhao acquired approximately 21.43% equity interests in Jincheng Hengtong from Hao De Yuan for a consideration of RMB12.86 million and the consideration was fully settled. The consideration was determined with reference to the registered capital of Jincheng Hengtong at the time of the transfer, and was negotiated on an arm's length basis between the parties.

Our PRC Legal Advisers have further confirmed that the above equity transfers and capital contributions were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

The following table sets forth the then shareholding structure of Jincheng Hengtong upon completion of the above equity transfers on 15 September 2015:

<u>Name of shareholders</u>	<u>Capital contribution</u>	<u>Approximate shareholding percentage</u>	<u>Relationship with our Company (other than being a shareholder)</u>	<u>Relationship with other connected persons</u>
	<i>(RMB)(million)</i>			
Fujian Lian Xin	24.00	40.00%	None	Owned as to 100% by Mr. Ding Xiaoli ⁽¹⁾
Mr. Xu Wenjun	23.14	38.57%	Executive Director	Concerted Group ⁽¹⁾
Mr. Ding Yuzhao	12.86	21.43%	Executive Director	Concerted Group ⁽¹⁾
Total	60.00	100.00%		

Note 1: Mr. Ding Xiaoli (as beneficiary of the Trust Arrangements), Mr. Xu Wenjun and Mr. Ding Yuzhao were acting in concert. For details, please refer to "Acting-In-Concert Agreement" in this section below.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Since the transfers and immediately prior to the Reorganisation, Jincheng Hengtong was ultimately owned as to approximately 40%, 38.57% , 21.43% by Mr. Ding Xiaoli through Fujian Lian Xin, Mr. Xu Wenjun and Mr. Ding Yuzhao respectively.

Since the date of incorporation of Xin Yuan Ocean and immediately prior to the Reorganisation, Xin Yuan Ocean was wholly owned by Jincheng Hengtong.

Xin Yuan Ocean is the demise charterer of the vessel San Du Ao.

Xin De Yuan

On 26 November 2010, Xin De Yuan was incorporated in Hong Kong as a limited liability company. Xin De Yuan is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering in Hong Kong and has commenced business since its incorporation.

On the date of its incorporation, 10,000,000 ordinary shares of Xin De Yuan were allotted and issued, credited as fully paid, to Xin Yuan Ocean at a subscription price of HK\$10,000,000. On 18 March 2011, a further allotment of 49,000,000 ordinary shares were made to Xin Yuan Ocean at a consideration of HK\$1.00 per share.

Since then and immediately prior to the Reorganisation, Xin De Yuan is a direct wholly-owned subsidiary of Xin Yuan Ocean.

Xin De Yuan is the demise charterer of the vessel Zhuang Yuan Ao.

Phoenix Shipping

On 9 September 2015, Phoenix Shipping was incorporated in Hong Kong as a limited liability company. Phoenix Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, 4,300, 1,500, and 4,200 ordinary shares of Phoenix Shipping were allotted and issued, credited as fully paid, to Mr. Ding Xiaoli, Mr. Ding Yuzhao, and Mr. Xu Wenjun respectively at a subscription price of HK\$1.00 per share.

Since then, and immediately prior to the Reorganisation, the shareholdings of Phoenix Shipping has remained unchanged.

Phoenix Shipping is the demise charterer of the vessel Feng Huang Ao.

Jastella Shipping

On 6 March 2017, Jastella Shipping was incorporated in Hong Kong as a limited liability company. Jastella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On the date of its incorporation, 10,000 ordinary shares of Jastella Shipping were allotted and issued credited as fully paid, to Shun Yuen HK at a subscription price of HK\$1.00 per share.

Since then, and immediately prior to the Reorganisation, Jastella Shipping is a direct wholly-owned subsidiary of Shun Yuen HK.

Jastella Shipping is the demise charterer of the vessel Jastella.

Baustella Shipping

On 6 March 2017, Baustella Shipping was incorporated in Hong Kong as a limited liability company. Baustella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, 10,000 ordinary shares of Baustella Shipping were allotted and issued, credited as fully paid to Shun Yuen HK at a subscription price of HK\$1.00 per share.

Since then, and immediately prior to the Reorganisation, Baustella Shipping is a direct wholly-owned subsidiary of Shun Yuen HK.

Baustella Shipping is the demise charterer of the vessel Baustella.

Lotstella Shipping

On 20 June 2017, Lotstella Shipping was incorporated in Hong Kong as a limited liability company. Lotstella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, 10,000 ordinary shares of Lotstella Shipping were allotted and issued, credited as fully paid, to Shun Yuen HK at a subscription price of HK\$1.00 per share.

Since then, and immediately prior to the Reorganisation, Lotstella Shipping is a direct wholly-owned subsidiary of Shun Yuen HK.

Begstella Shipping

On 20 June 2017, Begstella Shipping was incorporated in Hong Kong as a limited liability company. Begstella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, 10,000 ordinary shares of Begstella Shipping were allotted and issued, credited as fully paid, to Shun Yuen HK at a subscription price of HK\$1.00 per share.

Since then, and immediately prior to the Reorganisation, Begstella Shipping is a direct wholly-owned subsidiary of Shun Yuen HK.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The operating subsidiaries in Singapore

Orcstella Shipping

On 17 March 2016, Orcstella Shipping was incorporated in Singapore as a private company limited by shares with an issued and paid up share capital of US\$1.00 divided into one share of US\$1.00 each. Orcstella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, one ordinary share of Orcstella Shipping was allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$1.00.

On 16 November 2016, a further 49,999 ordinary shares of Orcstella Shipping were allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$49,999.

Since then and immediately prior to the Reorganisation, Orcstella Shipping was owned as to 100% by Bilxin Shipping.

Orcstella Shipping owns the interest in the vessel Orcstella.

Rostella Shipping

On 17 March 2016, Rostella Shipping was incorporated in Singapore as a private company limited by shares with an issued and paid up share capital of US\$1.00 divided into one share of US\$1.00 each. Rostella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, one ordinary share of Rostella Shipping was allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$1.00.

On 16 November 2016, a further 49,999 ordinary shares of Rostella Shipping were allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$49,999.

Since then and immediately prior to the Reorganisation, Rostella Shipping was owned as to 100% by Bilxin Shipping.

Rostella Shipping owns the interest in the vessel Rostella.

Poestella Shipping

On 17 March 2016, Poestella Shipping was incorporated in Singapore as a private company limited by shares with an issued and paid up share capital of US\$1.00 divided into one share of US\$1.00 each. Bilxin Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On the date of its incorporation, one ordinary share of Poestella Shipping was allotted and issued, credited as fully paid to Bilxin Shipping at a subscription price of US\$1.00.

On 16 November 2016, a further 49,999 ordinary shares of Poestella Shipping were allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$49,999.

Since then and immediately prior to the Reorganisation, Poestella Shipping was owned as to 100% by Bilxin Shipping.

Poestella Shipping owns the interest in the vessel Poestella.

Lilstella Shipping

On 17 March 2016, Lilstella Shipping was incorporated in Singapore as a private company limited by shares with an issued and paid up share capital of US\$1.00 divided into one share of US\$1.00 each. Lilstella Shipping is one of our operating subsidiaries, which is principally engaged in the business of tanker chartering and has commenced business since its incorporation.

On the date of its incorporation, one ordinary share of Lilstella Shipping was allotted and issued, credited as fully paid to Bilxin Shipping at a subscription price of US\$1.00.

On 16 November 2016, a further 49,999 ordinary shares of Lilstella Shipping were allotted and issued, credited as fully paid, to Bilxin Shipping at a subscription price of US\$49,999.

Since then and immediately prior to the Reorganisation, Lilstella Shipping was owned as to 100% by Bilxin Shipping.

Lilstella Shipping owns the interest in the vessel Lilstella.

The operating subsidiaries in the PRC

On 11 October 2017, Xinlanhai was established in the PRC, as a wholly-foreign owned limited liability company with a registered capital of RMB1,000,000. Since its establishment, the entire interest of Xinlanhai was owned as to 100% by Shun Yuen HK. On 5 January 2018, the registered capital of Xinlanhai was increased from RMB1,000,000 to RMB30 million. Xinlanhai is established mainly for the purpose of sourcing mechanical equipment and hardware product for our Group's vessels in the future and providing administrative services to our Group and has commenced its business since its establishment.

HISTORY, REORGANISATION AND GROUP STRUCTURE

ACTING-IN-CONCERT AGREEMENT

Mr. Ding Xiaoli, Mr. Ding Yuzhao, and Mr. Xu Wenjun, have directly and indirectly controlled the management and operation of Xin Yuan Ocean since 1 June 2011. The Concerted Group has maintained a long term business relationship for more than six years since June 2011, when they had the intention of jointly investing in Xin Yuan Ocean and controlling the management and operation of Xin Yuan Ocean. On 21 August 2014, the Concerted Group agreed to act in concert by signing the Acting-in-Concert Agreement.

To give unanimous consent, approval or rejection on any decisions in relation to the operation of Xin Yuan Ocean and any other shipping companies established by the Concerted Group in all board and shareholders' meetings of the relevant companies and act in concert with the others to obtain and maintain and consolidate control.

Pursuant to the Acting-in-Concert Agreement, the Concerted Group is considered to act as a group of Controlling Shareholders because:

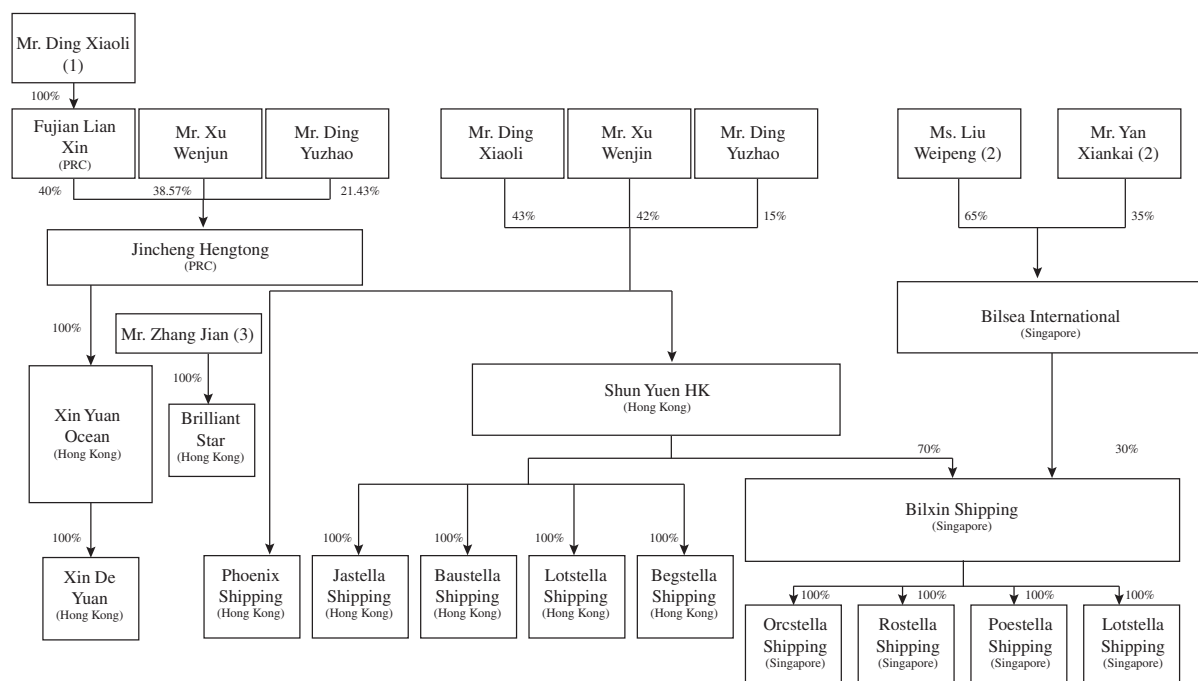
- (a) Mr. Ding Xiaoli, Mr. Ding Yuzhao, and Mr. Xu Wenjun agreed to act in concert with each other when dealing with operational matters of Xin Yuan Ocean and any other companies related to the business of Xin Yuan Ocean jointly established by Mr. Ding Xiaoli, Mr. Ding Yuzhao and Mr. Xu Wenjun since 21 August 2014;
- (b) Mr. Ding Xiaoli (under the Trust Arrangements), Mr. Ding Yuzhao, and Mr. Xu Wenjun (as ultimate shareholders and directors of Xin Yuan Ocean) agreed to, and shall continue to, consult each other and reach unanimous consensus among themselves on such matters being the subject matters of any shareholders' and directors' meetings;
- (c) the Concerted Group would be regarded as "acting in concert" for the purpose of the Takeovers Code.

The Concerted Group has controlled Xin Yuan Ocean since the commencement of the Track Record Period. They will together be entitled to exercise and control approximately 68.25% of the total number of Shares in issue immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options that may be granted under the Share Option Scheme).

HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of our Reorganisation:



Notes:

- (1) Ms. Chen Qinhui is the spouse of Mr. Ding Xiaoli, holding 60% equity interests in Fujian Lian Xin on trust for Mr. Ding Xiaoli under the Trust Arrangements. Mr. Ding Xiaosheng is the brother of Mr. Ding Xiaoli, holding 40% equity interests in Fujian Lian Xin on trust for Mr. Ding Xiaoli under the Trust Arrangements
- (2) Ms. Liu Weipeng and Mr. Yan Xiankai are directors of Bilxin Shipping and its subsidiaries
- (3) Mr. Zhang Jian is the grandson of Mr. Xu Wenjun's sister-in-law

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of preparing our corporate structure for the Listing. The principal steps involved in the Reorganisation are summarised below:

1. Incorporation of Centennial Best

Centennial Best was incorporated in the BVI on 24 August 2016 and was authorised to issue a maximum of 50,000 Shares of par value US\$1.00 each. On 22 September 2016, 4,300 shares and 4,200 shares and 1,500 shares were allotted and issued at par, credited as fully paid, to Golden Boomer, Perfect Bliss and Gigantic Path, respectively. Accordingly, Centennial Best was owned as to 43% by Golden Boomer (wholly-owned by Mr. Ding Xiaoli), 42% by Perfect Bliss (wholly-owned by Mr. Xu Wenjun) and 15% by Gigantic Path (wholly-owned by Mr. Ding Yuzhao).

HISTORY, REORGANISATION AND GROUP STRUCTURE

2. Incorporation of our Company

On 28 June 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of par value US\$1.00 each. On the date of incorporation, one Share of our Company was allotted and issued at par, credited as fully paid to an independent company service provider, which was on the same day transferred to Mr. Ding Xiaoli at US\$1.00. On the same day, 4,299, 4,200 and 1,500 Shares were further allotted and issued at par, credited as fully paid, to Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, respectively. Accordingly, our Company was owned as to 43%, 42%, and 15% by Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao respectively, immediately after the Share allotment and issue.

On 22 September 2016, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao transferred 4,300, 4,200 and 1,500 Shares in our Company (representing 43%, 42% and 15% of the equity interest in our Company) to Centennial Best at a cash consideration of US\$4,300, US\$4,200 and US\$1,500, respectively, which had been settled.

Accordingly, our Company was owned as to 100% by Centennial Best immediately after the transfer was completed.

On 15 December 2017, our Company's authorised share capital was increased from US\$50,000 divided into 50,000 shares of par value US\$1.00 each to US\$52,986,244 divided into 52,986,244 shares of par value US\$1.00 each. On 16 December 2017, the authorised share capital of our Company was subdivided from US\$52,986,244 divided into 52,986,244 shares of par value US\$1.00 each into US\$52,986,244 divided into 5,298,624,400 shares of par value US\$0.01 each, and the issued 10,000 shares of par value US\$1.00 each registered in the name of Centennial Best was subdivided into 1,000,000 shares of par value US\$0.01 each.

3. Incorporation of Virtue Glory

On 25 May 2016, Virtue Glory was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. On 12 July 2016, 10,000 shares were allotted and issued at par, credited as fully paid to our Company. Accordingly, Virtue Glory was owned as to 100% by our Company.

4. Transfer of Shun Yuen HK to Virtue Glory

On 16 December 2016, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao transferred 4,300, 4,200 and 1,500 shares in Shun Yuen HK (representing 43%, 42% and 15% of the equity interest in Shun Yuen HK) to Virtue Glory at a cash consideration of HK\$4,300, HK\$4,200 and HK\$1,500, respectively, which had been settled.

Accordingly, Mr. Ding Xiaoli, Mr. Xu Wenjun, Mr. Ding Yuzhao ceased to have any direct interest in Shun Yuen HK, and Shun Yuen HK became an indirect wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

5. Transfer of Brilliant Star to Virtue Glory

On 16 December 2016, Mr. Zhang Jian transferred one share in Brilliant Star, (representing 100% of the equity interest in Brilliant Star) to Virtue Glory at a cash consideration of HK\$1.00, which had been settled. The consideration was determined with reference to the paid up capital, and was negotiated on an arm's length basis between the parties.

Accordingly, Brilliant Star became an indirect wholly-owned subsidiary of our Company.

6. Transfer of Phoenix Shipping to Shun Yuen HK

On 19 December 2016, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao transferred 4,300, 4,200 and 1,500 shares in Phoenix Shipping (representing 43%, 42% and 15% of the equity interest in Shun Yuen HK) to Shun Yuen HK at a cash consideration of HK\$4,300 HK\$4,200 and HK\$1,500, respectively, which had been settled.

Accordingly, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao ceased to have any direct interest in Phoenix Shipping and Phoenix Shipping became an indirect wholly-owned subsidiary of our Company.

7. Transfer of Xin Yuan Ocean to Golden Boomer, Gigantic Path and Brilliant Star

On 29 December 2016, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao as the Concerted Group procured Jincheng Hengtong to transfer 64,285,690, 5,357,170 and 357,140 shares of Xin Yuan Ocean (representing approximately 91.84%, 7.65% and 0.51% of the equity interest in Xin Yuan Ocean) to Brilliant Star, Gigantic Path (a company wholly owned by Mr. Ding Yuzhao), and Golden Boomer (a company wholly owned by Mr. Ding Xiaoli) at a cash consideration of RMB64,285,690, RMB5,357,170 and RMB357,140 respectively, which had been settled. The consideration was negotiated on an arm's length basis between the parties with reference to, amongst other things, the paid-up capital of the relevant company at the time of the transfer.

Accordingly, Xin Yuan Ocean was owned by Brilliant Star, Gigantic Path, Golden Boomer as to approximately 91.84% (64,285,690 shares), 7.65% (5,357,170 shares), and 0.51% (357,140 shares) respectively.

8. Transfer of Xin De Yuan to Shun Yuen HK

On 18 December 2017, Xin Yuan Ocean transferred 59,000,000 shares of Xin De Yuan to Shun Yuen HK (representing the entire equity interest in Xin De Yuan) at a consideration of HK\$59,000,000, which was fully paid on 18 December 2017. The consideration was negotiated on an arm's length basis between the parties with reference to paid up capital at the time of the transfer.

Accordingly, Xin De Yuan became an indirect wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

9. Issuance of 45,651,160 Shares in our Company to Centennial Best

On 19 December 2017, our Company allotted and issued a further 45,651,160 Shares to Centennial Best which was settled and off-set by the debt owed by our Company to Centennial Best in the amounts of approximately US\$46,641,160.

10. Issuance of 97,894 and 1,468,428 Shares in our Company to Golden Boomer and Gigantic Path

On 19 December 2017, our Company allotted and issued 97,894 and 1,468,428 Shares in our Company to Golden Boomer and Gigantic Path respectively. The two subscription prices were deemed to be settled by the transfer of 357,140 and 5,357,170 shares in Xin Yuan Ocean in the amount of RMB357,140 and RMB5,357,170, respectively (representing approximately 0.51% and 7.65% of the equity interest in Xin Yuan Ocean) held by Golden Boomer and Gigantic Path to Shun Yuen HK, which was wholly owned by and nominated by our Company on 21 December 2017 pursuant to the share swap agreement entered into amongst Golden Boomer, Gigantic Path, Shun Yuen HK, our Company, Ding Xiaoli and Ding Yuzhao dated 18 December 2017. Please also see step 12 below.

11. Issuance of 4,768,762 Shares in our Company to Bilsea International

On 19 December 2017, our Company allotted and issued 4,768,762 Shares in our Company to Bilsea International. The subscription price was deemed to be settled by the transfer of 300,000 shares in Bilxin Shipping (representing approximately 30% of the equity interest in Bilxin Shipping) held by Bilsea International to Shun Yuen HK, which was wholly owned by and nominated by our Company on 22 December 2017 pursuant to the share swap agreement entered into amongst Bilsea International, Shun Yuen HK, our Company, Ms. Liu Weipeng, and Mr. Yan Xiankai dated 18 December 2017. In consideration of our Company agreeing to allot and issue the said 4,768,762 Shares in our Company, Bilsea International assigned to Shun Yuen HK the debt of the amount of US\$7,471,220 owed by Bilxin Shipping to Bilsea International (“Bilxin Shareholder Loan”) on 18 December 2017.

The consideration was determined by reference to the fair value of 9% of the equity interest in our Company, being US\$8,936,000 which was approximate to the aggregate amount of the fair value of 30% of the equity interest in Bilxin Shipping, being US\$1,212,000 and the Bilxin Shareholder Loan of US\$7,471,220. Both the fair value of 9% of the equity interest in our Company and the 30% of the equity interest in Bilxin Shipping as at 22 December 2017 were appraised by the same independent valuer by market approach.

Pursuant to the share swap agreement, Bilsea International, Ms. Liu Weipeng, and Mr. Yan Xiankai signed a deed to undertake to our Company and Shun Yuen HK that among other things, Bilsea International shall not dispose of nor enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of, pledge, assign, or otherwise create any options, rights, interests or encumbrances in respect of:

- 1) the Shares beneficially owned by Bilsea International within the period commencing from the date of issue of the Shares under such share swap agreement to twelve months after the date of Listing (the “**First Lock-up Period**”);

HISTORY, REORGANISATION AND GROUP STRUCTURE

- 2) 75% of the Shares beneficially owned by Bilsea International within the period of twelve months commencing from the date of expiration of the First Lock-up Period (the “**Second Lock-up Period**”); and
- 3) 50% of the Shares beneficially owned by Bilsea International within the period of twelve months commencing from the date of expiration of the Second Lock-up Period (the “**Third Lock-up Period**”).

Please also see step 13 below.

12. Acquisition of 100% equity interest in Xin Yuan Ocean

On 21 December 2017, Golden Boomer and Gigantic Path transferred 357,140 and 5,357,170 shares in Xin Yuan Ocean (representing approximately 0.51% and 7.65% of the equity interest in Xin Yuan Ocean), respectively to Shun Yuen HK. For details, please refer to step 10 above.

On 21 December 2017, Brilliant Star transferred 64,285,690 shares in Xin Yuan Ocean (representing approximately 91.84% of the equity interest in Xin Yuan Ocean) to Shun Yuen HK in consideration of RMB64,285,690. The consideration was negotiated on an arm’s length basis between the parties with reference to, among others, the paid up capital of the relevant company at the time of the transfer.

Accordingly, Xin Yuan Ocean became an indirect wholly-owned subsidiary of our Company and Brilliant Star became inactive.

13. Acquisition of Bilxin Shipping

On 22 December 2017, our Group through Shun Yuen HK acquired 300,000 shares in Bilxin Shipping (representing 30% of the equity interest of Bilxin Shipping) from Bilsea International pursuant to the share swap agreement entered into amongst Bilsea International, Shun Yuen HK, our Company, Ms. Liu Weipeng, and Mr. Yan Xiankai. For details, please see step 11 above.

Accordingly, Bilxin Shipping became an indirect wholly-owned subsidiary of our Company.

14. Establishment of a PRC subsidiary

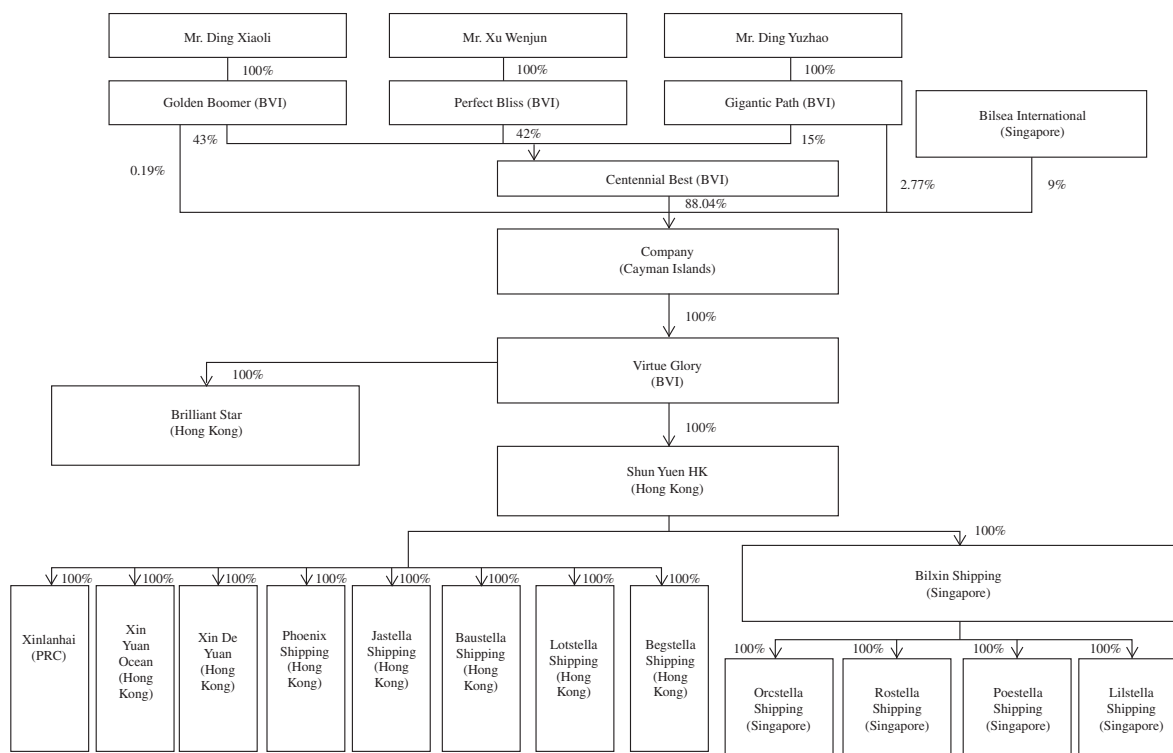
Xinlanhai was established on 11 October 2017 in the PRC, as a wholly foreign-owned limited liability company with a registered capital of RMB1,000,000. Since its establishment, Xinlanhai has been owned as to 100% by Shun Yuen HK.

CORPORATE AND SHAREHOLDING STRUCTURE

Upon completion of the Reorganisation but before the Capitalisation Issue and the Global Offering, Centennial Best, Bilsea International, Golden Boomer and Gigantic Path shall hold the issued Shares as to approximately 88.04%, 9%, 0.19% and 2.77%, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth our Group's corporate structure and shareholding structure immediately after the Reorganisation, but immediately prior to the Capitalisation Issue and the Global Offering:

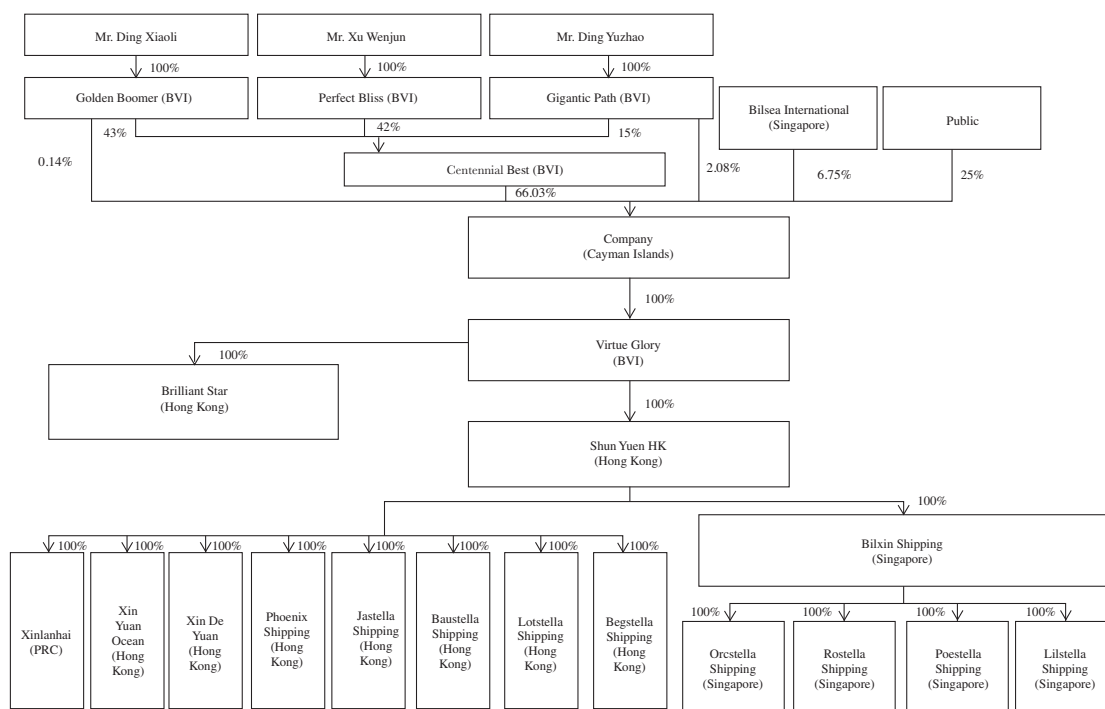


CAPITALISATION ISSUE AND GLOBAL OFFERING

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, a sum of US\$2,470,137.56 standing to the credit of the share premium account of our Company will be capitalised by way of applying such sum in paying up in full at par and 247,013,756 Shares in our Company for the issue (the “**Capitalisation Issue**”) to the existing Shareholders, on a pro rata basis immediately before the Global Offering.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth the corporate structure and shareholding structure of our Group upon completion of the Capitalisation Issue and the Global Offering (taking no account of any Shares issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme):



LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that all relevant material approvals and permits in relation to the share transfers and any changes in the registered capital in respect of the PRC company in our Group as described above had been obtained and has complied with all applicable laws and regulations in the PRC and do not violate any PRC laws and regulations in all material aspects.

SAFE Registration in the PRC

The SAFE Circular No.37 requires a PRC individual resident to apply to the competent local branch of the SAFE for going through the procedures for foreign exchange registration of overseas investments. For further details, please refer to the section headed “Laws and Regulations - 4. Applicable PRC Laws and Regulations - (5) SAFE Circular No. 37” in this prospectus.

Each of Mr. Xu Wenjun and Mr. Ding Yuzhao, being PRC individual residents and beneficial owners of our Company are required to apply to the competent local branch of the SAFE pursuant to SAFE Circular No. 37. Our PRC Legal Advisers have confirmed that Mr. Xu Wenjun had on 16 April 2018 registered his foreign investment in our Group with Xiamen International Bank Fuzhou Branch (which is a competent authority), and Mr. Ding Yuzhao had on 28 April 2018 registered his foreign investment in our Group with Xiamen International Bank Ningde Branch (which is also a competent authority).

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OVERVIEW

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and CoAs. According to the F&S Report, in 2017, our Group ranked fourth in the global asphalt tanker chartering services market in terms of total carrying capacity (dwt) of vessels and in terms of revenue.

Asphalt is a product of petroleum and an adhesive and waterproof material. It is commonly used in infrastructure construction, road maintenance and waterproofing products such as tanking underground or flat roofs. Asphalt is usually transported at a high temperature to avoid solidification. Our Group's vessels have the technology to control and maintain the high temperature and minimise heat loss from their tanks. In 2017, there were around 6,000 specialised tankers all over the world, among which there were 290 asphalt tankers. In addition, dwt of asphalt tankers accounted for approximately 0.4% of the total dwt of specialised tankers.

We endeavour to provide high quality asphalt tanker chartering services. We have our own team of engineers and we are actively involved in the design of our vessels. Our team works closely with ship design experts, our customers, the shipyards, an international classification society and banks or finance lease companies. We formulate customised shipbuilding plan to build new vessel that suits our customers' requirements such as fuel consumption efficiency and carrying capacity. Our Directors believe that by doing the customisation, we could raise our service standards and competitiveness.

As at the Latest Practicable Date, we operated a fleet of nine vessels. We had five vessels operated under time charters, the remaining four vessels were operated under voyage charters or CoAs.

Under time charters, our Group's vessels are chartered to our customers on a long-term basis ranging from two to ten years, during which our customers are responsible for cargo shipments according to their needs. We are responsible for the operating costs of our vessels, whereas our customers are responsible for the voyage costs of our vessels. Our operating costs mainly include crew expenses, depreciation, management fees, insurance expenses and repair and maintenance costs. Our customers' voyage costs mainly include bunker fees and port charges. Under time charters, we usually charge charter hire on a per day basis. Our Group generally receives monthly prepayment from our customers.

Under voyage charters, our Group's vessels are chartered to our customers for a single voyage. Based on our customer's instructions, our Group is responsible for cargo shipments from the loading port to the discharging port. Our Group is responsible for both the operating costs and voyage costs. Generally, operating costs include crew expenses, depreciation, management fees, insurance expenses and repair and maintenance costs, while voyage costs include bunker fees and port charges. Generally, charter hire is determinable with reference to market rate, the cargo quantity, the locations of the loading port and the discharging port and the price of bunker. Our Group generally receives full payment within five business days after completion of cargo loading.

BUSINESS

Under CoAs, our Group's vessels are chartered to our customers for a series of voyages in a specified period of time on terms similar to those of voyage charters. Under CoAs, the freight charges are pre-determined and prevail throughout the agreed period under the contracts. Our Group generally receives full payment within three business days after completion of cargo discharging.

As our Group's vessels were relatively new and our fleet did not have any material non-compliance nor safety accidents for its operation, our fleet became increasingly popular in asphalt transportation market after several years of operation and our reliance on sales to our major customer, namely Group A, had been reducing during the Track Record Period. We had also been actively seeking other business partners during the Track Record Period. As we considered Bilsea International was a reputable asphalt trader and had a strong demand in asphalt tanker chartering services, we then approached Bilsea International for the discussion of potential business cooperation. In September 2015, our Group became a major shareholder of Bilxin Shipping. As both our Directors and the shareholders of Bilsea International considered the demand of voyage charters was strong and in order to expand its market share in asphalt tanker chartering industry, we commenced the construction of the seven new vessels with carrying capacity of 8,000 dwt in 2015. In 2016, we commenced voyage charters with Bilsea International and other customers. In 2017, the construction of four new vessels completed and commenced operation. As a result, our Group further expanded our voyage charters. In mid of 2017, we secured two time charters with a subsidiary of one of the largest publicly traded energy companies in the world based in the United States, who got to know the vessels of our Group due to its asphalt trading business with Bilsea International. As a result of the expansion of the fleet from two vessels in 2015 to seven vessels in 2017 to fulfil the demand for time charters, voyage charters and COAs, revenue of our Group grew significantly during the Track Record Period.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the total revenue of our Group was approximately US\$10.8 million, US\$15.5 million, US\$33.7 million and US\$13.3 million, respectively, representing an increase of approximately 43.7% from the year ended 31 December 2015 to the year ended 31 December 2016, an increase of approximately 118.2% from the year ended 31 December 2016 to the year ended 31 December 2017 and an increase of approximately 36.3% from the four months ended 30 April 2017 to the four months ended 30 April 2018.

Our net profit for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018 was approximately US\$3.4 million, US\$4.5 million, US\$6.0 million and US\$3.4 million, respectively. For further details, please refer to the section headed "Financial Information — Principal Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income" in this prospectus. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our gross profit margin was 40.9%, 41.5%, 39.3% and 39.5%, respectively.

BUSINESS

Set out below is our revenue breakdown in the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$ '000	%	US\$ '000	%	US\$ '000	%	US\$ '000	%	US\$ '000	%
	<i>(unaudited)</i>									
Time charters	10,760	100	14,117	91.3	20,061	59.5	5,271	53.8	7,987	59.8
Voyage charters and CoAs	—	—	1,340	8.7	13,666	40.5	4,524	46.2	5,361	40.2
Total	<u>10,760</u>	<u>100</u>	<u>15,457</u>	<u>100</u>	<u>33,727</u>	<u>100</u>	<u>9,795</u>	<u>100</u>	<u>13,348</u>	<u>100</u>

OUR COMPETITIVE STRENGTHS

Our Directors believe that our market position and the success of our business are attributable to the following competitive strengths:

Our fleet of vessels is relatively new and fit for purpose to meet customers' needs

Our Group has one of the newest fleets in the asphalt tanker chartering services market, and the average age of our asphalt tankers is less than three years old, while the global average is more than 15 years old. Our Group's new vessels are also relatively technologically advanced and fuel-efficient compared with older vessels. New vessels have faster sailing speed, and also help the shipowners to save the maintenance cost. In addition, vessels over ten years old might be faced with the problem of high fuel consumption, while new vessels are more energy efficient. Thus customers are generally more willing to choose new fleets.

Our Group has one of the largest fleets in the asphalt tanker chartering services market. As at the Latest Practicable Date, our Group operated nine vessels, but the average number of vessels owned by all the market players is only around two. The larger fleet size enables Our Group to serve more customers in the market. Furthermore, the average dwt of our Group's vessel was around 9,829 dwt as at 31 December 2017, while the global average was only 6,053 dwt. This high average dwt is conducive to the development of Our Group by meeting the demands of customers with large transportation volume.

We provide warranties and performance reviews to our customers and provide maintenance services to meet all the guaranteed specifications for our vessels. Besides, our special tank design enables us to simultaneously carry more than one type of cargo and load partial tank of asphalt.

As compared with purchasing a used vessel from other parties and reconditioning it to be fit as an asphalt tanker, engaging a shipyard to build new vessels enables our Group to monitor the vessel's architectural and functional design which is customised for the specific purpose of carrying asphalt.

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Our Group has its own team of engineers to review the performance of our vessels. Our Group is actively involved in our vessels' design, including the initial stage of design sketching and on-board equipment selection. For further details, please refer to the section headed "Business — Our Fleet — Engaging shipyards to build new vessels for us" in this prospectus.

Our Directors believe that our Group's newer fleet is able to deliver reliable, prompt and quality asphalt tanker chartering services to our customers and requires fewer days for repair and maintenance. Therefore, the fleet utilisation rate of our Group is generally maximised and close to full utilisation. For further details, please refer to the section headed "Business — Fleet Management — Fleet utilisation rate" in this prospectus.

We have stable cash inflow from long-term contract with customers

Our revenue is driven by long-term time charterparties that we entered into with our major customers. Our major customers include: (i) Yueliangwan Maritime Co., Limited, a member of Group A, one of the largest global shipping and logistics groups in the world; (ii) Group B, one of the largest global independent energy traders in the world; and (iii) Customer D, a subsidiary of one of the largest publicly traded energy companies in the world based in the United States. Our Group has a stable portfolio of long-term time charters that generate regular and predictable cash flows. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, 100%, 91.3%, 59.5% and 59.8% of our total revenue was derived from the stable income flow under time charterparties, respectively. For further details, please refer to the section headed "Business — Our Services" in this prospectus. As at the Latest Practicable Date, as confirmed by our Directors, none of our customers had terminated our time charterparties prior to maturity nor delayed payments.

The hire term of the time charterparties generally lasts from two to ten years. The average remaining hire term for our vessels under time charters as at the Latest Practicable Date was approximately 3.2 years.

Our long-term time charterparties and our stable growth in revenue during the Track Record Period reflected that we were less susceptible to changing market conditions and fluctuations.

We have established stable relationships with our customers and shipyards

We have established a solid customer base in the asphalt tanker chartering services market. For instance, we have maintained eight years of relationship with Yueliangwan Maritime Co., Limited. It is essential for us to continuously expand our customer base and at the same time, maintain stable business relationships with our existing major customers. Our sales team and shipbroker communicate with the customers regularly and collect feedback from them and respond to them in a timely manner. These helped us to secure stable business relationships with our customers.

Besides, we have established good relationship with our major shipyards. The preparatory stage of shipbuilding requires extensive communication and sufficient mutual understanding among us,

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shipyards, banks, customers and ship design experts. Based on these good relationships, we are able to communicate with the shipyards effectively to ensure the desired standards and quality of our vessels. For further details, please refer to the section headed “Business — Our Fleet — Engaging shipyards to build new vessels for us” in this prospectus.

With our high standards of service, we have established ourselves as a reliable asphalt tanker chartering services provider in the global market. Therefore, we are able to maintain a long-term relationship with our customers.

We focus on high standard of maintenance of our fleet to offer quality and safe asphalt tanker chartering services

Our Group adopts effective vessel maintenance and management policies. Our Group’s vessels have been classed by an international classification society and managed by reputable ship management companies.

All our nine vessels in operation have been classed by BV, an international classification society headquartered in France and a member of International Association of Classification Societies (IACS). IACS is a non-governmental organisation which provides technical support and guidance to the IMO, a United Nations agency responsible for regulating shipping. In general, classification societies carry out research, set and apply technical requirements for the design, construction and survey of marine-related facilities. These requirements are published as classification rules, whose coverage ranges from the construction of vessel to its operation. To achieve a quality and safe service, we arrange BV to carry out regular surveys on our vessels to ensure our vessels in operation remain compliant with the classification rules.

We engage reputable ship management companies to manage our vessels. BSM and Group A manage seven and two of our vessels in operations, respectively. BSM is a ship management company and its parent company has over 130 years of history and currently manages more than 600 vessels globally. Group A is one of the largest global shipping and logistics groups in the world. For further details, please refer to the section headed “Business — Suppliers — Ship management companies” in this prospectus.

Our Group has maintained the classification status of our vessels and complied with all the material regulations in relation to our operation. Our Group has also met the standards of OCIMF, which is a voluntary association of oil companies having an interest in the shipment and terminalling of crude oil and oil products. OCIMF’s mission is to be the foremost authority on the safe and environmentally responsible operation of oil tankers and terminals and promoting continuous improvement in standards of design and operation. Our vessel, San Du Ao, was awarded Qualship 21 Certificate of Eligibility by United States Coast Guard, an award that demonstrates high level of compliance with international standards. Our Group’s vessel maintenance and management policies above enable us to provide quality and safe services to our customers.

We have an experienced management team with a proven track record

We have a devoted senior management team consisting of members who have qualifications in marine transportation. Our management team includes Mr. Ding Xiaoli, Mr. Ding Yuzhao and Mr. Xu

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Wenjun as our executive Directors, who are responsible for overseeing our Group's operations and formulating our Group's business strategies. Mr. Xu Jianping, the vice president of our Group, is responsible for our Group's ship safety management.

Our senior management team's extensive experience and insight in the tanker chartering business and shipping business are essential for adopting and implementing our Group's short-term and long-term business strategies, controlling its business risks and enhancing its profitability. Their active participation in the asphalt-related industry conferences also offered them the opportunity to establish business relationship and contacts with different market players in the asphalt-related industry.

Our senior management team has a proven track record and implemented effective strategies which have made us one of the leaders in the asphalt tanker chartering services market. We believe that the knowledge, skills and experience of our senior management team would enable our Group to capture a larger market share and expand our business in the global asphalt tanker chartering services market.

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our directors and senior management.

OUR BUSINESS STRATEGIES

Our Group is well-positioned to further develop our presence in the asphalt tanker chartering services market and capture new business opportunities. Our Group plans to continue to capitalise on opportunities to leverage our competitive strengths to focus on the following strategies:

Leverage our position as a leading provider of asphalt tanker chartering services to enhance our global presence

We believe that being actively involved in the preparatory stage of the shipbuilding process to meet our customers' specification requirements is a core factor contributing to our initial success. We will continue to adopt such active participation strategies to ensure that our vessels are of a competitive quality.

According to the F&S Report, in 2017, we ranked fourth in the global asphalt tanker chartering services market in terms of total carrying capacity (dwt) of vessels and in terms of revenue. We believe that as the asphalt tanker chartering services market is estimated to grow globally, demand from Africa, South America, Southeast Asia, the PRC and the United States will boost the demand for asphalt, thereby the need for asphalt's marine transportation. While solidifying and enhancing our global leading position, we are also capturing opportunities arising from the expected growth in the industry.

Expand our Group's fleet size to strengthen our global market position

In light of the expected increasing demand in the asphalt trading market in the coming years as indicated in the F&S Report, we plan to expand the size of our fleet by engaging shipyards to build

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new vessels for us. As at the Latest Practicable Date, our Group had ordered to build a vessel with a carrying capacity of approximately 8,000 dwt. We intend to further order two new vessels, each with a carrying capacity of approximately 21,000 dwt. We may further order additional vessels depending on the market demand in the future.

Newly built vessels tend to be quicker, more efficient and cheaper to maintain. As compared to purchasing used vessels, engaging shipyards to build new vessels enables us to monitor the vessel's architectural and functional design which is customised for the specific purpose of carrying asphalt, and strengthens our reputation as a shipowner. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Maintain our Group's variety of service types to meet different demands in the market

The asphalt tanker chartering services market consisting of charterers with different needs for their transportation arrangement. Although time charters are currently our Group's most important type of service, our Group remains flexible in adjusting our capacity to adapt to the demand for different types of services. While time charters allow customers to obtain a flexible and guaranteed transportation capacity for a specific period of time, voyage charters and CoAs, which are of relatively shorter terms, would be a better option for customers with one-time need for transportation services or periodic need that does not require a commitment for a longer period of time.

During the Track Record Period, our Group changed our service mix from being purely a time charter service provider to a combination of time charter and voyage charter service provider. Time charters enabled our Group to secure a stable income to cover majority of our finance costs, repayments of bank loans or finance lease payables, crew expenses, bunkers and ship management fees, while the addition of voyage charters and COAs enabled us to benefit from a growing market. The diversification of the chartering services allows our Group to maintain sufficient liquidity during market recession as well as taking advantage of new opportunities during market growth. Besides, our Directors consider that operating our vessels under voyage charters or CoAs in addition to time charters enable our Group to gain more market insights and enlarge our customer base.

OUR BUSINESS MODEL

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and CoAs.

Under time charters, our Group's vessels are chartered to our customers on a long-term basis ranging from two to ten years, during which our customers are responsible for cargo shipments according to their needs.

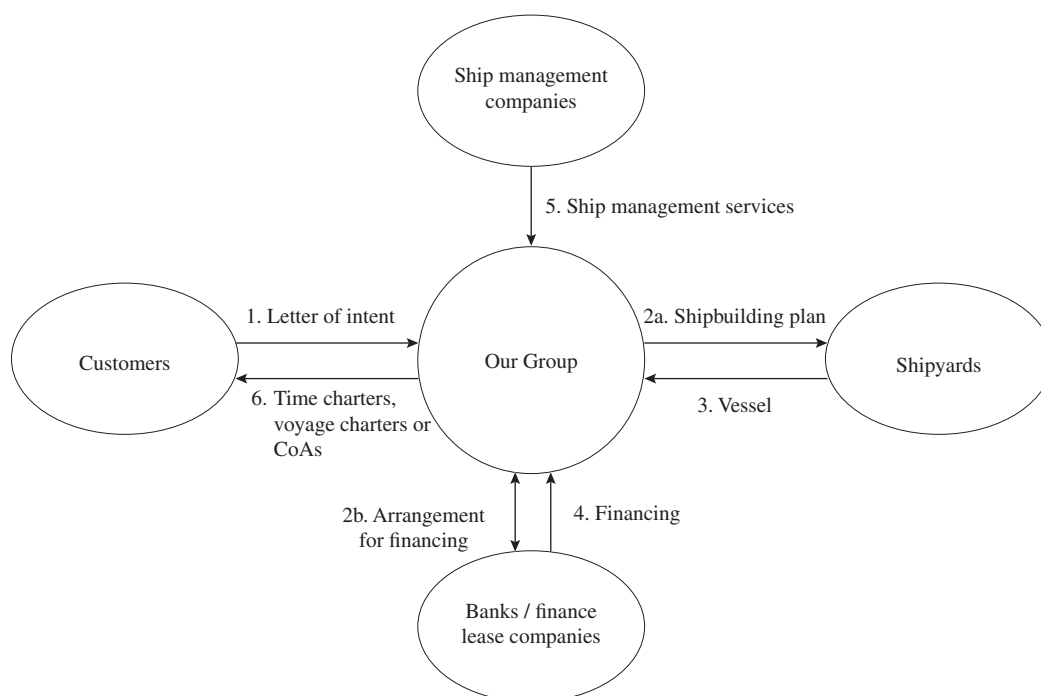
Under voyage charters and CoAs, our Group's vessels are chartered to our customers for a single voyage or a series of voyages. Based on customer's instructions, our Group is responsible for the cargo shipments from the loading port to the discharging port.

We endeavour to provide high quality asphalt tanker chartering services. We have our own team of engineers and we are actively involved in the design of our vessels. Our team works closely with

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the ship design experts, our customers, the shipyards, an international classification society and the banks or finance lease companies. We formulate customised shipbuilding plans for shipyards to build new vessels for us that suit our customers' requirements, such as fuel consumption efficiency and carrying capacity. Our Directors believe that by doing the customisation, we could raise our service standards and competitiveness.

The following diagram sets out the business model of our asphalt tanker chartering services:



As at the Latest Practicable Date, our Group had nine vessels in operation. Of the nine vessels in operation, five of them, namely, San Du Ao, Zhuang Yuan Ao, Feng Huang Ao, Baustella and Jastella, are under finance lease arrangements, pursuant to which the titles of San Du Ao and Zhuang Yuan Ao are transferred to the finance lease companies, meanwhile the titles of Feng Huang Ao, Baustella and Jastella are vested in the finance lease companies. The remaining four vessels are financed under bank loans, the titles to which remain with our Group. For further details, please refer to the section headed “Business — Fleet Management — Operational management — Financing arrangements for the fleet” in this prospectus.

In addition, we have engaged a shipyard to build a new vessel for us. The new vessel is under construction, which is expected to be completed within 2018. For further details, please refer to the section headed “Business — Our Fleet” in this prospectus.

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OUR SERVICES

Our Group provides the following chartering services, namely (i) time charters; and (ii) voyage charters and CoAs. The following table sets out our revenue by the types of chartering services during the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$ '000	%	US\$ '000	%	US\$ '000	%	US\$ '000	%	US\$ '000	%
	<i>(unaudited)</i>									
Time charters	10,760	100	14,117	91.3	20,061	59.5	5,271	53.8	7,987	59.8
Voyage charters and CoAs	—	—	1,340	8.7	13,666	40.5	4,524	46.2	5,361	40.2
Total	<u>10,760</u>	<u>100</u>	<u>15,457</u>	<u>100</u>	<u>33,727</u>	<u>100</u>	<u>9,795</u>	<u>100</u>	<u>13,348</u>	<u>100</u>

Time charters

During the Track Record Period, time charters were a major component of our business. As at the Latest Practicable Date, our Group had five vessels operated under time charters. Under time charters, our Group's vessels are chartered to our customers on a long-term basis ranging from two to ten years, during which our customers are responsible for cargo shipments according to their needs. We are responsible for the operating costs of our vessels, whereas our customers are responsible for the voyage costs of our vessels. Our operating costs mainly include crew expenses, depreciation, management fees, insurance expenses and repair and maintenance costs, while our customers' voyage costs mainly include bunker fees and port charges. Under time charters, we usually charge charter hire on a per day basis. Our Group generally receives monthly prepayment from our customers.

Our revenue from time charters was approximately US\$10.8 million, US\$14.1 million, US\$20.1 million and US\$8.0 million for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively, representing approximately 100%, 91.3%, 59.5% and 59.8% of our total revenue for the corresponding periods, respectively.

Under time charters, our customers are responsible for cargo shipments according to their needs. The routes of our vessels do not affect our charter hire as the charter hire is charged on a per day basis. Hence, the changes in the routes under time charters in the Track Record Period have no impact on the revenue of our Group.

During the Track Record Period, our Group's vessels were chartered to ports in Algeria, Argentina, Australia, Bangladesh, Canada, Chile, Columbia, Costa Rica, Curacao, Egypt, Fiji, France, Honduras, India, Indonesia, Italy, Malaysia, Malta, Mexico, the Netherlands, New Zealand, Nicaragua, Panama, the PRC, Puerto Rico, Singapore, South Korea, Spain, Thailand, Tunisia, United States, Uruguay, Venezuela and Vietnam.

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Voyage charters and CoAs

As at the Latest Practicable Date, our Group had four vessels operated under voyage charters or CoAs.

Under voyage charters, our Group's vessels are chartered to our customers for a single voyage. Based on our customers' instructions, our Group is responsible for cargo shipments from the loading port to the discharging port. Our Group is responsible for both the operating costs and voyage costs. Generally, operating costs include crew expenses, depreciation, management fees, insurance expenses and repair and maintenance costs, while voyage costs include bunker fees and port charges. Generally, charter hire is determinable with reference to market rate, the cargo quantity, the locations of the loading port and the discharging port and the price of bunker. Our Group generally receives full payment within five business days after the completion of cargo loading.

Under CoAs, our Group's vessels are chartered to our customers for a series of voyages in a specified period of time with terms similar to those of voyage charters. Under CoAs, the freight charges are pre-determined and prevail throughout the agreed period under the contracts. Our Group generally receives full payment within three business days after the completion of cargo discharging.

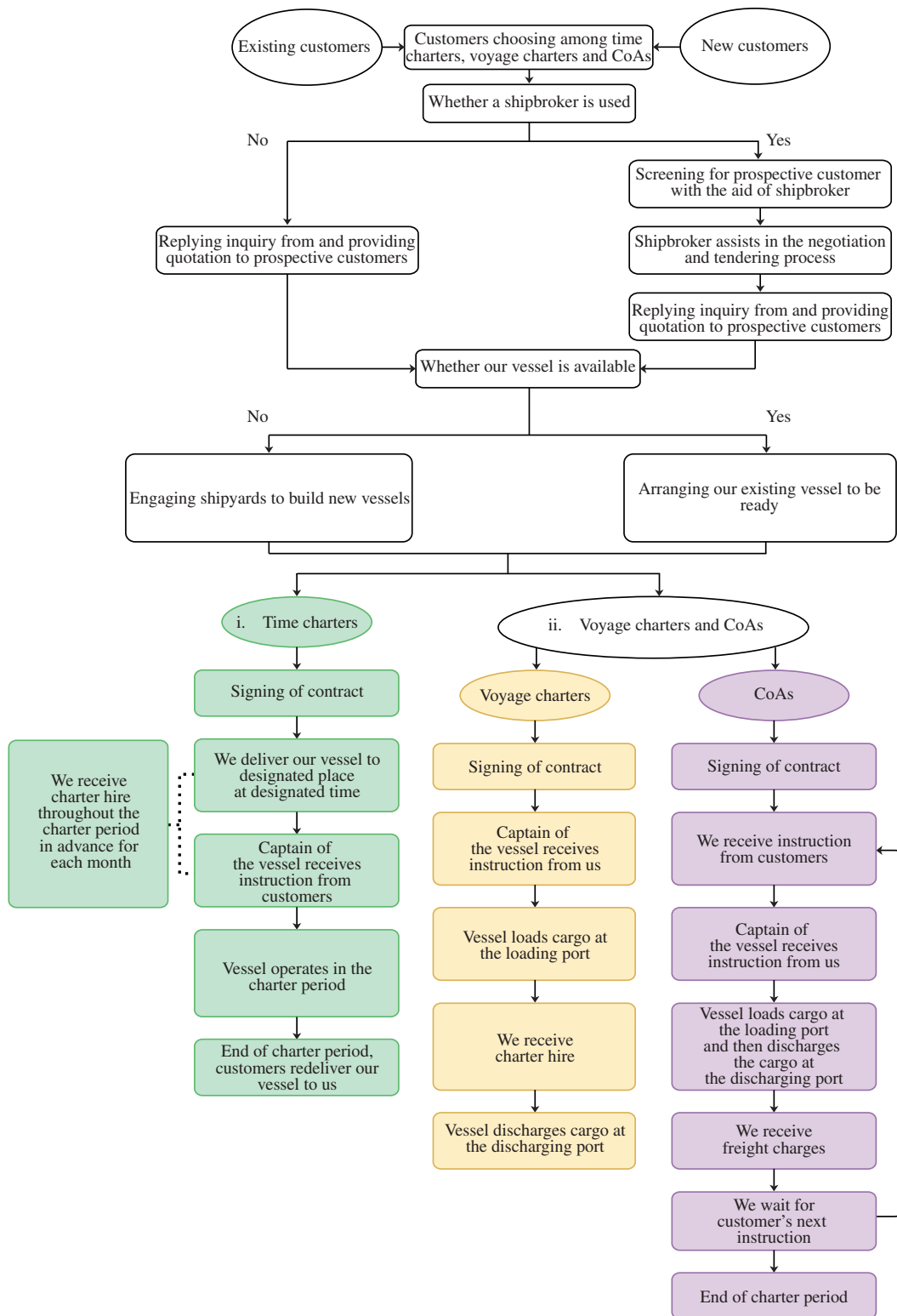
During the Track Record Period, our revenue from voyage charters and CoAs was approximately nil, US\$1.3 million, US\$13.7 million and US\$5.4 million for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively, representing approximately nil, 8.7%, 40.5% and 40.2% of our total revenue for the corresponding periods, respectively.

The following tables set out the shipping routes of our vessels under voyage charters or CoAs during the Track Record Period:

Year ended 31 December 2016			Year ended 31 December 2017			Four months ended 30 April 2018		
Country of loading port	Country of discharging port	Revenue	Country of loading port	Country of discharging port	Revenue	Country of loading port(s)	Country of discharging port	Revenue
		(US\$'000)					(US\$'000)	
Singapore	PRC	600	Singapore	PRC	7,266	Singapore	Australia	1,643
South Korea	PRC	590	Singapore	Australia	2,486	Singapore	PRC	1,538
Singapore	Malaysia	150	South Korea	PRC	1,868	PRC	Australia	734
Total		<u>1,340</u>	PRC	Australia	777	PRC	Fiji	427
			South Korea	Australia	502	PRC and Singapore	Malaysia	407
			PRC	Malaysia	427	PRC	India	322
			PRC	Fiji	340	South Korea	PRC	244
				Total	<u>13,666</u>	PRC	Malaysia	<u>46</u>
						Total		<u>5,361</u>

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The following diagram sets out the workflow of our chartering services:



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Our operation starts with the identification of customers, including the existing ones or new ones. The customers are identified by our business department or our shipbroker. Our business department or shipbroker would establish and maintain an industry network and constantly look for business opportunities. They would participate in asphalt-related industry conferences and follow up with prospective customers.

Subject to the customer's practice, we would either participate in a tendering process or negotiate directly with our customer. If a shipbroker is involved, the shipbroker will assist in our participation of the tendering process or the direct negotiation with our customers. For further details of our sales and marketing process, please refer to the section headed "Business — Sales and Marketing" in this prospectus.

If our Group has an existing vessel available to take up the new charterparty, our Group will arrange the vessel to provide the chartering services. If our Group has no existing vessel available, our Group may engage shipyards to build new vessels for us. For further details, please refer to the section headed "Business — Our Fleet — Engaging shipyards to build new vessels for us" in this prospectus.

Under time charters, we deliver the vessel to our customers at the designated place and designated time. Then our customers can directly give instructions to the captain of the vessel. Our Group generally receives monthly prepayment throughout the charter period. When the charterparty expires, our vessel will be redelivered to us.

Under voyage charters, we will instruct the captain to the loading port and the discharging port for the transportation arrangement. Our Group generally receives full payment within five business days after completion of cargo loading.

Under CoAs, throughout the charter period, we receive direct instructions from our customers. Then, we would instruct our vessel's captain to arrange the vessel to the loading port and discharging port accordingly. This process repeats until the end of the charter period, during which our Group generally receive full payment within three business days after completion of cargo discharging.

The salient terms of our typical time charterparty which is legally binding are summarised below:

Salient terms	Description
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Duration, renewal and price adjustment	Our time charters generally last from two to ten years. Multiple sub-periods may exist if the charter period is longer. At the end of each sub-period, charter hire is re-negotiated within the agreed ceiling and floors. For shorter charter periods, an optional period is usually given to the customers to extend the charter period and re-negotiate the charter hire.
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Charter hire	Determinable with reference to market circumstances, our relationship with customers, creditworthiness of customers, and duration of the charter.
Payment terms	Our Group generally receives monthly prepayment from our customers.
Required standard of the vessels	Our vessels are generally required to be registered under reputable classification societies, have the capacity to transport asphalt at a high temperature, and fulfill certain international standards.
Repair and maintenance	Our Group shall at any time repair and maintain our vessels in a seaworthy condition during the charter period, regardless of whether the damage to the vessel is due to natural wear-and-tear or any events which exempt our Group from liability.
Off-hire clause	Charter hire will cease completely or will be reduced pro rata to the degree of inefficiency in certain specified events, including loss of time from repairs, failing the inspection by port state authorities, inadequate manpower and industrial action.
Customer's other responsibilities	The customers shall bear the costs that are directly related to the voyages, such as bunker fees, port charge and other usual expenses.
Our Group's other responsibilities	<p>Our Group shall be responsible for food expenses, wages and travel expenses of the crew, insurance of the vessels and the crew and any operation costs of the vessels.</p> <p>Our Group shall also pay for repair and maintenance of the vessel.</p> <p>Under time charters, our Group is not involved in the operation of the vessels and there is no clause for demurrage. Our customers may charter our vessels to their own customers under voyage charters. Our Group however is not responsible for the costs of demurrage in any degree.</p>
Termination	The contract may be terminated under certain circumstances including: if the vessel is lost, missing, unable to load or discharge at port, unable to be delivered on time, detained or requisitioned by any authority, the occurrence of force majeure event, or the breach of material terms and termination by mutual agreement.

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The following table sets out the details of our time charterparties, which all subsisted as at the Latest Practicable Date:

Time charters	Contract value	Commencement/ Expiry date	Revenue recognised for the year ended 31 December			Revenue recognised for the four months ended 30 April		Revenue covered by signed contracts for the year ending 31 December	
			2015	2016	2017	2017	2018	2018	2019
Name of vessel	(US\$'000)		(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
San Du Ao <i>Note 1</i>	51,611	September 2011 to September 2021	5,350	4,356	5,029	1,651	1,627	4,939	4,554
Zhuang Yuan Ao <i>Note 1</i>	54,823	August 2012 to August 2022	5,410	5,273	4,981	1,734	1,776	5,328	5,328
Feng Huang Ao <i>Note 2</i>	59,495	March 2016 to March 2026	N/A	4,488	5,863	1,886	1,956	5,868	5,868
Lilstella <i>Note 3</i>	7,738	June 2017 to May 2019	N/A	N/A	2,264	N/A	1,272	3,816	1,590 <i>Note 4</i>
Poestella <i>Note 3</i>	8,249	July 2017 to July 2019	N/A	N/A	1,924	N/A	1,356	4,068	2,204 <i>Note 4</i>
		Total	<u>10,760</u>	<u>14,117</u>	<u>20,061</u>	<u>5,271</u>	<u>7,987</u>	<u>24,019</u>	<u>19,544</u>

Note 1: The charter hire of our vessels San Du Ao and Zhuang Yuan Ao is subject to renegotiation every 12 months based on Group A's utilisation of our vessels.

Note 2: The charter hire of our vessel Feng Huang Ao will be renegotiated after 5 years from the commencement of time charters. Adjusted charter hire is between US\$15,000 per day and US\$18,500 per day according to the time charterparty.

Note 3: There is no charter hire adjustment clause for our vessels Lilstella and Poestella.

Note 4: For prudent purpose, revenue is expected to be recognised only up to the expiry of the respective charterparty of Lilstella and Poestella in May 2019 and July 2019, respectively, for the year ending 31 December 2019. Upon expiry of the respective charterparty of Lilstella and Poestella, to the best knowledge of our Directors, we expect to renew or enter into new charterparties for Lilstella and Poestella, and that they will continue to generate revenue for our Group.

The duration of the time charterparties of San Du Ao, Zhuang Yuan Ao and Feng Huang Ao were 10 years, and the duration of the time charterparties of Lilstella and Poestella were two years. Our Directors confirmed that the shorter duration of the time charterparties of Lilstella and Poestella was the result of business negotiation with our customer. Our Group was willing to enter into such time charterparties due to the following reasons:

- Operating under voyage charters.** Our Group did not operate our vessels San Du Ao, Zhuang Yuan Ao and Feng Huang Ao under voyage charters when we entered into their time charterparties, hence, our Directors preferred the time charterparties to have a longer duration to secure stable cash inflow for our vessels. Whereas for Lilstella and Poestella, both vessels were operating under voyage charters when we finalised the time charterparties. Our Directors considered the risk of under-utilisation of such two vessels after completion of their time charterparties would be low as we could operate them under voyage charters.

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2. **High utilisation rate of our fleet.** During the Track Record Period, our fleet's utilisation rate was above 90%. Hence, our Directors believed our Group can secure new charterparty for our vessels Lilstella and Poestella after completion of their time charterparties.
3. **Enhance our Group's reputation.** Our Group entered into the time charterparties of Lilstella and Poestella with a subsidiary of one of the largest publicly traded energy companies in the world based in the United States ("**Customer D**"). Our Directors considered this engagement with Customer D as an effective way to promote our fleet to the world and strengthen our reputation in the industry.

Hence, our Directors were willing to enter into time charterparties of Lilstella and Poestella with a shorter duration.

The salient terms of our typical voyage charterparty are summarised below:

Salient terms	Description
Duration	Our Group charters our vessels in a single voyage, which generally lasts from seven days to 45 days.
Price adjustment	Not applicable.
Renewal	Not applicable.
Charter hire	Determinable with reference to market rate, cargo quantity, locations of the loading port and the discharging port and bunker price.
Payment terms	Our Group generally receives full payment within five business days after the completion of cargo loading.
Repair and maintenance	Our Group shall maintain the vessel in a seaworthy condition during the charter period.
Customer's other responsibilities	Our customers shall be responsible for the relevant insurance. They shall bear the expenses and risk of pumping cargoes into the vessel and guarantee the cargoes are loaded at a high temperature. Our customers shall bear the costs of demurrage. For a charterparty of multiple ports, our customers shall also bear the additional bunker fees and port charges.
Our Group's other responsibilities	Our Group shall bear the costs that are directly related to the voyages, such as bunker fees, port charges and other usual expenses. Our Group shall bear the expenses and risk of pumping cargoes out from the vessel and guarantee the cargoes are maintained at a high temperature.
Penalty clause	A demurrage is levied on the customer for failing to complete loading or discharging the cargo within time allowed.

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Termination The contract may be terminated under certain circumstances including: if the vessel is unable to ship the cargo within the specified period.

The salient terms of our typical CoA which is legally binding are summarised below:

Salient terms	Description
Duration	The charter period generally lasts for one year, during which our Group charters our vessels for a series of voyages.
Minimum purchase commitment	A specific amount of cargo is guaranteed in the CoAs.
Freight charges	Determinable with reference to market rate, cargo quantity, locations of the loading port and the discharging port and bunker price.
Price adjustment	Freight charges are subject to adjustment when bunker price exceeds a specified level.
Renewal	Not applicable.
Payment terms	Our Group generally receives full payment within three business days after the completion of cargo discharging.
Customer's other responsibilities	<p>Our customers shall have the ownership of the cargo and shall be responsible for the relevant insurance. They shall bear the expenses and risk of pumping cargoes into the vessel and guarantee the cargoes are loaded at a high temperature.</p> <p>The customers shall bear the costs of demurrage.</p> <p>For a charterparty of multiple ports, our customers shall also bear the additional bunker fees, port charges and loss of availability of vessel.</p>
Our Group's other responsibilities	<p>Our Group shall bear the costs that are directly related to the voyages, such as bunker fees, port charges and other usual expenses.</p> <p>Our Group shall ensure the safety of the course and shall bear the expenses and risk of pumping cargoes out from the vessel and guarantee the cargoes are maintained at a high temperature for cargo discharging.</p>
Penalty clause	<p>A demurrage is levied on the customer for failing to complete loading or discharging the cargoes within time allowed.</p> <p>The customer shall generally be entitled to deduct the value if the loss in amount of cargoes is greater than 0.3% of the original total amount.</p>
Termination	Not particularly specified.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of our Group's time charterparties, voyage charterparties and CoAs.

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OUR FLEET

Our vessels in operation

As at the Latest Practicable Date, our Group had nine vessels in operation. Three of them were San Du Ao (三都澳), Zhuang Yuan Ao (狀元澳) and Feng Huang Ao (鳳凰澳), each having a carrying capacity of approximately 12,000 to 12,800 dwt. The remaining six vessels were Orcstella (蘭花星*), Poestella (牡丹星*), Rostella (玫瑰星*), Lilstella (百合星*), Baustella (紫荊星) and Jastella (茉莉星), each having a carrying capacity of approximately 8,000 dwt.

All of our Group's vessels are capable of providing asphalt tanker chartering services under time charters, voyage charters and CoAs. As at the Latest Practicable Date, our Group had five vessels operated under time charters. The remaining four vessels were operated under voyage charters or CoAs.

As at the Latest Practicable Date, our Group had five vessels under finance lease arrangements, pursuant to which the titles to the vessels were transferred to or vested in the finance lease companies. The remaining four vessels were financed under bank loans, the titles to which remain with our Group. For further details, please refer to the section headed "Business — Fleet Management — Operational management — Finance lease arrangements" in this prospectus.

We engaged shipyards to build all these nine vessels so that we could monitor the vessels' architectural and functional design which is customized for the specific purpose of carrying asphalt. We believe this represented one of our competitive strengths.

The following table sets out the details of our vessels in operation as at the Latest Practicable Date:

Name of vessel	Month delivered	Remaining useful life (months)	Charterparty	Approximate carrying capacity (dwt)	Classification society	Flag state	Ownership
1. San Du Ao	August 2011	216	Time Charters	12,000	BV	Hong Kong	Finance lease company ^{Note 1}
2. Zhuang Yuan Ao	July 2012	227	Time Charters	12,000	BV	Hong Kong	Finance lease company ^{Note 1}
3. Feng Huang Ao	January 2016	269	Time Charters	12,800	BV	Hong Kong	Finance lease company ^{Note 2}
4. Lilstella	January 2017	281	Time Charters	8,000	BV	Singapore	Our Group
5. Poestella	January 2017	281	Time Charters	8,000	BV	Singapore	Our Group
6. Orcstella	March 2017	283	Voyage Charters and CoAs	8,000	BV	Singapore	Our Group
7. Rostella	April 2017	284	Voyage Charters and CoAs	8,000	BV	Singapore	Our Group
8. Baustella	February 2018	294	Voyage Charters and CoAs	8,000	BV	Hong Kong	Finance lease company ^{Note 2}
9. Jastella	April 2018	296	Voyage Charters and CoAs	8,000	BV	Hong Kong	Finance lease company ^{Note 2}

Note 1: The relevant vessel is under a finance lease arrangement with a finance lease company. Accordingly, ownership of the relevant vessel is transferred to the finance lease company. For further details, please refer to the section headed "Business — Fleet management — Operational management — Finance lease arrangements" in this prospectus.

Note 2: The relevant vessel is under a finance lease arrangement with a finance lease company. Accordingly, ownership of the relevant vessel is vested in the finance lease company. For further details, please refer to the section headed "Business — Fleet Management — Operational management — Finance lease arrangements" in this prospectus.

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Our vessels in operation as at the Latest Practicable Date:



San Du Ao



Zhuang Yuan Ao



Feng Huang Ao



Lilstella



Poestella



Orcstella



Rostella



Baustella



Jastella

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Our Group's vessels will depreciate over their remaining estimated useful lives from the date of their delivery with the initial estimated useful life of 25 years, after allowing for residual values estimated by our Directors, using the straight-line method.

During the Track Record Period, the material repair and maintenance events in dry-dock for our vessels included the ones with: (i) Zhuang Yuan Ao in December 2015 for approximately 15 days; (ii) Zhuang Yuan Ao in January 2016 for approximately 20 days; (iii) San Du Ao in July 2016 for approximately 27 days; and (iv) Zhuang Yuan Ao in June 2017 for approximately 25 days, as required for surveys by the classification society. In March 2018, our operation experienced an immaterial accident whereby Poestella's bow came into contact with the breakwater in the Port of Sousse, Tunisia, which resulted in damage to its hull. The repair works cost approximately US\$320,000. For further details, please refer to the section headed "Business — Health, Safety and Environmental Protection" in this prospectus.

Our vessel under construction

To cope with the market demand, in January 2017, we engaged a shipyard to build a new vessel for us with a carrying capacity of approximately 8,000 dwt. We have engaged a well-established state-owned shipyard in the PRC with a good track record of building and delivering quality vessels for the purpose. The new vessel is under construction, which is expected to be completed within 2018.

The following table sets out the details of our fleet under construction as at the Latest Practicable Date:

<u>Proposed name of vessel</u>	<u>Planned year of completion</u>	<u>Proposed useful life</u> <i>(months)</i>	<u>Proposed business use</u>	<u>Proposed approximate carrying capacity</u> <i>(dwt)</i>	<u>Proposed flag state</u>	<u>Proposed ownership</u>
1. Lotstella	2018	300	Voyage charters	8,000	Hong Kong	Finance lease company ^{Note 1}

Note 1: The relevant vessel is proposed to be financed under finance lease arrangements with the finance lease company. Accordingly, ownership of the relevant vessel will be vested in the finance lease company. For further details, please refer to the section headed "Business — Fleet Management — Operational management — Finance lease arrangements" in this prospectus.

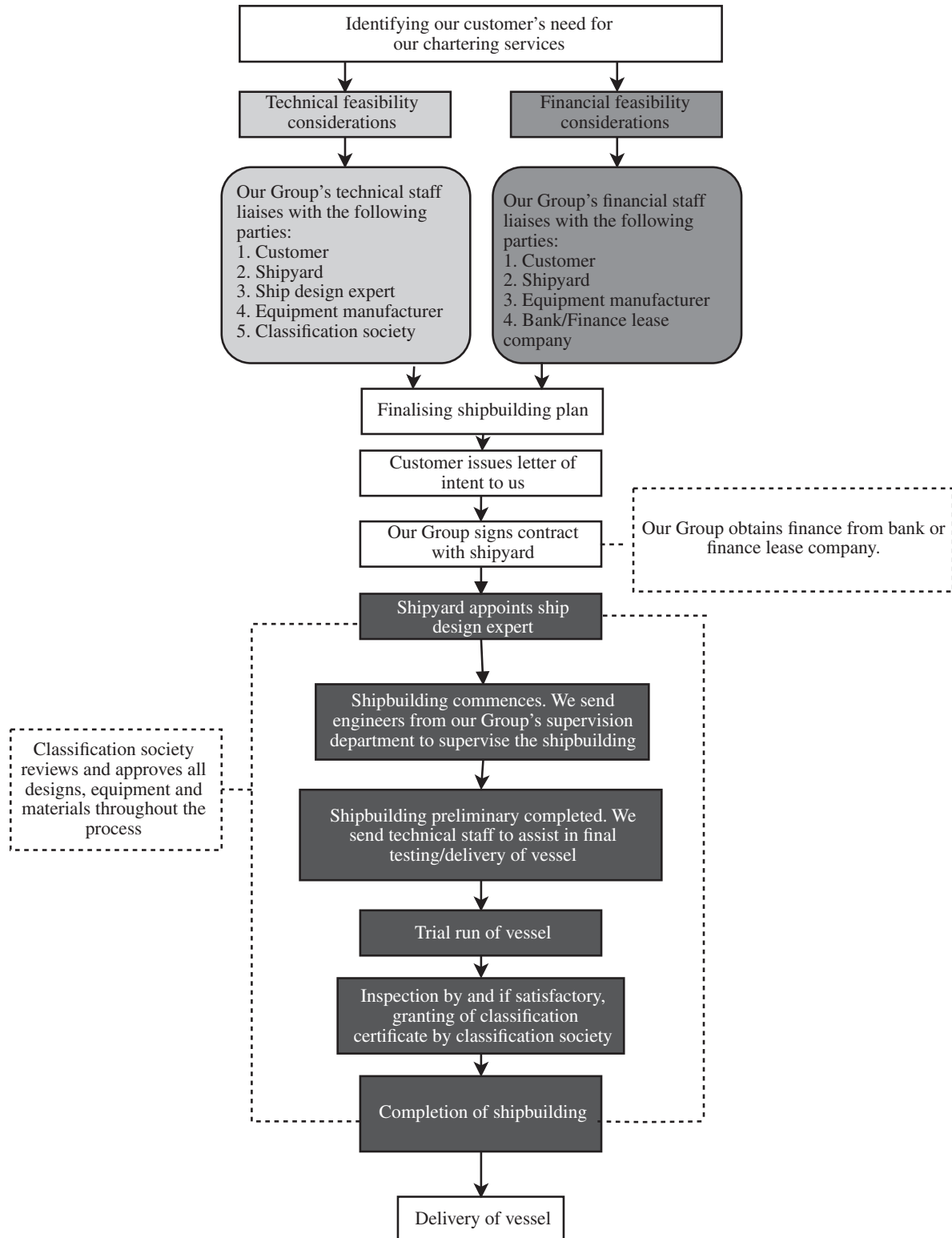
Other vessels

According to the terms of our CoAs, our Group is allowed to charter in vessel owned by third party to provide chartering services to our customers, provided that such vessel meets the specific technical specifications. During the Track Record Period and up to the Latest Practicable Date, we did not charter in any vessel owned by third party to provide chartering services to our customers.

BUSINESS

Engaging shipyards to build new vessels for us

The following diagram sets out the workflow of engaging shipyards to build new vessels for us:



BUSINESS

When a need for new vessel is identified, our Group would consider the feasibility of new vessel from technical and financial perspectives to formulate a shipbuilding plan.

Technical feasibility considerations

Our Group would liaise with different parties. We seek technical feasibility analysis from shipyards, shipbuilding plan from ship design expert, specific standard and quality from customers, and advice from classification society. We would then formulate a technical feasibility plan incorporating different parties' inputs.

Financial feasibility considerations

Our Group entails the participation from banks or finance lease companies for financial feasibility analysis, and seeks quotations from equipment manufacturers and shipyards. We would take into account the payback period, the rate of return of the potential charter, the amount of loan needed, and the loan repayment schedule in formulating the financial feasibility plan.

As at the Latest Practicable Date, we had nine vessels under operation. The overall investment payback period for the nine vessels is estimated to be around nine to ten years. The above estimated investment payback period assumes that our vessels will maintain stable performance and there is no material impact on the operating results due to fluctuations in market demand, interest rate and crew expenses throughout the operation periods.

Shipbuilding plan

Both the technical and financial feasibility plans will be considered in details. When our Group is satisfied with both feasibility analyses, we would proceed to finalise the shipbuilding plan.

Our Directors consider the planning stage of shipbuilding plan as one of the most important stages in our services. It determines the quality and technology level of our vessels. Hence, it is essential to spend adequate resources on the planning process to ensure the final shipbuilding plan could satisfy our Group and our customers' requirements.

Although our Group may put emphasis on customisation in the shipbuilding process, and build the vessels fit for the customer's specific requirement, we still model our ship to fit the general market demand by adopting the latest technology, such as our special tank design that enables us to simultaneously carry more than one type of cargo and load partial tank of asphalt. These specialisations are useful to other customers and are marketable for chartering services. Thus, our Group has the ability to charter the vessels to other customers even if our existing customer will not renew our charterparties upon their expiry.

When the shipbuilding plan is finalised, our customers will issue a letter of intent. Then, we would seek financing from either banks or finance lease companies. For further details of the vessel financing, please refer to the section headed "Business — Fleet Management — Operational management — Finance lease arrangements" in this prospectus.

BUSINESS

Letter of intent

As advised by our Hong Kong Legal Counsel, saved for a letter of intent issued by Bilsea International dated September 2015 (the “**Bilsea LOI**”), all letters of intent issued by our customers on the request for vessels during the Track Record Period were legally binding. For details of the Bilsea LOI, please refer to the section headed “Business — Customers — Relationship with Bilsea International” in this prospectus. Letters of intent were written documents confirming the relevant customers were willing to enter into business relationships with our Group. In the letter of intent issued by our customers, it generally specified: (i) basic requirements of the new vessels; (ii) type of services to be provided; and (iii) guaranteed rate, amount of cargo and/or duration. By accepting the letter of intent, our Group may secure a stable source of revenue upon completion of the shipbuilding process of our new vessels.

During the Track Record Period, pursuant to letter of intents issued by our customers under time charters, the guaranteed rate ranged from US\$10,500 per day to US\$16,300 per day and the duration ranged from three years to four years.

During the Track Record Period, pursuant to letter of intents issued by our customers under voyage charters or CoAs, the guaranteed minimum quantity of cargoes each year ranged from 100,000 metric tons to 130,000 metric tons.

As our Group’s customers are leading players in the global asphalt trading market, they will have asphalt procurement plan around one year in advance. When they entered into charterparties with shipowners, they had already formulated the shipping plan. Given that the production lead time of asphalt is much shorter than the time taken to build a vessel, during the construction of our new vessels, our Group’s customers will seek other existing vessels for the asphalt tanker chartering services.

According to the F&S Report, it is a common arrangement to enter into a letter of intent before construction of a vessel in the asphalt tanker chartering industry.

Our Directors are of the view that our Group’s customers are willing to enter into letters of intent mainly due to the following needs: (i) there are relatively limited supply and high demand of asphalt tankers in the shipping industry, and our Group’s fleet’s utilisation rate was above 90% during the Track Record Period. According to F&S, there were 147 shipowners in total with only 290 asphalt tankers involved in the market by the end of 2017. Our Group’s customers can secure a guaranteed supply of services with a locked up rate so that their business operation will not be affected in the event of a shortage of vessels or an increase in the market rate for charter hire; (ii) our Group’s customers are able to secure relatively newer model available of asphalt tankers which are more fuel-efficient with higher environmental protection standard; and (iii) our Group’s customers can have a vessel to fulfil their specific requirements such as carrying capacity if no existing vessel is available.

BUSINESS

Subsequent to the Track Record Period, we entered into a letter of intent with an existing customer, Huate, to build an asphalt vessel with a carrying capacity of approximately 21,000 dwt. The salient terms of the letter of intent which is legally binding are summarised below:

Salient terms	Description
Basic requirements	Asphalt vessel with a carrying capacity of 21,000 dwt
Type of services	Time charters
Duration	Five years with an option to renew for two years

Shipbuilding

When the shipbuilding commences, to monitor the shipbuilding process, we will deploy engineers from our supervision department to stay at the shipyard until completion of the shipbuilding. Our engineers' responsibilities include reviewing the detailed sketches, monitoring the classification process, supervising work on-site and testing equipment's functionality. Multiple reports will be issued to our Group, so that we could monitor the shipbuilding progress.

Classification society's approval

The classification society will send their representatives to approve the design sketches, equipment selection and use of materials throughout the shipbuilding process. The classification society will set the specific standards of on-board equipment to be used. We will liaise with the relevant suppliers to meet those standards.

Completion

When the shipbuilding process is preliminarily completed, we will deploy our technical staff to the shipyard for final testing and preparing smooth delivery of the vessel. The shipyard will carry out multiple trial runs and final testing on the vessel's functionality. We will closely monitor and provide our input on the trial runs. Meanwhile, we will start coordinating and engaging ship management company for their immediate involvement after the shipbuilding. After the final trial run is completed satisfactorily and the vessel is classed by a classification society, the vessel will be delivered to us. Then, we would delegate the management responsibility of the vessel to the ship management company we engage.

The salient terms of our typical shipbuilding contract which is legally binding are summarised below:

Salient terms	Description
Duration	A typical shipbuilding contract contains a delivery date set approximately 16 months after the signing date, subject to a maximum delay of six months.
Price adjustment	Price adjustment would occur if the delivery is delayed or the vessel does not meet the specific standards.

BUSINESS

Renewal	Not applicable.
Cost of the shipbuilding	Determinable with reference to market conditions and cost of raw materials and equipments.
Payment terms	<p>Payments are typically divided into five instalments, made within five to ten business days of (i) the signing of contract, (ii) commencement of shipbuilding , (iii) completion of keel of the vessel, (iv) delivery of classification society's approval, and (v) prior to the delivery of the vessel.</p> <p>Payments are typically made on bank transfer or cash deposit and are settled in USD.</p>
Specific standards of the vessel	The shipyard will guarantee us a specific level of vessel's quality in terms of speed, fuel consumption and carrying capacity, the failure of which will subject the shipyard to penalty.
Repair and maintenance	The shipyard is responsible for repair and maintenance of all on-board equipment and machinery and the overall structure of the vessel for 12 months, subject to an extension of up to 18 months when repair and maintenance occurred in the first 12 months.
Shipyard's other responsibilities	Before the vessel is completed, delivered and accepted by us, the shipyard is responsible for (i) insurance and (ii) defending and saving us harmless from patent liability or claims of patent infringement or any other intellectual property related claim.
Our Group's other responsibilities	Our Group is responsible for registering the vessel, approving shipbuilding plans and sketches, deploying engineers to supervise shipbuilding process at our own expense.
Termination	The contract may be terminated under certain circumstances including: the ship buyer fails to pay, breach of material terms and dissolution of shipyard.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of our shipbuilding contracts.

SEASONALITY

During the Track Record Period, we did not experience material seasonal fluctuations on the demand for our chartering services.

BUSINESS

FLEET MANAGEMENT

Fleet utilisation rate

During the Track Record Period, our Group's fleet maintained a relatively high utilisation rate ranging from 90.9% to 100%. The following table sets forth the utilisation rate of each of our vessels during the Track Record Period:

Name of vessel	Utilisation rate ^{Note 1}				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
1. San Du Ao	99.1%	90.9%	99.9%	99.8%	99.0%
2. Zhuang Yuan Ao	100%	100%	99.0%	97.7%	100%
3. Feng Huang Ao	N/A	100%	99.9%	100%	100%
4. Lilstella	N/A	N/A	100%	100%	100%
5. Poestella	N/A	N/A	100%	100%	100%
6. Orcstella	N/A	N/A	100%	100%	100%
7. Rostella	N/A	N/A	100%	100%	100%
8. Baustella	N/A	N/A	N/A	N/A	100%
9. Jastella	N/A	N/A	N/A	N/A	100%

Note 1: The utilisation rate for each vessel is calculated based on the actual number of days during which the vessel was chartered, divided by the total number of days available for the year less the actual number of off-hire days due to dry-docking or other repair and maintenance under the inspection survey required by the classification society.

Our vessels could operate at high utilisation rates during the Track Record Period because (i) our vessels were newer, with less time lost for repair and maintenance; (ii) the nature of time charters lasted over a long period of time where our vessels were fully leased out; and (iii) voyages under our voyage charters and CoAs were generally back to back to one another in the sense that there was short or no time gap between voyages.

Operational management

During the operation of our fleet, our Group would ensure efficient delivery of our chartering services and compliance with required standard of the asphalt tanker to be seaworthy physically and legally.

Compliance with the requisite standards

Our Group's marine department is responsible for safety supervision, compliance on regulations, insurance arrangement and deployment of crew in our Group's vessels.

BUSINESS

As part of safety supervision, our marine department provides a daily round-the-clock back-office support and assistance to crew captain on board. Crew members on board may have limited access to real-time information including weather conditions and maritime safety (such as occurrence of local conflict or pirates in certain sea areas). Our marine department would gather information from different third party systems, which provide information including weather forecast and ports information, and prepare and feed their advice to captain based on our internal policy.

Our marine department would pay attention to port regulations, flag state regulations and other maritime regulations. Any changes or potential changes of such regulations will be studied to ensure compliance. For further details, please refer to the section headed “Business — Our Licences and Regulatory Compliance” in this prospectus.

Our marine department is responsible for monitoring the insurance coverage of our fleet, renewing our fleets insurance, attending to the changes in insurance terms and regulations, and filing claims and handling the corresponding follow-ups in the event a claim is needed. For further details, please refer to the section headed “Business — Insurance” in this prospectus.

Our marine department will also evaluate the crew’s performance and has the authority to approve the appointment of captain and promotion of any crew members as recommended by the ship management companies. For further details, please refer to the section headed “Business — Suppliers — Ship Management Companies” in this prospectus.

Monitoring of our vessels

Under our chartering services, our Group does not allow its vessels to be chartered to operate in unsafe locations or countries sanctioned by the United States, the European Union, Australia and the United Nations. Our Group carefully checks the identity of our customers to avoid our vessels being chartered to any Sanctioned Person or in sanctioned countries in a manner that would be in violation of International Sanctions laws and regulations. In addition, our Group’s vessels are equipped with GPS. We would use the GPS to carry out real-time tracking of our vessels to ensure that they were not being operated in unsafe locations or the sanctioned countries.

During the Track Record Period and up to the Latest Practicable Date, our Group’s vessels were generally chartered to transport asphalt in Asia, Australia, North America, South America, Africa and Europe. After discussion with and advice provided by our International Sanctions Legal Counsel, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group’s chartering services were not provided to customers that are Sanctioned Persons, nor were our Group’s vessels were operated in any jurisdiction that would implicate any International Sanctions laws or regulations of the United States, the European Union, Australia and the United Nations.

Research and development

Our Directors consider that the nature of our business does not require significant research and development activity.

BUSINESS

Repair and maintenance of the fleet

Our technical department is responsible for: (i) assisting the ship management companies in the inspection, repair and maintenance of our vessels; (ii) vessel route formulation; and (iii) reviewing and formation of policies in relation to accidents and exceptional events.

Our technical department is obliged to arrange for inspection schedule and liaise with the classification society. As inspection from classification society might require dry-docking and might be time-consuming, well-planned inspection schedule could maintain operational efficiency of our vessels. Our technical department endeavours to minimise the disturbance to our business operation, while ensuring inspection of vessel can be duly performed.

As repair and maintenance is usually performed on board, our technical department provides advice or assistance to crew members in terms of the equipment information, seeks assistance from shipyards if needed and provides replacement parts sourced from our suppliers.

For further details of the inspection, repair and maintenance of our vessels, please refer to the section headed “Business — Fleet Management — Operational management — Maintenance of our fleet’s classification status” in this prospectus.

Our technical department also monitors our vessels’ route, documents its track and gathers information relating to bunker consumption and speed of vessel. Meanwhile, they constantly update the records of the status of all machinery.

Maintenance of our fleet’s classification status

To ensure all our vessels are properly classed by an international classification society, namely BV, our Group is obliged to pass the annual, intermediate and renewal surveys. These are essential for the maintenance and renewal of our vessels’ classification status.

These surveys include (i) renewal surveys every five years, (ii) intermediate surveys about every two to three years, and (iii) annual surveys. Ad-hoc surveys may also be conducted following an accident or whenever necessary. Normally, a renewal survey will require the vessel to be dry-docked for below water-line inspection, during which the vessel will generally be out of operation. An intermediate survey may also require the vessel to be dry-docked, unless an under-water inspection in lieu thereof has been requested by the shipowner and accepted by the relevant classification society taking into account the age and condition of the vessel. An annual survey can be carried out during cargo loading and discharging.

BUSINESS

The due month of the next renewal survey, in respect of each of our Group's vessels as at the Latest Practicable Date, are as follows:

<u>Name of vessel</u>	<u>Due month of the next renewal survey</u>
1. San Du Ao	August 2021
2. Zhuang Yuan Ao	July 2022
3. Feng Huang Ao	January 2021
4. Lilstella	January 2022
5. Poestella	January 2022
6. Orcstella	March 2022
7. Rostella	April 2022
8. Baustella	January 2023
9. Jastella	April 2023

During the Track Record Period, pursuant to the surveys conducted on our Group's vessels as required by the class rules and regulations of the BV, various performance tests, maintenance items and/or repair works were carried out on our Group's vessels to the satisfaction of the surveyors as pre-condition to the maintenance of classification certificates of the vessel concerned. Where any remedial action was recommended by the surveyors, such remedial actions were undertaken by our Group in compliance with the recommendations of the relevant classification society following the surveys.

During voyages, crew members are also required to carry out regular on-board precautionary inspection and maintenance of the vessels, and to carry out emergency repairs of the vessels to maintain smooth operation. The results of the inspections are reviewed by our technical department and feedback is given to the crews. In addition, whenever necessary or in compliance with the applicable requirements of classification societies, vessels may be dry-docked for a thorough inspection and repair any damage or defect to ensure that the vessels are maintained in a good and efficient condition from time to time.

During the Track Record Period and up to the Latest Practicable Date, we had successfully renewed and maintained all of the status of our vessels with BV.

We believe that the maintenance of the classification status of our vessels with the international classification society as well as implementation of its maintenance policy can ensure our fleet lives up to the international standards and is fit for shipping. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group's repair and maintenance costs amounted to about US\$205,000, US\$751,000, US\$178,000 and US\$69,000, respectively.

None of our Group's vessels has been subject to attacks by pirates during the Track Record Period. Further, the ship management companies are responsible for, among other things, the development, implementation and maintenance of a safety management system in accordance with the ISM Code. They have adopted and implemented anti-pirate attacks policies and procedures.

BUSINESS

Financing arrangements for the fleet

Our Group employs a mix of internal resources, bank loans and finance lease arrangements to finance the building of our vessels. As at the Latest Practicable Date, four of our vessels were financed by bank loans and five of our vessels were under finance lease arrangements with finance lease companies. As at the Latest Practicable Date, we engaged a shipyard to build a new vessel, Lotstella. We plan to finance the vessel by finance lease arrangement. Also, we plan to build two additional vessels (“New vessel 1” and “New vessel 2”) which will be financed by bank loans.

The following table sets forth the financing arrangements of our vessels as at the Latest Practicable Date:

Existing vessels

Name of vessel	Borrowings	Type of financing	Interest rate	First repayment due date	Last repayment due date	Principal amounts repaid up to 31 May 2018	Estimated cost of interest expense to be incurred from 1 September 2018 to 31 December 2018	Estimated cost of interest expenses to be incurred for the year ending 31 December 2019
							(‘000)	(‘000)
1. San Du Ao ^{Note 1}	USD12,350	Finance lease	LIBOR + 4.0%	October 2018	July 2022	N/A ^{Note 1}	USD168	USD732
2. Zhuang Yuan Ao ^{Note 2}	USD13,000	Finance lease	LIBOR + 4.0%	October 2018	July 2022	N/A ^{Note 2}	USD177	USD771
3. Feng Huang Ao	USD17,850	Finance lease	LIBOR + 3.65%	April 2016	January 2021	USD5,623	USD148	USD591
4. Lilstella	USD12,600	Bank loan	LIBOR + 2.80%	April 2017	March 2022	USD2,100	USD151	USD397
5. Poestella	SGD17,800	Bank loan	SIBOR + 2.65%	May 2017	April 2024	SGD2,813	USD140	USD368
6. Orcstella	USD12,600	Bank loan	LIBOR + 2.80%	June 2017	May 2022	USD1,800	USD156	USD412
7. Rostella	SGD17,800	Bank loan	SIBOR + 2.65%	August 2017	July 2024	SGD2,233	USD146	USD386
8. Baustella	USD12,750	Finance lease	LIBOR + 3.87%	May 2018	February 2023	USD446	USD185	USD729
9. Jastella	USD12,750	Finance lease	LIBOR + 3.87%	July 2018	April 2023	N/A	USD193	USD817

Vessel under construction or to be constructed

Proposed name of vessel	Estimated borrowings	Expected type of financing	Estimated cost of interest expense to be incurred from 1 September 2018 to 31 December 2018	Estimated cost of interest expenses to be incurred for the year ending 31 December 2019
			(‘000)	(‘000)
1. Lotstella	USD12,750	Finance lease	USD200 ^{Note 4}	USD729 ^{Note 4}
2. New vessel 1 ^{Note 3}	Up to 70% of the construction cost of the vessel	Bank loan	N/A ^{Note 5}	N/A ^{Note 5}
3. New vessel 2 ^{Note 3}	Up to 70% of the construction cost of the vessel	Bank loan	N/A ^{Note 5}	N/A ^{Note 5}

BUSINESS

- Note 1:* San Du Ao first obtained financing in November 2010 and was refinanced in August 2015. The borrowings and the principal amounts repaid up to 31 May 2018 were based on the refinanced loan. There is no material change of terms and conditions under the refinanced loan. San Du Ao obtained a second refinancing in July 2018, in which the type of financing changed from a bank loan to a finance lease, which involved the transfer of title to the finance lease company on 12 July 2018. No repayment for principal amounts up to 31 May 2018 was made as the second refinancing was obtained in July 2018.
- Note 2:* Zhuang Yuan Ao first obtained financing in November 2011 and was refinanced in August 2015. The borrowings and the principal amounts repaid up to 31 May 2018 were based on the refinanced loan. There is no material change of terms and conditions under the refinanced loan. Zhuang Yuan Ao obtained a second refinancing in July 2018, in which the type of financing changed from a bank loan to a finance lease, which involved the transfer of title to the finance lease company on 12 July 2018. No repayment for principal amounts up to 31 May 2018 was made as the second refinancing was obtained in July 2018.
- Note 3:* The construction costs for New vessel 1 and New vessel 2 will be settled by net proceeds from the Global Offering, our internal resources and bank loans, in which the amount of bank loans to be obtained are to be determined at a later stage.
- Note 4:* We estimate that there will be additional interest expenses of approximately US\$200,000 and US\$729,000 to be incurred from the vessel under construction for the years ending 31 December 2018 and 2019, respectively.
- Note 5:* For the years ending 31 December 2018 and 2019, the interest expenses directly attributable to the construction of the vessels are capitalised as part of the cost of the vessels and hence no interest expense is expected to be charged to the consolidated statement of profit or loss and other comprehensive income.

Taking into consideration the vessel under construction and the two vessels to be constructed and the estimated net proceed from the Global Offering, our Group's gearing ratio is expected to be approximately 1.08 and 0.87 as at 31 December 2018 and 2019, respectively. The total estimated cost of interest expense to be incurred for the existing vessels from 1 September 2018 to the end of the repayment periods of the respective bank loans or finance leases is approximately US\$15.0 million.

Finance lease arrangements

Feng Huang Ao, Baustella and Jastella are under the finance lease arrangements whereby the titles of Feng Huang Ao, Baustella and Jastella are vested in the finance lease companies during the term of the finance lease arrangements.

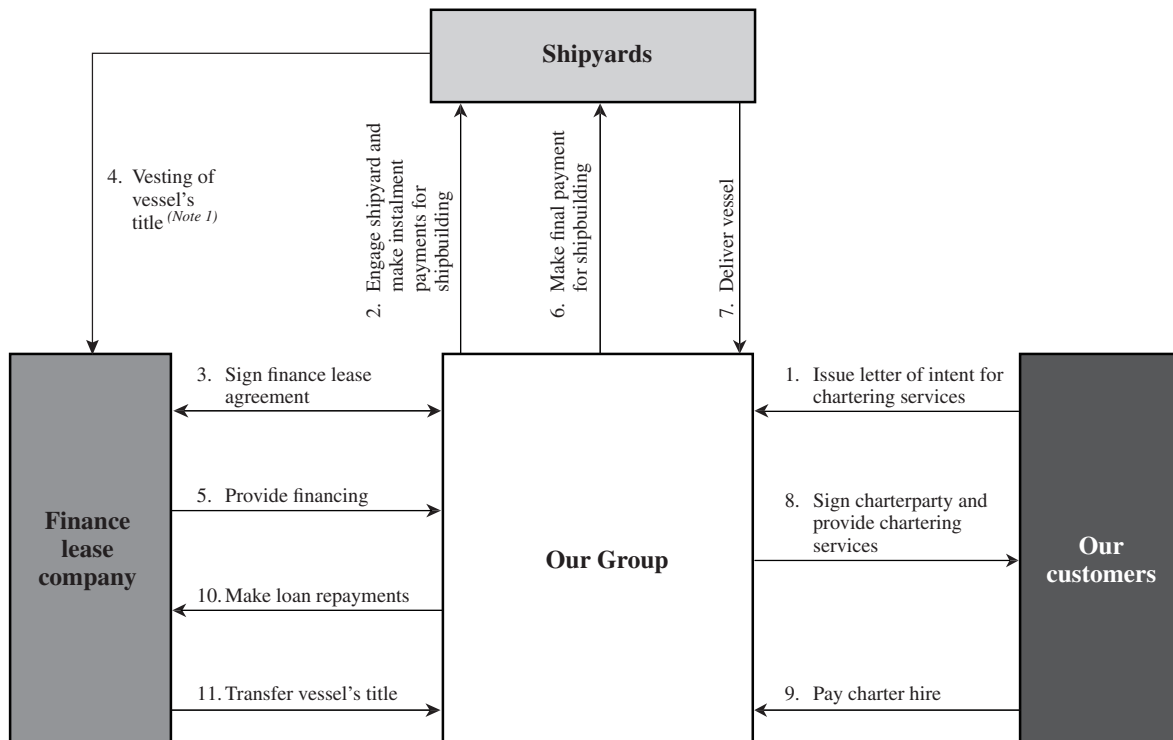
San Du Ao and Zhuang Yuan Ao obtained second refinancing in July 2018, in which the type of financing changed from bank loans to finance leases, which involved the transfer of titles of San Du Ao and Zhuang Yuan Ao to the finance lease companies on 12 July 2018.

Pursuant to the finance lease arrangements, the titles to the vessels were transferred to or vested in the finance lease companies. Our Group (as a charterer) then entered into a bareboat charterparty with the finance lease companies (as the shipowners) whereby the finance lease companies leased the vessels to our Group. Our Group then chartered the vessels to our customers.

The finance lease arrangements we entered into usually lasts for 48 or 60 months. Upon expiry and our last repayment to the finance lease companies, the finance lease companies shall transfer the titles of the vessels to our Group.

BUSINESS

The following diagram sets out the workflow of finance lease arrangement in constructing a new vessel:



Note 1: In constructing new vessels, the titles to the vessels will be vested in the finance lease companies directly.

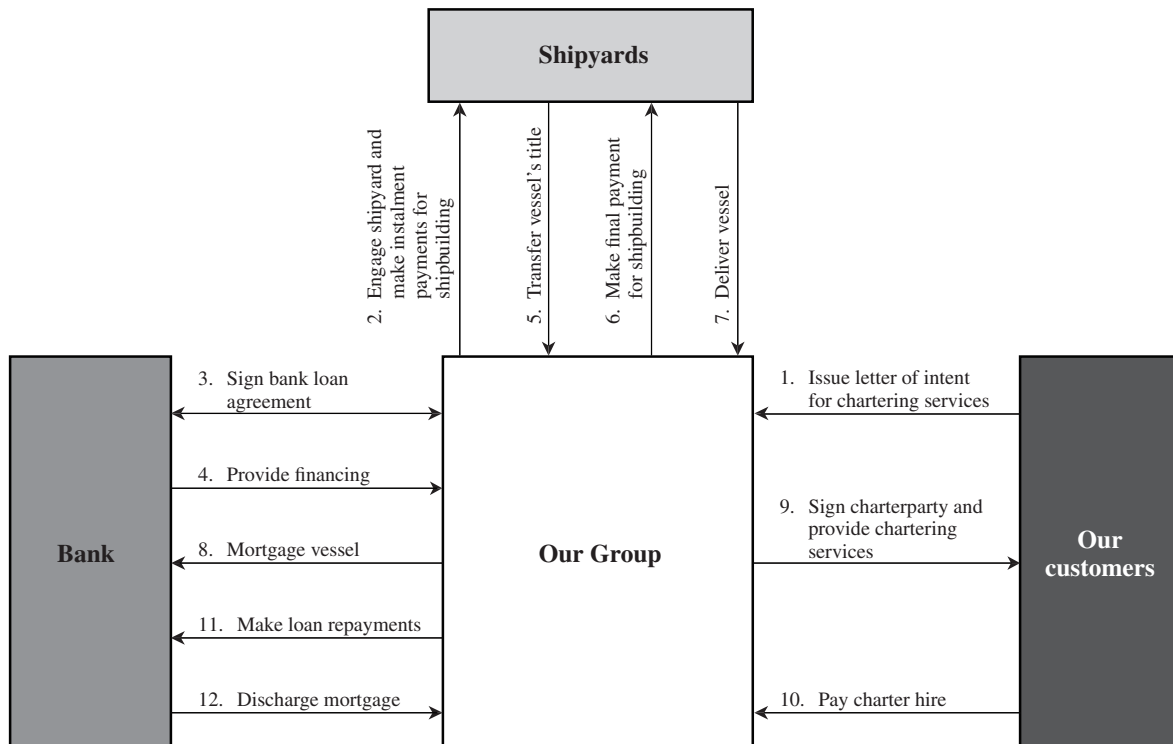
Our Group has been shown as demise charterer (charterer of a bareboat charter) of Feng Huang Ao, San Du Ao, Zhuang Yuan Ao, Baustella and Jastella in the Certificate of Registry issued by the Marine Department of the Government of the HKSAR.

Bank loans

Bank loans are generally the same as finance lease arrangements. Under the finance lease arrangements, the titles to the vessels are required to be transferred to or vested in the finance lease companies. While under the bank loans, the titles to the vessels remain with our Group. In addition, under finance lease arrangements, the financing comes about only after the titles to the vessels are transferred to or vested in the finance lease companies, whereas under the bank loans, the financing is available before the vessels are delivered to us.

BUSINESS

The following diagram sets out the workflow of bank loan:



SALES AND MARKETING

We identified and secured our customers through our business department or shipbroker.

Business department

During the Track Record Period, we secured two time charterparties and a number of voyage charterparties and CoAs through our business department. For the purpose of business development, our staff at the business department regularly attends asphalt-related industry conferences to meet prospective customers which may include state-owned enterprise of the PRC or international companies in oil, energy and asphalt industries.

When a prospective customer is identified, subject to the prospective customer's practice, we would either participate in tendering process or negotiate directly with the prospective customer in order to finalise the terms of the charterparty. Our staff may also provide our vessel's specifications and quotation to our customer. If successful, we would finalise the details of the charterparty with the prospective customers.

Shipbroker

During the Track Record Period, we secured three time charterparties through a shipbroker.

BUSINESS

A shipbroker provides us with information in relation to potential customers in terms of their preferred vessel's specifications and charter terms. The shipbroker acts as a middleman to match what our Group can provide and what the potential customers need. Having identified suitable potential customers, we would either participate in tendering process with the assistance of the shipbroker or negotiate indirectly with the potential customers through the shipbroker. If both parties intend to proceed, our Group will enter into charterparty with the potential customers.

Shipbroker also provides other market information such as tender invitations and recent market transactions, which keeps our Group abreast of the latest market developments. As a result, our Group could adopt different business strategies to cope with these developments.

Our shipbroker generally charged our Group a certain percentage of the charter hire we receive under the charterparties, ranging from 1.25% to 2% during the Track Record Period. The duration of the shipbroker agreement is dependent upon the duration of time charterparties. Thus, the shipbroker would continue to provide support throughout the charter period to our Group, such as conflict resolution and negotiation of any supplemental agreement.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group paid an aggregate of broker expenses of approximately nil, US\$90,000, US\$182,000 and US\$73,000, respectively, representing approximately nil, 1.0%, 0.9% and 0.9% of our Group's cost of sales for the corresponding years, respectively.

The salient terms of our typical shipbroker agreement which is legally binding are summarised below:

Salient terms	Description
Duration	Duration of agreement is dependent upon the duration of the relevant time charterparties.
Brokerage commission	Brokerage commission is payable by our Group to the shipbroker based on certain percentage of the charter hire receivable by our Group or on a fixed amount per 30 days.
Price adjustment	Not applicable.
Renewal and termination	Not applicable.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of our shipbroker agreements.

Our pricing

Our pricing is determinable with reference to (i) reputation of the customer, (ii) duration of charter period, (iii) the prevailing market circumstances, (iv) past business relationship with the customer, (v) the financing cost of our vessel, (vi) cost of shipbuilding and operation, and (vii) cargo quantity.

BUSINESS

The following table sets out the standard range of charter hire offered to our customers for time charters during the Track Record Period. The average charter hire for time charters remained relatively stable during the Track Record Period but the widening in the range of charter hire is resulted from (i) the entering into of supplementary agreements with existing customers to adjust the charter hire which is dependent on our customers' hire performance; and (ii) the entering into of new time charterparties.

Time charters	Average USD per dwt per day	USD per dwt per day range
Year ended 31 December		
2015	1.26	1.23-1.29
2016	1.25	1.15-1.29
2017	1.25	1.15-1.41
Four months ended 30 April		
2017	1.22	1.15-1.27
2018	1.27	1.15-1.41

The following table sets out the standard range of charter hire or freight charges and the throughput of our vessels operated under voyage charters or CoAs during the Track Record Period. The widening of range of charter hire/freight charge for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was primarily due to the increase in number of voyage charters and CoA undertaken in the year ended 31 December 2017. In the year ended 31 December 2016, our Group only performed four voyages under voyage charters, whereas in the year ended 31 December 2017, our Group performed more than 40 voyages under voyage charters or CoAs. The narrowing of range of charter hire/freight charge for the four months ended 30 April 2018 as compared to the corresponding period in 2017 was primarily due to the decrease in the number of voyage charters and CoA undertaken in the four months ended 30 April 2018. In the four months ended 30 April 2017, our Group performed 18 voyages under voyage charters or CoAs, whereas in the four months ended 30 April 2018, our Group performed 16 voyages under voyage charters or CoAs. The increase in the number of voyages widened the variation in routes and cargoes transported.

Voyage charters and CoAs	Throughput (Metric tons)	Average USD per dwt per day	USD per dwt per day range
Year ended 31 December			
2015	—	—	—
2016	40,235	1.85	1.20-2.42
2017	314,966	1.77	0.46-2.98
Four months ended 30 April			
2017	124,682	1.97	0.89-3.01
2018	107,587	1.93	1.34-3.28

BUSINESS

During the Track Record Period, our Group entered into two supplemental agreements with Group A for reduction of charter hire for our two vessels time chartered to Group A, namely San Du Ao and Zhuang Yuan Ao.

In August 2016, the sub-period of the time charterparty of Zhuang Yuan Ao ended and the charter hire was renegotiated. Our Group agreed to enter into a supplementary agreement to reduce the charter hire in accordance with the adjustment clause in the time charterparty of Zhuang Yuan Ao.

In September 2016, as Group A was unable to secure a charterparty for San Du Ao, Group A relocated San Du Ao from North America to the Asia-Pacific region and proposed to reduce the charter hire of San Du Ao. Our Group agreed to the charter hire reduction as the maintenance costs of our vessels in Asia-Pacific region were lower.

Save as above, we generally do not offer any discounts on our charter hire.

Save as disclosed above, our charter hire derived from time charters were stable as we entered into long term agreements with our customers. Under voyage charters and CoAs, we typically provided our vessels on an immediate or ad hoc basis, with charter hire and freight charges determinable with reference to the prevailing market rates.

The pricing under voyage charters and CoAs is generally higher than that under time charters. It is because the shipowner under voyage charters and CoAs has to be responsible for both operating costs and voyage costs, whereas shipowner under time charters are generally relieved of the responsibility to pay for port charges, bunkers, loading and discharging fees, which comprise part of the voyage costs. In addition, shipowner under voyage charters and CoAs have to bear higher market risk. They would like to seek a higher premium in charter hire. Thus, the relatively higher cost and risk incurred under voyage charters and CoAs generally drive charter hire under voyage charters and CoAs higher than that of time charters.

For future price trends of asphalt tanker chartering services, please refer to the section headed “Industry Overview — Overview of Global Asphalt Tanker Chartering Services Industry — Average charter hire of global asphalt tanker chartering services” in this prospectus.

Data of throughput of our vessels operated under time charters is not available as our Group was not involved in the operation of our vessels. Our customers may not inform our Group of the quantity of the cargoes.

The throughput of our vessels operated under voyage charters increased significantly from 2016 to 2017. The increase was mainly attributable to only one vessel, Feng Huang Ao, operated under voyage charters for a few months in 2016, whereas in 2017, a total of four vessels, Lilstella, Poestella, Orcstella and Rostella, operated under voyage charters. The decrease in throughput for the four months ended 30 April 2018 as compared to the corresponding period in 2017 was primarily due to the decrease in the number of voyage and CoA undertaken in the four months ended 30 April 2018. In the four months ended 30 April 2017, our Group performed 18 voyages under voyage charters or CoAs, whereas in the four months ended 30 April 2018, our Group performed 16 voyages under voyage charters or CoAs.

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Our Directors confirm that there were no material fluctuations in our Group's charter hire or freight charges during the Track Record Period. For further details, please refer to the section headed "Business — Our Competitive Strengths" in this prospectus.

CUSTOMERS

Our major customers include: (i) Group A, one of the largest global shipping and logistics groups in the world; (ii) Group B, one of the largest global independent energy traders in the world; and (iii) Customer D, a subsidiary of one of the largest publicly traded energy companies in the world based in the United States.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group's total revenue amounted to approximately US\$10.8 million, US\$15.5 million, US\$33.7 million and US\$13.3 million, respectively, representing a CAGR of approximately 77.0% from 2015 to 2017.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group's five largest customers contributed approximately US\$10.8 million, US\$15.5 million, US\$31.3 million and US\$12.9 million of our total revenue, respectively, representing approximately 100%, 100%, 92.7% and 96.8% of our total revenue, respectively. For the same periods, our largest customer contributed approximately US\$10.8 million, US\$10.2 million, US\$10.0 million and US\$4.2 million to our total revenue, respectively, representing approximately 100%, 66.2%, 29.7% and 31.5% of our total revenue, respectively.

Details of our Group's five largest customers for the Track Record Period are as follows:

For the year ended 31 December 2015:

Rank	Name of customer ^{Note 8}	Background and principal business	Location	The calendar year in which the customer first started to have business relationship with our Group	Approximate total amount of revenue (US\$'000)	% of total revenue	Credit terms ^{Note 7}
1	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	2010	10,760	100%	Monthly prepayment
						<u>100%</u>	

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For the year ended 31 December 2016:

Rank	Name of customer ^{Note 8}	Background and principal business	Location	The calendar year in which the customer first started to have business relationship with our Group	Approximate total amount of revenue <i>(US\$'000)</i>	% of total revenue	Credit terms ^{Note 7}
1	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	2010	10,229	66.2%	Primarily monthly prepayment
2	Group B ^{Note 2}	One of the largest global independent energy traders in the world	United Kingdom	2015	4,488	29.0%	Monthly prepayment
3	Bilsea International ^{Note 3}	Private limited company which provides asphalt trading and transportation services	Singapore	2016	590	3.8%	For voyage charters, generally received within 5 business days after completion of cargo loading. For demurrage claims, normally received within 30 days after the finalisation
4	Customer C ^{Note 4}	Private limited company which provides asphalt trading and transportation services	Panama	2016	150	1.0%	Received after completion of cargo discharging
Total						100%	

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For the year ended 31 December 2017:

Rank	Name of customer ^{Note 8}	Background and principal business	Location	The calendar year in which the customer first started to have business relationship with our Group	Approximate total amount of revenue <i>(US\$'000)</i>	% of total revenue	Credit terms ^{Note 7}
1	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	2010	10,009	29.7%	Monthly prepayment
2	Group B ^{Note 2}	One of the largest global independent energy traders in the world	United Kingdom	2015	6,365	18.9%	Monthly prepayment
3	Bilsea International ^{Note 3}	Private limited company which provides asphalt trading and transportation services	Singapore	2016	5,618	16.6%	For voyage charters, generally received within 5 business days after completion of cargo loading. For demurrage claims, normally received within 30 days after the finalisation
4	Huate ^{Note 5}	Private limited company which provides asphalt trading services	PRC	2017	5,093	15.1%	Generally received within 3 business days after completion of cargo discharging
5	Customer D ^{Note 6}	Subsidiary of one of the largest publicly traded energy companies in the world based in the United States	U.S.	2017	4,188	12.4%	Monthly prepayment
Total						92.7%	

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For the four months ended 30 April 2018:

Rank	Name of customer ^{Note 8}	Background and principal business	Location	The calendar year in which the customer first started to have business relationship with our Group	Approximate total amount of revenue <i>(US\$'000)</i>	% of total revenue	Credit terms ^{Note 7}
1	Bilsea International ^{Note 3}	Private limited company which provides asphalt trading and transportation services	Singapore	2016	4,205	31.5%	For voyage charters, generally received within 5 business days after completion of cargo loading. For demurrage claims, normally received within 30 days after the finalisation
2	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	2010	3,403	25.5%	Monthly prepayment
3	Customer D ^{Note 6}	Subsidiary of one of the largest publicly traded energy companies in the world based in the United States	U.S.	2017	2,916	21.8%	For time charters, monthly prepayment. For voyage charters, generally received after completion of cargo discharging.
4	Group B ^{Note 2}	One of the largest global independent energy traders in the world	United Kingdom	2015	1,956	14.7%	Monthly prepayment
5	Huate ^{Note 5}	Private limited company which provides asphalt trading services	PRC	2017	442	3.3%	Generally received within 3 business days after completion of cargo discharging. For demurrage claims, normally received within 30 days after the finalisation
Total						96.8%	

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- Note 1:* Group A is one of the largest global shipping and logistics groups in the world, its members include (i) our customer who was our sole customer for the year ended 31 December 2015 and one of our customers for the years ended 31 December 2016 and 31 December 2017 and for the four months ended 30 April 2018. It is a subsidiary of a company listed on the Shanghai Stock Exchange who had a revenue of approximately RMB6.5 billion for the year ended 31 December 2017 and a market capitalisation of approximately RMB4.0 billion as at 30 April 2018; and (ii) our another customer for the year ended 31 December 2016. It is a subsidiary of a company listed on the Stock Exchange who had a revenue of approximately RMB8.8 billion for the year ended 31 December 2017 and a market capitalisation of approximately HKD4.8 billion as at 30 April 2018.
- Note 2:* Group B is one of the largest global independent energy traders in the world. One of its members was one of our Group's customers for the years ended 31 December 2016, 2017 and the four months ended 30 April 2018. Another member of Group B was one of our Group's customers for the year ended 31 December 2017. Their contributions to our Group's revenue have been aggregated. The turnover of Group B for the year ended 31 December 2017 was approximately US\$181 billion. The two members of Group B are private companies.
- Note 3:* Bilsea International is under the control and ownership of Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng) who are both directors of some of our subsidiaries, accordingly, Bilsea International is a connected person of our Group at the subsidiary level. Paid-up capital of Bilsea International was approximately US\$2 million and it is a private company.
- Note 4:* Customer C is owned as to 49.6% by a company, which is a private company and one of the world's leading independent commodity trading and logistics houses. It recorded revenue for year ended 30 September 2017 of approximately US\$136.4 billion. Authorised capital of Customer C was US\$30,001,000.
- Note 5:* Contributed capital of Huate was approximately RMB314.3 million. Huate is a private company.
- Note 6:* Customer D is a subsidiary of one of the largest publicly traded energy companies listed on the New York Stock Exchange based in the United States which recorded revenue and other income for the year ended 31 December 2017 of approximately US\$237 billion and had a market capitalisation of approximately US\$333.2 billion as at 30 April 2018. Revenue generated by Customer D for the year ended 31 December 2016 was approximately US\$1,919,300,000.
- Note 7:* Payment was generally by way of bank transfer. We also received payments from Bilsea International by cheque.
- Note 8:* Our Group was legally advised that there is a risk that, the disclosure of the identities and relevant information of our five largest customers may entail an actionable breach of confidence, depending on the relevant factual circumstances. Therefore, some of our five largest customers' identities and relevant information during the Track Record Period were not disclosed.

We were not aware of, during the Track Record Period and as at the Latest Practicable Date, any major disruption of business due to material delay or default of payment by our customers owing to their financial difficulties.

Relationship with Bilsea International

Bilsea International engages in asphalt trading and provision of transportation services and is owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), respectively. As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of our subsidiaries, Bilsea International is an associate of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and is a connected person of our Group. As at the Latest Practicable Date, our Company was owned as to 9% by Bilsea International.

We started our business relationship with Bilsea International in 2016. In the years ended 31 December 2016, 2017 and the four months ended 30 April 2018, our Group entered into a number of

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voyage charters with Bilssea International. We expect to have further transactions with Bilssea International in 2018. For details of the connected transactions between Bilssea International and our Group, please refer to the section headed “Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions” in this prospectus.

Our Group entered into two letters of intent with Bilssea International in April 2015 and September 2015, respectively. Pursuant to the first letter of intent (the “**First LOI**”), we agreed to build two asphalt tankers with carrying capacity of approximately 8,000 dwt each. Pursuant to the second letter of intent (the “**Second LOI**”), we agreed to build two asphalt tankers with carrying capacity of approximately 6,000 dwt each. Our Group then engaged a shipyard to build four vessels in September 2015 in respect of the First LOI and Second LOI. According to the production schedule of the shipyard, the vessels under the Second LOI would only be constructed after the delivery of the vessels under the First LOI.

In November 2016, one of the vessels with a carrying capacity of approximately 8,000 dwt under the First LOI was conducting its trial runs before delivery. At that time, Bilssea International was satisfied with the vessel’s performances in terms of speed, fuel consumption efficiency and carrying capacity. Hence, Bilssea International considered that the vessel with a carrying capacity of approximately 8,000 dwt was more marketable than the vessel of carrying capacity of approximately 6,000 dwt. As a result, Bilssea International proposed, and our Group agreed, to adjust the design of the vessels under the Second LOI and replace the two vessels with a carrying capacity of approximately 6,000 dwt each with one asphalt tanker with carrying capacity of approximately 8,000 dwt (the “**Proposal**”). The replacement vessel, with a proposed name of Lotstella, is under construction, for further details, please refer to the section headed “Business — Our Fleet — Our vessel under construction” in this prospectus.

At that time, the shipbuilding of the two vessels under the Second LOI had not yet commenced. Therefore, the arrangement incurred no further cost to us and the deposit was refunded to our Group.

The Proposal involved a change in the design of the vessels and the number of the vessels to be built. Instead of building two vessels with smaller carrying capacity, a vessel with larger carrying capacity was built. Our fleet size would still be expanded with the delivery of the vessel with a carrying capacity of approximately 8,000 dwt. Hence, the Proposal is in line with our business strategy to expand our Group’s fleet size.

Bilssea International was our Group’s major customer for the years ended 31 December 2016, 2017 and the four months ended 30 April 2018. For the years ended 31 December 2016, 2017 and the four months ended 30 April 2018, our revenue derived from our transactions with Bilssea International amounted to approximately US\$590,000, US\$5.6 million and US\$4.2 million, respectively, representing approximately 3.8%, 16.6% and 31.5% of our total revenue for the same periods, respectively.

Save as disclosed herein, none of our Directors, their respective close associates and our shareholders who, to the best knowledge and belief of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that each of our five largest customers, except Bilssea International, is an Independent Third Party.

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Relationship with Group A

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, Group A was both our major customer and major supplier. To the best knowledge and belief of our Directors, Group A is an Independent Third Party.

Group A is one of the largest global shipping and logistics groups in the world that business includes provision of asphalt tanker chartering services as shipowner, provision of management and crew management services and supply of vessel related spare parts and consumables such as lubricant oil.

During the Track Record Period: (i) our Group chartered our vessels San Du Ao and Zhuang Yuan Ao to Group A under time charters; (ii) Group A provided ship management and crew management services to our Group; and (iii) Group A supplied vessel related spare parts and consumables such as lubricant oil to our Group.

Our Group commenced its business in 2010 when Mr. Xu Wenjun, our executive Director, approached Group A for the discussion of business opportunities. Group A chartered our Group's vessels notwithstanding that its subsidiary also offers similar vessels to Group A. After the 2008 crisis, the state-owned enterprises in the PRC were not encouraged to invest in major production equipment. The slow recovery of world economy and international trade rendered the global shipping industry in general with excessive transportation capacity, where many shipping companies such as Group A might not want to invest a significant amount of capital into building its own vessel. For details, please refer to the section headed "History, Reorganisation and Group Structure — History and Corporate Development" in this prospectus. According to F&S, prior to 2009, the carrying capacity of the majority of the vessels of Group A were about 6,500 dwt. As Group A intended to charter vessels with a larger carrying capacity, it accepted our Group's shipbuilding plan of our first vessel, San Du Ao with a carrying capacity of 12,000 dwt. According to the F&S Report, it is a common market practice for international shipowners to charter vessels from other shipowners for their operation.

In February 2017, our customer under CoA, Huate, had three shipment requests. At that time, our Group only had two vessels which operated under voyage charters or CoAs and each shipment request would take more than 20 days to complete. Hence, our Group was not able to meet the shipment request with our own fleet and needed an additional vessel to perform the request.

As the requirements on the additional vessel, such as the loading capacity and the certificates, were strict, there was a limited number of available vessels for our Group to choose from. Given the time constraint, our Directors considered San Du Ao was the suitable additional vessel and decided to enter into a voyage charter with Group A to charter in San Du Ao from Group A back to us for a short period (the "**Chartering Back**").

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The carrying capacity of approximately 12,000 dwt of San Du Ao exceeded the quantity of cargo of affreightment request of approximately 7,000 metric tonnes. Our Group was not able to fully utilise the carrying capacity of San Du Ao, resulting in a higher price pmt. In the Chartering Back arrangement, Group A charged us US\$60 pmt from Singapore to Jingtang port in China. Under the CoAs, we charged our customer US\$56 pmt for the same route of voyage. In addition, the material terms of the Chartering Back arrangement are similar to other voyage charters. Therefore, our Directors are of the view that, and the Sole Sponsor concurs that, the Chartering Back arrangement was entered into under ordinary course of business on normal commercial terms.

The Chartering Back arrangement incurred a loss of approximately USD28,000. Nonetheless, our Directors believed the Chartering Back was beneficial to our Group in the long run as it could strengthen our business relationship with Huate and enhance our Group's reputation in the industry by demonstrating our capability in satisfying our customers' request. As at the Latest Practicable Date, given that our Group had four vessels which operated under voyage charters and CoAs, our Directors believed that our Group can meet the demand of CoAs with our fleet in the future.

According to the F&S Report, it is a common market practice for international shipowners to charter vessels from other shipowners for their operation. For instance, when there is a temporary surge of demand, it is not uncommon for a company to charter back their tanker from customer for a certain period as a temporary arrangement to meet such demand.

Accordingly, Group A is both our customer and supplier.

Our Directors consider that our Group's relationship with Group A is an ordinary form of cooperation. According to the F&S Report, it is a common market practice where shipowners would charter their vessels to other shipowners.

In addition, as we consider Group A's ship management services can meet our customers' requirement, it is beneficial to our long-term relationship to engage Group A as our service provider.

Under our time charterparties with Group A, there is a clause which states that the charterparty is not terminable unless both parties mutually agree or there exist unexpected circumstances by which the charterparty cannot be performed. Our Group maintained good business relationship with Group A with the following measures notwithstanding that its subsidiary, a major international player in the asphalt tanker chartering services industry, offers similar vessels to Group A: (i) entering into long term charterparties of 10 years; and (ii) procuring ship management and crew management services, vessel related spare parts and consumables from Group A. During the Track Record Period and up to the Latest Practicable Date, there was no termination of the charterparties between our Group and Group A.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our revenue attributable to Group A was approximately US\$10.8 million, US\$10.2 million, US\$10.0 million and US\$3.4 million, respectively, representing 100%, 66.2%, 29.7% and 25.5% of our total revenue, respectively. For the same periods, our gross profit attributable to Group A was approximately US\$4.4 million, US\$3.4 million, US\$4.4 million and US\$1.5 million, respectively.

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For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our costs payable to Group A amounted to approximately US\$2.7 million, US\$3.9 million, US\$3.1 million and US\$761,000, respectively, representing approximately 70.2%, 66.2%, 20.6% and 12.9% of our Group's total cost of sales (excluding depreciation), respectively.

Customer concentration

Our Group's five largest customers accounted for approximately 100%, 100%, 92.7% and 96.8% of our total revenue for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively, while approximately 100%, 66.2%, 29.7% and 31.5% of our Group's total revenue were attributable to our largest customer, for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively.

Our Directors and the Sole Sponsor consider that despite the high customer concentration, our Group's business model is sustainable due to the following factors:

Nature of business: It is not uncommon for a shipowner to derive a large amount of recurrent income from a limited number of customers. In addition, time charters, being one of our Group's important source of income, generally last for two to ten years. It is therefore a normal phenomenon in the market to have high concentration of customers for a period of time.

Developing new customers: Our Group has diversified and gradually developed new customers to reduce our reliance over our largest customer. As a result of our Group's efforts to engage new customers, the number of customers increased from one customer for the year ended 31 December 2015 to nine customers for the year ended 31 December 2017. Our new major customers include (i) Group B, one of the largest global independent energy traders in the world; (ii) Huate, a private limited company which provides asphalt trading services; and (iii) Customer D, a subsidiary of one of the largest publicly traded energy companies in the world based in the United States. The revenue contributed by our customers other than Group A amounted to approximately nil, 33.8%, 70.3% and 74.5% for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, respectively. They also contributed to approximately nil, 46.3%, 66.6% and 71.1% of our Group's total gross profit for the same periods, respectively. To meet our new customers' needs, we have engaged shipyard to build a new vessel for us and we plan to build additional new vessels which would further reduce the situation of customer concentration. For further details of our Group's future plan, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Transferable services and vessels: Our Group's vessels were able to accommodate different customers' business needs. In the event that our Group fails to secure renewed charterparties with the existing major customers, our Group shall be able to provide service to other existing customers and new customers. Coupled with our relatively new fleet, the readily available quality ship management companies allow us to serve customers in need of our services without difficulties.

Possible strategic alliance with a major customer

In April 2017, our Group has entered into a strategic cooperation framework agreement with Huate and a property developer in the PRC, in relation to potential projects as to processing, storage and logistics of asphalt in Africa and Australia. Before entering into the strategic cooperation, both Huate and the property developer were engaging in infrastructures projects such as roads and ports in Africa and Australia.

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The development of roads and ports required asphalt that could be transported by sea. Our Group was a market player in the asphalt tanker chartering industry and had established business relationship with Huate, an opportunity for strategic cooperation was thus identified. As our Directors believed that the Belt and Road Initiative would boost the demand of asphalt in Africa and Australia and the cooperation would be profitable to our Group. As a result, our Group entered into a strategic alliance with the two parties.

Our Group did not pay any deposit or consideration in entering into the strategic cooperation and it was merely a framework agreement. During the Track Record Period and up to the Latest Practicable Date, no further action was taken under the strategic cooperation. Our Group had no obligation pursuant to the agreement and our Directors believed it would be in our Group's best interest to focus on our existing business. Hence, our Group determined not to proceed further with the projects. However, our Company will continue to look for suitable opportunities in our business development.

Payment terms

Our Group's revenue is generally denominated in U.S. dollars and settled by way of bank transfer.

Under time charters, our Group in general requires our customers to prepay the charter hire on a monthly basis. Under our Group's time charterparties, deductibles are available for our customers with respect to any loss of time and the costs of any extra fuel consumed by the vessels due to any underperformance in the operation of the vessels such as breakdown of machinery or reduced speed.

Under voyage charters, our Group generally receives full payment within five business days after completion of cargo loading. Under CoAs, our Group generally receives full payment within three business days after completion of cargo discharging. The final charter hire or freight charges might be adjustable depending on the occurrence of demurrage, if any. For demurrage claims, the balance is normally paid within 30 days after finalisation.

SUPPLIERS

Our suppliers mainly include ship management companies, insurance companies, a shipbroker and bunker providers. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the cost of sales payable to our Group's five largest suppliers amounted to approximately US\$3.0 million, US\$4.3 million, US\$12.4 million and US\$5.0 million, respectively, representing approximately 78.1%, 73.2%, 83.2% and 85.1% of our cost of sales (excluding depreciation), respectively. For the same periods, the cost of sales payable to the largest supplier amounted to approximately US\$2.7 million, US\$3.9 million, US\$6.6 million and US\$3.0 million, respectively, representing approximately 70.2%, 66.2%, 44.0% and 51.2% of our cost of sales (excluding depreciation), respectively.

Fees payable to the suppliers are generally agreed between our Group and the suppliers with reference to, among other factors, the quality of services, the reputation of suppliers, the market rates and the relevant costs.

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Details of our Group's five largest suppliers for the Track Record Period are as follows:

For the year ended 31 December 2015:

Rank	Name of supplier	Background and principal business	Location	Products/Services purchased by our Group	The calendar year in which the customer first started to have business relationship with our Group	Approximate amount of cost recognised	% of total cost of sales (excluding depreciation)	Credit terms ^{Note 4}
(US\$'000)								
1	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables	2010	2,728	70.2%	For ship management and crew management fees, generally payable in 15 or 45 days upon receiving the invoice. For lubricant oil, generally payable in 180 days after delivery. For spare parts, generally payable upon receipt of invoice or in 30 days after delivery
2	China Continent Property & Casualty Insurance Co., Ltd.* (中國大地財產保險股份有限公司)	Joint-stock company which provides insurance services	PRC	Hull and machine insurance	2011	120	3.1%	By instalments in advance during the insurance coverage period
3	Daihatsu Diesel (Shanghai) Co., Ltd.* (大發柴油機(上海)有限公司)	Private limited company which provides diesel engine	PRC	Diesel engine and spare parts	2011	80	2.1%	30 days
4	Supplier E ^{Note 2}	Private limited company which provides paints	PRC	Paints of vessels	2012	70	1.8%	30 days
5	China Shipowners Mutual Assurance Association* (中國船東互保協會)	Corporate association which provides mutual insurance	PRC	Vessel insurance	2011	34	0.9%	By instalments in advance during the insurance coverage period
Total							78.1%	

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For the year ended 31 December 2016:

Rank	Name of supplier	Background and principal business	Location	Products/Services purchased by our Group	The calendar year in which the customer first started to have business relationship with our Group	Approximate amount of cost recognised	% of total cost of sales (excluding depreciation)	Credit terms ^{Note 4}
<i>(US\$'000)</i>								
1	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables	2010	3,867	66.2%	For ship management and crew management fees, generally payable in 15 or 45 days upon receiving the invoice. For lubricant oil, generally payable in 180 days after delivery. For spare parts, generally payable upon receipt of invoice or in 30 days after delivery
2	China Continent Property & Casualty Insurance Co., Ltd.* (中國大地財產保險股份有限公司)	Joint-stock company which provides insurance services	PRC	Hull and machine insurance	2011	151	2.6%	By instalments in advance during the insurance coverage period
3	Golden Empire (USA) Inc.	Private limited company which provides shipbrokerage services	U.S.	Shipping broker	2016	90	1.5%	Payable upon receiving invoices, which are normally issued every 1 or 2 months
4	Kongsberg Maritime China (Shanghai) Co., Ltd* (康士伯控制系統(上海)有限公司)	Private limited company which provides vessel-related equipment	PRC	Ship control system and services and spare parts	2012	85	1.5%	30 days
5	Seabridge ^{Note 3}	Private limited company which provides bunker services	Singapore	Bunker	2016	83	1.4%	30 days
Total							<u>73.2%</u>	

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For the year ended 31 December 2017:

Rank	Name of supplier	Background and principal business	Location	Products/Services purchased by our Group	The calendar year in which the customer first started to have business relationship with our Group	Approximate amount of cost recognised	% of total cost of sales (excluding depreciation)	Credit terms ^{Note 4}
(US\$'000)								
1	BSM	Private limited company which provides (i) ship management and crew management services, and (ii) vessel related spare parts and consumables	Singapore	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables	2016	6,560	44.0%	For ship management and crew management services, payable in advance before each month. For spare parts and consumables, generally payable in 30 days
2	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables	2010	3,067	20.6%	For ship management and crew management fees, generally payable in 15 or 45 days upon receiving the invoice. For lubricant oil, generally payable in 180 days after delivery. For spare parts, generally payable upon receipt of invoice or in 30 days after delivery
3	Seabridge ^{Note 3}	Private limited company which provides bunker services	Singapore	Bunker	2016	2,341	15.7%	30 days
4	Supplier F	Private limited company which provides shipping agency services	Australia	Ship agency	2017	220	1.5%	Prepayment
5	Orient Agency Pte Ltd	Private limited company which provides shipping agency services	Singapore	Ship agency	2017	204	1.4%	Payment upon receiving invoices, which are normally issued 1-2 months after provision of services
Total							<u>83.2%</u>	

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For the four months ended 30 April 2018:

Rank	Name of supplier	Background and principal business	Location	Products/Services purchased by our Group	The calendar year in which the customer first started to have business relationship with our Group	Approximate amount of cost recognised	% of total cost of sales (excluding depreciation)	Credit terms ^{Note 4}
(US\$'000)								
1	BSM	Private limited company which provides (i) ship management and crew management services, and (ii) vessel related spare parts and consumables	Singapore	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables	2016	3,026	51.2%	For ship management and crew management services, payable in advance before each month. For spare parts and consumables, generally payable in 30 days
2	Seabridge ^{Note 3}	Private limited company which provides bunker services	Singapore	Bunker	2016	977	16.5%	30 days
3	Group A ^{Note 1}	One of the largest global shipping and logistics groups in the world	PRC	(i) Ship management and crew management services (ii) Vessel related spare parts and consumables (iii) Ship agency	2010	761	12.9%	For ship management and crew management fees, generally payable in 15 or 45 days upon receiving the invoice. For lubricant oil, generally payable in 180 days after delivery. For spare parts, generally payable upon receipt of invoice or in 30 days after delivery. For ship agency, prepayment
4	China Shipowners Mutual Assurance Association* (中國船東互保協會)	Corporate association which provides mutual insurance	PRC	Vessel insurance	2011	142	2.4%	By instalments in advance during the insurance coverage period
5	Supplier F	Private limited company which provides shipping agency services	Australia	Ship agency	2017	126	2.1%	Prepayment
Total							<u>85.1%</u>	

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Note 1: Group A is one of the largest global shipping and logistics groups in the world which members included six of our Group's suppliers for the year ended 31 December 2015, four of our Group's suppliers for the year ended 31 December 2016, eight of our Group's suppliers for the year ended 31 December 2017 and 12 of our Group's suppliers for the four months ended 30 April 2018, whose contributions to our Group's cost of sales have been aggregated.

Note 2: Supplier E is a joint venture company whose 50% equity interest is held indirectly by Group A.

Note 3: Seabridge is under the control and ownership of Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng) and both are directors of some of our subsidiaries, accordingly, Seabridge is a connected person of our Group at the subsidiary level.

Note 4: The payment method was generally by way of bank transfer.

During the Track Record Period, we did not experience any material difficulty in sourcing materials nor have we experienced any shortage or delay in the supply of materials during the same period. We closely monitor market price of materials and ship management fees, and we may adjust our charter hire or freight charges to ensure our prices are in line with our costs.

Relationship with Seabridge

Seabridge was our Group's major supplier for the years ended 31 December 2016, 2017 and the four months ended 30 April 2018.

Seabridge engages in the provision of bunker services and is wholly-owned by Bilsea Holdings, which is in turn wholly owned by Bilsea International, which is in turn owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), respectively. As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of our subsidiaries, Seabridge, Bilsea Holdings and Bilsea International are associates of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and are connected persons of our Group.

We started our business relationship with Seabridge in 2016 where we sourced bunker services from them. We expect to have further transactions with Seabridge in 2018. For further details of the connected transactions, please refer to the section headed "Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions" in this prospectus.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our cost incurred with Seabridge amounted to approximately nil, US\$83,000, US\$2.3 million and US\$977,000, respectively.

Save as disclosed herein, none of our Directors, their respective close associates and our shareholders who, to the best knowledge and belief of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of the five largest suppliers during the Track Record Period and as at the Latest Practicable Date. Our Directors confirm that each of our five largest suppliers, except Seabridge, is an Independent Third Party.

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The salient terms of a typical bunker purchase contract that our Group has entered into with Seabridge are summarised below:

Salient terms	Description
Duration	Our Group purchases bunker on an ad-hoc basis, which lasts within a month from sales confirmation to the delivery date.
Basis of determining the bunker fee	Determinable with reference to market rate, bunker quantity and the location of the port.
Seabridge's other responsibilities	Seabridge shall warrant the bunker meets the quality at the time and place of delivery.
Our Group's other responsibilities	Our Group shall pay the expenses to ensure a smooth supply, including expenses to moor, unmoor, and hoist the bunkering hose.
Termination	In case our Group intends to cancel the order or the vessel failing to take the delivery, Seabridge has the option to cancel the order.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of our bunker purchase contracts.

Suppliers concentration

Our Group's five largest suppliers accounted for approximately 78.1%, 73.2%, 83.2% and 85.1% of its total cost of sales (excluding depreciation) for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively. Group A, our largest supplier in the years ended 31 December 2015 and 2016, our second largest supplier in the year ended 31 December 2017 and third largest supplier in the four months ended 30 April 2018, accounted for approximately 70.2%, 66.2%, 20.6% and 12.9% of our Group's total cost of sales (excluding depreciation) for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively. In the year ended 31 December 2017 and the four months ended 30 April 2018, BSM was our largest supplier and it accounted for 44.0% and 51.2% of cost of sales (excluding depreciation), respectively.

Our Directors are of the view that the risk relating to the supplier concentration can be controlled and that it would not impact our Group's business sustainability for the following reasons:

Decreasing level of reliance on a single supplier: It is not uncommon for a shipowner to attribute a large amount of cost to the ship management company. Our Group has diversified and gradually engaged new ship management company in order to reduce our reliance on our largest supplier. As a result of our Group's efforts, BSM replaced Group A and became our largest supplier for the year ended 31 December 2017. As our Group plans to engage shipyards to build more new vessels for us, we will continue to engage various ship management companies that comply with international standard to reduce our reliance on any one of them. For further details of our Group's future plans, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

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Flexibility in sourcing from other suppliers: According to the F&S Report, ship management industry is a competitive industry. Other than Group A and BSM, there are readily available market alternatives and competent ship management companies which provide similar services with comparable price and terms to our Group. While our Group endeavours to maintain the established business relationships with our existing suppliers, it is also beneficial for us to expand our supplier base to ensure the operational sustainability of our vessels.

Major supplier which was also major customer

In the asphalt tanker chartering services industry, certain entities such as Group A have a wide range of businesses, for instance, they may provide asphalt tanker chartering services as well as crew management services. According to the F&S Report, it is common for other companies who have key focus areas and thus with limited range of businesses to cooperate with these entities as a customer and supplier at the same time for development of their own businesses.

For the year ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, Group A was both our major customer and major supplier. For further details, please see the section headed “Business — Customers — Relationship with Group A” in this prospectus.

For the years ended 31 December 2016, 2017 and the four months ended 30 April 2018, Bilsea International was our major customer. For the years ended 31 December 2016, 2017 and the four months ended 30 April 2018, Seabridge was our major supplier. Both Bilsea International and Seabridge are under the control and ownership of Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng). As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of our subsidiaries, Bilsea International and Seabridge are associates of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and are connected persons of our Group. As at the Latest Practicable Date, our Company was owned as to 9% by Bilsea International. For further details, please see the sections headed “Business — Customers — Relationship with Bilsea International” and “Business — Suppliers — Relationship with Seabridge” in this prospectus.

Our Directors confirmed that negotiations of the terms offered to our customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors further confirmed that the terms of transactions with these entities are in line with the market and similar to those transactions with our other customers and suppliers.

Payment terms

Our Group is subject to different payment terms with different suppliers. Generally, the fees and costs payable are generally settled in U.S. dollars and by way of bank transfer.

Types of payment

Ship management and crew management fees

Credit terms allowed

Payable in advance before commencement of each month or payable in 15 or 45 days upon receiving the invoice.

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Lubricant oil	Generally payable in 180 days after delivery.
Spare parts	Generally payable upon receipt of invoice or in 30 days after delivery.
Diesel engine, paints and vessel-related equipment	Generally payable in 30 days after delivery.
Insurance	Insurance premiums are generally payable in two to four instalments in advance during the insurance coverage period, with the first instalment due at the commencement of the insurance coverage period.
Brokerage commission to shipbroker	Payable after our Group receives invoice from the shipbroker.
Bunker fees	Generally payable in 30 days after delivery of bunker.
Repair and maintenance payments to shipyards	Generally payable by instalments in 30 days to 60 days after completion of the repair and maintenance work.
Ship agency fees	Generally prepaid upon receipt of estimated cost from the ship agents or payable after the invoice is received.

During the Track Record Period, our Group did not experience any material dispute with our suppliers.

Inventories

We constantly monitor our inventories, which consist of bunker and lubricant oil for vessels. We are increasingly responsible for bunker due to more engagement in voyage charters and CoAs. As at 31 December 2015, 2016, 2017 and 30 April 2018, our inventories were approximately nil, nil, US\$633,000 and US\$1.0 million, respectively. We strive to maintain optimal inventories level of bunker to meet customers' demand for our services.

Under time charters, our Group would not purchase bunker as our customers would be responsible for voyage costs. Under voyage charters and CoAs, our Group would be responsible for voyage costs and hence would purchase bunker. During the Track Record Period and up to the Latest Practicable Date, there was no fixed countries or places from which our Group would purchase the bunker. Our Group would take account of the proximity to the loading port and discharging port and the bunker prices in deciding the locations to purchase the bunker.

Ship Management Companies

According to the F&S Report, it has been a market practice for shipowner to engage ship management companies to manage its vessels. It is more economically viable than keeping in-house ship managers, as ship management companies are qualified and specialised in providing ship

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management services for maintaining the standard of the vessels' operational safety, seaworthiness, conditions, maintenance and compliance of other technical requirements at a fairly low cost. We select ship management companies on the basis of: (i) their reputation; (ii) their service quality; and (iii) management fees.

During the Track Record Period and up to the Latest Practicable Date, we outsourced the management responsibilities of our vessels, including technical management, crew management, crew insurances, safety management and compliance with international conventions, to BSM and Group A as the ship management companies.

The parent company of BSM has over 130 years of experience in ship management industry managing more than 600 vessels over the world, having over 12,000 crew members sailing on its managed vessels. It is a ship management company offering a variety of ship-care services, including technical management, crew management, commercial management and corporate and financial management. We have entered into ship management agreements appointing BSM as the ship management company for seven of our vessels.

Group A has over 50 years of experience in ship management industry having over 4,000 crew members sailing on its managed vessels. We have entered into ship management agreements appointing Group A as the ship management company for two of our vessels.

The salient terms of our typical ship management agreement which is legally binding are summarised below:

Salient terms	Description
Duration	The contractual period is usually approximately one year, subject to renewal; some are on-going with no fixed contractual term.
Basis of determining the management fee	Determinable with reference to market circumstances.
Price adjustment	Annual budget shall be prepared by the ship management companies before the end of previous budget year.
Renewal	Renewal generally requires one to two months notice in writing.
Main responsibilities of the ship management companies	Arranging and supervising dry-dockings, repairs, alterations and the maintenance of the vessels to the mutually agreed standard. Ensuring that the vessels shall comply with the laws of the flag state of the vessels and of the places where the vessels trade, and all requirements and recommendations of the relevant classification society, ISM Code, ISPS Code and MLC.

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	<p>Providing to our Group crew management services including (i) selecting and engaging crew members; (ii) arranging payroll and pension for the crew; (iii) arranging transportation of the crew; (iv) supervising the crew's efficiency; and (v) participating in union negotiations.</p> <p>Presenting to our Group annually the estimate of the working capital requirements for the vessels for each calendar year.</p>
Main responsibilities of our Group	<p>Raising concerns regarding maritime regulations and laws within a reasonable period of time for the ship management companies to mitigate any problems.</p> <p>Reimbursing the expenses incurred by the ship management company when performing repair and maintenance to vessel to meet the international standards set by IMO, classification society and OCIMF.</p> <p>Arranging for the purchase and ensuring the validity of insurance of the vessel.</p>
Termination	<p>The contract may be terminated under certain circumstances including: (i) defaults by any party; (ii) extraordinary events such as the sale of a vessel or the total loss of a vessel; and (iii) winding up, dissolution, liquidation or bankruptcy of either party.</p> <p>In the event of termination, a severance cost is payable to the crew members and a management fee on termination is payable to the ship management companies.</p>

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of our ship management agreements.

During the Track Record Period, there were no significant discrepancies between the annual budgets prepared by the ship management companies and the actual expenditures incurred by our Group for operation of our vessels.

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the total ship management and crew management fees and other expenses charged by the ship management companies to our Group amounted to approximately US\$2.7 million, US\$3.6 million, US\$9.1 million and US\$3.7 million, respectively, representing approximately 42.0%, 39.7%, 44.6% and 45.9% of our Group's cost of sales for the same periods, respectively.

For the details of the sensitivity and breakeven analysis in relation to changes in crew expenses, please refer to the section headed "Financial Information — Principal Factors Affecting Our Results of Operations — Crew expenses" in this prospectus.

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INSURANCE

As at the Latest Practicable Date, our Group had maintained comprehensive insurance coverage to protect us against risks related to physical damage to our vessels and vessel equipment and liabilities arising from accidents involved in the course of normal business operations of our Group. The insurance coverage are in line with the industry norm. The following are the typical types of insurance policies maintained by our Group.

Hull and machinery insurance and war risk insurance

Our Group has maintained: (i) hull and machinery insurance; and (ii) war risk insurance from China Continent Property & Casualty Insurance Co., Ltd. (“**CCIC**”) and an insurance company based in the PRC. These policies have a contractual term of 12 months and an annual renewal is needed. Our vessels are insured against physical damage to the vessel’s hull and machinery, maritime perils and war-related risks. The vessels are generally insured up to their respective value.

In March 2018, our operation experienced an immaterial accident whereby Poestella’s bow came into contact with the breakwater in the Port of Sousse, Tunisia, which resulted in damage to its hull. The repair works cost approximately US\$320,000. We received insurance compensation of approximately US\$325,000.

Protection and indemnity insurance

Our Group purchases P&I insurance from China Shipowners Mutual Assurance Association (“**CPI**”) and an insurance company based in Norway (“**Supplier G**”). Supplier G is a member of the International Group of P&I Clubs. CPI and Supplier G provide cover for its shipowner and charterer members against third party liabilities relating to the use and operation of vessels.

Our Group’s P&I insurance provides covers for claims relating to liabilities including claims arising from the operation of our vessels, injury, illness or death to crew or other third parties, carriage of cargoes on the vessels, the collision between our vessel and another vessel or the vessel with a fixed or movable object, pollution arising from oil or other polluting substances and liabilities arising from the raising, removal, destruction or marking of the wreck of the vessels or vessel equipment, costs and expenses in respect of life salvage payable to third parties. In addition, under the P&I insurance with Supplier G, our Group is assured of access to the reinsurance arrangement as operated by the International Group of P&I Clubs. As P&I insurance is a mutual insurance, additional premium obligations may be imposed on our Group if CPI or Supplier G faces special circumstances with unexpected losses. During the Track Record Period, our Group did not receive any additional funding calls from CPI or Supplier G.

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Insurance expenses

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, our Group incurred an aggregate of approximately US\$164,000, US\$243,000, US\$378,000 and US\$194,000 as insurance expenses, respectively, representing approximately 2.6%, 2.7%, 1.8% and 2.4% of our Group's cost of sales for the same periods, respectively.

Our Directors consider our insurance coverage to be customary for businesses of our size and nature and in line with normal commercial practice of the industry. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material incident and material claims from third parties nor did we make any material insurance claims.

For details of risks relating to the sufficiency of insurance, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We may not have sufficient insurance to cover the risks related to our operations and losses and may not be able to maintain existing insurance coverage" in this prospectus.

EMPLOYEES

We had a total of 36 employees as at the Latest Practicable Date, of which 33 were in the PRC and 3 were in Singapore. Set forth below is a breakdown of the number of our employees by functions during the Track Record Period and as at the Latest Practicable Date:

Functions	At 31 December			At 30 April	At the Latest Practicable Date
	2015	2016	2017	2018	
Senior management / directors	9	9	11	11	11
Business department	1	4	4	3	4
Human resources and IT department	2	4	3	4	4
Supervision department	7	11	4	4	4
Technical department	3	5	5	5	5
Marine department	2	2	2	2	2
Finance department	3	3	6	6	6
Others	2	3	0	0	0
Total	29	41	35	35	36

Some of the staff engaged in our Group's operations for the years ended 31 December 2015, 2016 and 2017 were employed by Jincheng Hengtong. Jincheng Hengtong assigned the staff to our Group through a management service arrangement, pursuant to which our Group reimbursed the relevant staff costs to Jincheng Hengtong. In light of the Reorganisation, such arrangement has ceased since December 2017 and we directly employ such staff through Xinlanhai, our operating subsidiary in the PRC.

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The salient terms of the management service arrangement entered into by our Group with Jincheng Hengtong are summarised below:

<u>Salient terms</u>	<u>Description</u>
Duration	August 2014 to December 2017.
Jincheng Hengtong's responsibility	Jincheng Hengtong to sign employment contract with the staff, to pay salary to and social insurance for the staff, and to provide the staff to our Group.
Our Group's responsibility	Our Group to pay management fees to Jincheng Hengtong.
Non-payment of social insurance	All losses and penalties arising from non-payment of social insurance and housing fund shall be borne by Jincheng Hengtong.
Termination	The arrangement was terminated in December 2017.

Our Directors confirmed that the management service arrangement was terminated in December 2017. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of the management service arrangement.

As advised by our PRC Legal Advisers, the management service arrangement complied with the PRC laws and regulations.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not set up any labour union for our employees, we did not experience any significant problems with its employees or disruption to its operation due to labour disputes or labour union, nor did we experience any difficulties in the recruitment and retention of experienced staff.

Recruitment and remuneration

We recruit our employees based on their work experience, education background and qualifications. We may recruit our employees through advertisements on the recruitment website. The remuneration package for our employees generally includes salary, allowance and payment for social insurance.

Employee training

We believe our employees are valuable assets to our Group. To maintain and ensure the quality of our employees, we have a standardised in-house training programme. New employees will receive training in relation to their job duties. Programme content may include relevant regulations, operation knowledge, safety knowledge, procedures and protocols relating to emergency.

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OUR LICENCES AND REGULATORY COMPLIANCE

The asphalt tanker chartering services industry is highly regulated and our vessels must be operated within the rules, international conventions and regulations adopted by the IMO, including but not limited to:

- SOLAS Convention
- MARPOL Convention
- STCW Convention
- MLC
- ISM Code
- ISPS Code

For further information on the laws, regulations, rules, codes and guidelines concerning the safe management and operation of ships and for pollution prevention, please refer to the section headed “Laws and Regulations” in this prospectus.

During the Track Record Period, we did not incur any material specific cost of regulatory compliance, and we do not expect to incur such costs in the future. Whilst our staff and the ship management companies would be responsible for the regulatory compliance in accordance with the requirements of the applicable laws and regulations, we will consult external professional advisers where necessary. We are of the view that such arrangement would be sufficient to ensure our regulatory compliance. We will continue to provide on-going staff training and updates in respect of the relevant laws, regulations and conventions in relation to the shipping industry, where appropriate and to have regular maintenance for our vessels in order to ensure our on-going compliance with the laws, regulations and conventions of each country and port our vessels visit.

Hong Kong and Singapore are the material jurisdictions in relation to our operation and our Group has established a subsidiary in the PRC, namely Xinlanhai in October 2017 for the purpose of sourcing mechanical equipment and hardware product for our Group’s vessels in the future and providing administrative services to our Group.

Set out below are the details of the material licences/approvals obtained by us in Hong Kong as at the Latest Practicable Date:

<u>Company</u>	<u>Name of Ship</u>	<u>License/registration</u>	<u>Expiry date</u>
Xin Yuan Ocean (as demise charterer)	San Du Ao	Certificate of Registry issued on 12 July 2018 by the Marine Department of Hong Kong ⁽¹⁾	11 July 2022

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<u>Company</u>	<u>Name of Ship</u>	<u>License/registration</u>	<u>Expiry date</u>
Phoenix Shipping (as demise charterer)	Feng Huang Ao	Certificate of Registry issued on 25 August 2017 by the Marine Department of Hong Kong ⁽²⁾	13 January 2021
Xin De Yuan (as demise charterer)	Zhuang Yuan Ao	Certificate of Registry issued on 12 July 2018 by the Marine Department of Hong Kong ⁽³⁾	11 July 2022
Baustella Shipping (as demise charterer)	Baustella	Certificate of Registry issued on 1 February 2018 by the Marine Department of Hong Kong ⁽⁴⁾	31 January 2023
Jastella Shipping (as demise charterer)	Jastella	Certificate of Registry issued on 9 April 2018 by the Marine Department of Hong Kong ⁽⁵⁾	8 April 2023
Xin Yuan Ocean	San Du Ao	Minimum safe manning certificate issued on 24 January 2017 by the Marine Department of Hong Kong	N/A
Phoenix Shipping (as demise charterer)	Feng Huang Ao	Minimum safe of Hong Kong manning certificate issued on 6 April 2017 by the Marine Department of Hong Kong	N/A
Xin De Yuan	Zhuang Yuan Ao	Minimum safe manning certificate issued on 24 January 2017 by the Marine Department of Hong Kong	N/A
Baustella Shipping (as demise charterer)	Baustella	Minimum safe manning certificate issued on 1 February 2018 by the Marine Department of Hong Kong	N/A
Jastella Shipping	Jastella	Minimum safe manning certificate issued on 9 April 2018 by the Marine Department of Hong Kong	N/A
Xin Yuan Ocean	San Du Ao	Ship station licence issued on 1 June 2017 by the Office of the Communications Authority of Hong Kong	1 June 2019
Phoenix (as demise charterer)	Feng Huang Ao	Ship station licence issued on 1 November 2017 by the Office of the Communications Authority of Hong Kong	1 November 2018
Xin De Yuan	Zhuang Yuan Ao	Ship station licence issued on 1 June 2017 by the Office of the Communications Authority of Hong Kong	1 June 2019
Baustella Shipping (as demise charterer)	Baustella	Ship station licence issued on 29 June 2017 by the Office of the Communications Authority of Hong Kong	1 June 2019

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Company	Name of Ship	License/registration	Expiry date
Jastella Shipping	Jastella	Ship station licence issued on 26 June 2017 by the Office of the Communications Authority of Hong Kong	1 June 2019

Notes:

- (1) San Du Ao is under a finance lease arrangement with finance lease company. Accordingly, ownership of San Du Ao is transferred to the finance lease company. According to its certificate of registry, the current owner of San Du Ao is a finance lease company, and Xin Yuan Ocean is the demise charterer until 11 July 2022.
- (2) Feng Huang Ao is under a finance lease arrangement with finance lease company. Accordingly, ownership of Feng Huang Ao is vested in the finance lease company. According to its certificate of registry, the current owner of Feng Huang Ao is a finance lease company, and Phoenix Shipping is the demise charterer until 13 January 2021.
- (3) Zhuang Yuan Ao is under a finance lease arrangement with finance lease company. Accordingly, ownership of Zhuang Yuan Ao is transferred to the finance lease company. According to its certificate of registry, the current owner of Zhuang Yuan Ao is a finance lease company, and Xin De Yuan is the demise charterer until 11 July 2022.
- (4) Baustella is under a finance lease arrangement with finance lease company. Accordingly, ownership of Baustella is vested in the finance lease company. According to its certificate of registry, the current owner of Baustella is a finance lease company, and Baustella Shipping is the demise charterer until 31 January 2023.
- (5) Jastella is under a finance lease arrangement with finance lease company. Accordingly, ownership of Jastella is vested in the finance lease company. According to its certificate of registry, the current owner of Jastella is a finance lease company, and Jastella Shipping is the demise charterer until 8 April 2023.

Since Feng Huang Ao had the ship station license before and is now going to applying for renewal, our Hong Kong Legal Counsel is of the view that, for the original ship station licence, Feng Huang Ao had satisfied the licensing requirements under Hong Kong laws. As confirmed by our Directors, there is no information suggesting that at the Latest Practicable Date, Feng Huang Ao is not able to satisfy those licensing requirements it had satisfied before. Accordingly, our Hong Kong Legal Counsel is of the opinion that there is no legal impediment of our Group to renew the ship station license of Feng Huang Ao.

Set out below are the details of the material licences/approvals obtained by us in Singapore as at the Latest Practicable Date:

Company	Name of Ship	License/registration	Expiry date
Lilstella Shipping	Lilstella	Certificate of Singapore Registry issued on 23 January 2017 by the Maritime and Port Authority of Singapore	N/A
Poestella Shipping	Poestella	Certificate of Singapore Registry issued on 6 February 2017 by the Maritime and Port Authority of Singapore	N/A

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Company	Name of Ship	License/registration	Expiry date
Orcstella Shipping	Orcstella	Certificate of Singapore Registry issued on 28 March 2017 by the Maritime and Port Authority of Singapore	N/A
Rostella Shipping	Rostella	Certificate of Singapore Registry issued on 3 May 2017 by the Maritime and Port Authority of Singapore	N/A
Lilstella Shipping	Lilstella	Minimum safe manning document issued on 8 December 2016 by the Marine Department of Singapore	N/A
Poestella Shipping	Poestella	Minimum safe manning document issued on 8 January 2018 by the Marine Department of Singapore	N/A
Orcstella Shipping	Orcstella	Minimum safe manning document issued on 3 March 2017 by the Marine Department of Singapore	N/A
Rostella Shipping	Rostella	Minimum safe manning document issued on 4 April 2017 by the Marine Department of Singapore	N/A
Lilstella Shipping	Lilstella	Ship Station License issued on 15 December 2017 by the Infocomm Media Development Authority of Singapore	30 November 2021
Poestella Shipping	Poestella	Ship Station License issued on 9 January 2017 by the Infocomm Media Development Authority of Singapore	31 December 2021
Orcstella Shipping	Orcstella	Ship Station License issued on 2 March 2017 by the Infocomm Media Development Authority of Singapore	28 February 2022
Rostella Shipping	Rostella	Ship Station License issued on 6 April 2017 by the Infocomm Media Development Authority of Singapore	31 March 2022

Our Hong Kong Legal Counsel, PRC Legal Advisers and Singaporean Legal Advisers are of the opinion that we have obtained all the relevant licenses and permits as required for the operation of our business in the respective jurisdictions under the applicable laws and regulations in Hong Kong, PRC and Singapore, respectively. Our Directors confirm that we complied with all relevant laws, rules and regulations in relation to the operation of our business in all material respects during the Track Record Period, and as at the Latest Practicable Date, our Group did not receive any notices for any fines or penalties for any non-compliance that is material. Our Hong Kong Legal Counsel, Singapore Legal Advisers and PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, there has been no material non-compliances with the applicable laws, rules and regulations in respect of our Group's business operation in Hong Kong, Singapore and PRC, respectively.

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HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Our Group's safety and environmental policies are implemented through the ship management companies' safety management system in place which is defined with the requirements of the ISM Code. Each of our Group's vessels has obtained and maintained the relevant certificates issued by BV pursuant to the ISM Code and MARPOL Convention for compliance with various requirements relating to prevention of air pollution, oil pollution and other kinds of marine pollution. In particular, our Group will implement a set of established policies and procedures through the ship management companies in respect of the vessel operations, including: (1) safety and environmental protection policy; (2) instructions and procedures to ensure safe operation of ships and protection of the environment in compliance with relevant international and flag state legislation; (3) defined levels of authority and lines of communication between, and amongst, shore and on-board personnel; (4) procedures for reporting accidents and non-conformities with the provisions of the ISM Code; (5) procedures to prepare for and respond to emergency situations; and (6) procedures for internal audits and management reviews. For further details, please refer to the section headed "Laws and Regulations" in this prospectus.

During the Track Record Period, we did not incur any specific costs of compliance with the applicable environmental rules and regulations, and we do not expect to incur such cost in the future. Instead, our ship management companies' would be responsible for the compliance of environmental policies in accordance with the requirements of the ISM Codes and our Directors are of the view that such arrangement would be sufficient to ensure our compliance with the applicable environmental rules and regulations. For further details, please refer to the section headed "Business — Suppliers — Ship Management Companies" in this prospectus.

As at the Latest Practicable Date, the average age of our fleet was less than three years old, a number which is significantly lower than the average industry level, namely, 15 years old. Newer vessels might generally tend to emit less pollutants than older vessels. In the event that there are more stringent environmental regulations on emission requirements, our Directors are of the view that our safety management team and newer fleet could satisfy such requirements, and if necessary, we will perform upgrade in both hardware and software of our vessels to meet the relevant emission standards. As at the Latest Practicable Date, our Directors were not aware of any potential change in the environmental regulations.

As at the Latest Practicable Date, we had not encountered any non-compliance issues in respect of any applicable laws and regulations on environmental protection or complaints from our customers or the public in respect of environmental protection issues. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had not been subject to any material penalty or fines imposed by any environmental protection authorities and we did not incur any extra expenses on compliance with applicable environmental protection laws and regulations.

In March 2018, our operation experienced an immaterial accident whereby Poestella's bow came into contact with the breakwater in the Port of Sousse, Tunisia, which resulted in damage to its hull. The repair works cost approximately US\$320,000. We received insurance compensation of approximately US\$325,000. No injuries were reported. The immaterial accident resulted in 13 off-hire days.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that our Group did not experience any significant incidents or accidents in relation to workers' safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased a total of four properties, comprising one office in Hong Kong, one office in Singapore and two offices in the PRC. Our office in Singapore is leased from a connected person of our Company. For further details, please refer to the section headed "Continuing Connected Transactions — Exempt Continuing Connected Transactions" in this prospectus.

The following table sets out the information regarding our leased properties as at the Latest Practicable Date:

<u>Address</u>	<u>Approximate gross floor area</u>	<u>Use of the property</u>	<u>Date of expiry of lease</u>
1. 09, 10, 11A, No. 43 floor, Sheng Long Financial Center, No. 1 South Guang Ming Road, Fuzhou, the PRC* (福州台江區光明南路1號升龍滙金中心, 43層09, 10, 11A單元) ("Property A")	477 square meter	office	30 September 2021
2. 17th Floor, Building 3, Jinjingwan Business YingYun Center, Pingtan, Fuzhou, the PRC* (平潭綜合實驗區金井灣商務營運中心3號樓17層) ("Property B")	188 square meter	office	10 July 2020
3. Suite 1601, 16/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong	390 square feet	office	17 December 2019
4. No. 3 Church Street #12-03 Samsung Hub, Singapore 049483	741 square feet	office	31 December 2018

Our Directors confirmed that none of the leased properties above is individually material to our Group in terms of rental expenses. The above leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of non-property activities if the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). As at the Latest Practicable Date, we had no single property interest of non-property activities with a carrying amount of 15% or more of our total assets, and on such basis, we are not required to include in this prospectus any property valuation report.

BUSINESS

Property A

The landlord of Property A (“**Landlord A**”), an Independent Third Party, could not provide us with the building ownership certificates concerning Property A. As informed by the developer of Property A, due to the height limit of building required by the authority, building ownership certificates would not be obtainable for any properties above the 26th floor of the building where Property A was situated at. Property A is mainly used as an office for our Directors and senior management for administrative purposes.

Opinion from our PRC Legal Advisers

Our PRC Legal Advisers advised us there is a risk that we may need to relocate from Property A.

Our PRC Legal Advisers advised us that we will not be subject to a fine due to the fact that we rented the office premises without building ownership certificate. As the building ownership certificate was absent, the lease agreement could not be registered with the government authorities. We may be subject to a maximum penalty of RMB10,000 if the relevant authorities order us to rectify and we fail to do so before the deadline.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date: (i) there are no assertions or claims from third parties or regulatory authorities declaring the lease agreement invalid; and (ii) there is no ratification order issued by the relevant authorities ordering us to register the lease agreement.

Impact on our Group

To the best knowledge of our Directors, no notice of penalty, confiscation, demolition, or eviction has been received from the relevant regulatory authority as at the Latest Practicable Date in respect of Property A. As at the Latest Practicable Date, our Directors were not aware of any material difference in our rental payments for Property A, if Property A did not have defective title. In addition, our Directors confirmed that they were not aware of any potential risk to the safety of the Property A, and the safety conditions of Property A were not negatively impacted by reason of the defective title.

Remedial actions

In relation to Property A, Landlord A has signed a declaration, undertaking to indemnify us unconditionally in the event that we suffer losses in relation to the defective title and actively search for suitable place for our resettlement.

BUSINESS

Our Controlling Shareholders will also execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with the defective title relating to Property A.

Property B

The landlord of Property B (“**Landlord B**”), an Independent Third Party, could not provide us with the building ownership certificates concerning Property B. As we are not the landlord of Property B, we are not certain of the reason for the title defect. Property B is mainly used as an office for our Directors and senior management for administrative purposes.

Opinion from our PRC Legal Advisers

Our PRC Legal Advisers advised us there is a risk that we may need to relocate from Property B. However, as the relevant authority confirmed that as Landlord B has obtained the land use right certificate and the construction project planning permit in relation to Property B, the risk associated with absence of building ownership certificate is relatively small.

Our PRC Legal Advisers advised us that we will not be subject to a fine due to the fact that we rented the office premises without building ownership certificate. As the building ownership certificate was absent, the lease agreement could not be registered with the government authorities. We may be subject to a maximum penalty of RMB10,000 if the relevant authorities order us to rectify and we fail to do so before the deadline.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date: (i) there are no assertions or claims from third parties or regulatory authorities declaring the lease agreement invalid; and (ii) there is no ratification order issued by the relevant authorities ordering us to register the lease agreement.

Impact on our Group

To the best knowledge of our Directors, no notice of penalty, confiscation, demolition, or eviction has been received from the relevant regulatory authority as at the Latest Practicable Date in respect of Property B. As at the Latest Practicable Date, our Directors were not aware of any material difference in our rental payments for Property B, if Property B did not have defective title. In addition, our Directors confirmed that they were not aware of any potential risk to the safety of the Property B, and the safety conditions of Property B were not negatively impacted by reason of the defective title.

BUSINESS

Remedial actions

Our Controlling Shareholders will execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with the defective title relating to Property B.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group owned one trademark in Hong Kong. As our Directors believe that we can be easily identified and distinguished in the industry even without the trademark, we do not consider it is necessary to register trademarks in all jurisdictions where we operate. Our Group was the registered owner of the domain name <http://www.xysgroup.com/>.

Our Directors confirmed that our Group did not experience any infringement to our intellectual properties during the Track Record Period which had a material adverse effect on our business, results of operations, or financial condition and prospects. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that our Group has not been involved in any disputes or litigation relating to the infringement of intellectual property rights, nor is our Group aware of any such claims either pending or threatened.

For further details on these intellectual property rights, please refer to the section headed “Statutory and General Information — Further Information About the Business of Our Company — 8. Intellectual property rights” in Appendix IV to this prospectus.

COMPETITION

We face competition from both large and small participants in the industry. Our competitors may have a smaller fleet than we do, and hence with less capacity or flexibility to meet customer’s requirements, may nevertheless compete with us through lower pricing. On the other hand, our larger competitors, with their greater fleet capacity, optimal fleet composition, wider ports and route coverage, may have more opportunities to gain market share than we do.

Generally, we compete with our competitors in terms of, among others, charter hire, charter terms, quality of vessels, customer service, vessel availability, service reliability, port coverage and value added services. Despite the competitions faced by us in the asphalt tanker chartering services industry, our Directors believe that generally we are able to maintain our competitiveness in the industry through our competitive strengths set out in the section headed “Business — Our Competitive Strengths” in this prospectus. See “Risk factors — Risks Relating to the Industry — We operate in a competitive industry” in this prospectus for further information in relation to the competitive environment in the industry.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Risk Overview

We evaluate and monitor key risks within our business as follows:

- **Credit Risk.** We select customers with good credit records and preferably larger companies with long established records. For further details, please refer to the section headed “Business — Sales and Marketing” in this prospectus.
- **Environmental Risk.** We maintain a newer fleet of vessels with an average age of less than three years old, with regular inspections of equipment carried out and we rely on experienced and professional ship management companies to minimise the probability of environmental pollution. For further details, please refer to the section headed “Business — Suppliers — Ship Management Companies” in this prospectus.
- **Market Risk.** We are exposed to various types of market risks, including changes in foreign exchange rate, interest rate and fluctuations of any component of our operating costs during the normal course of business.

For further details regarding our exposure to market risks, please refer to the sections headed “Risk Factors — Risks Relating to Our Business” and “Financial Information — Principal Factors Affecting Our Results of Operations” in this prospectus.

- **Political Risk.** As maritime safety will be affected by political unrest, our marine department will closely monitor the maritime safety of the route of our vessels to minimise the impact of local conflicts or other political unrest.

Hedging contracts

In 2016, our Group entered into certain agreements with two banks to obtain bank loans for the purchase of our vessels Lilstella, Poestella, Orcstella and Rostella. Subsequently, we entered into certain foreign currency forward contracts and interest rate swap contracts.

Arrangements with the first bank

In May 2016, we entered into two facility agreements with the first bank for financing facilities of aggregate amount of SGD35.6 million for the purchase of our vessels Poestella and Rostella. Pursuant to the two facility agreements, we were required to enter into a hedging transaction with the bank within three months from the date of completion and delivery of our vessels, to hedge at least 75% of our risk exposure in interest rates and foreign exchange rates. We were also granted an Islamic derivative line for the purpose of hedging against our exposure to foreign exchange risk and interest rate risk relating to the financing facility of SGD35.6 million and not for the purpose of speculation. As a result, our Group entered into certain foreign currency forward contracts and interest rate swap contracts.

BUSINESS

There were more than 40 foreign exchange forward contracts entered into by our Group with the first bank during the Track Record Period. A summary of the salient terms of the foreign exchange forward contracts are as follows:

Salient terms	Description
Amount	US\$500,000 to US\$9.0 million
Exchange rate	US\$/SGD1.343 to US\$/SGD1.4492
Date of Promise (Effective Date)	Mid 2016 to early 2017
Date of Delivery (Termination Date)	Mid 2016 to early 2017

There were six interest rate swap contracts entered into by our Group with the first bank. A summary of the salient terms of the interest rate swap contracts are as follows:

Salient terms	Description
Amount	Approximately SGD4.8 million to SGD5.0 million
Period	6.75 years to 7.0 years
Effective interest rate of bank loans (before interest rate swap)	SIBOR+2.65%
Effective interest rate of bank loans (after interest rate swap)	4.7% to 5.01%
Effective Date	March 2017 to June 2017
Termination Date	March 2024 and June 2024
Designated Maturity	One Month
Day Count Fraction	Actual/365

Arrangements with the second bank

In October 2016, we entered into two facility agreements with the second bank for term loans of up to the total amount of US\$25.2 million for the purchase of our vessels Lilstella and Orcstella. We were also granted an interest rate swap facility of up to the total amount of the term loans of US\$25.2 million for the purpose of hedging the underlying assets or liabilities and not for the purpose of speculation. As a result, we carried out certain interest rate swap contracts pursuant to the interest rate swap facility granted.

BUSINESS

There were two interest rate swap contracts entered into by our Group with the second bank. A summary of the salient terms of the interest rate swap contracts are as follows:

Salient terms	Description
Amount	Approximately US\$5.9 million and 6.1 million
Period	4.58 years and 5.0 years
Effective interest rate of bank loan (before interest rate swap)	LIBOR+2.8%
Effective interest rate of bank loans (after interest rate swap)	4.88%
Effective Date	August 2017
Termination Date	March 2022 and May 2022
Designated Maturity	One Month
Day Count Fraction	Actual/360

Net hedging position

As at 30 April 2018, all of our bank loans and finance lease payables which amounted to approximately US\$97.3 million, were on a floating interest rate basis and we entered into interest rate swap contracts for approximately 29.8% of our bank loans and finance lease payables to manage the exposure to interest rate risk. As at 30 April 2018, our Group had approximately US\$23.4 million bank loans denominated in SGD, and we did not enter into foreign exchange forward contract for our bank loans denominated in SGD to manage the exposure to foreign exchange rate risk.

The foreign currency forward contracts and interest rate swap contracts that we entered into during the Track Record Period should not be used as a reference or basis to determine the level of hedging activities we may carry out in the future.

Exchange gain/loss

During the Track Record Period, we recorded exchange gains of approximately US\$14,000 and US\$299,000, an exchange loss of approximately US\$1.5 million and US\$261,000 for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively.

Foreign exchange rate and interest rate risk control policy

In February 2018, our Group adopted a foreign exchange rate and interest rate risk control policy to manage the foreign exchange risk and interest rate risk. In accordance with the foreign exchange rate and interest rate risk control policy, our finance manager will monitor on a monthly basis the impact of fluctuating interest rates and foreign exchange rates on our profit before tax. When such impact exceeds 5% of our finance costs, our finance manager will inform the financial controller of the situation immediately.

BUSINESS

Our financial controller will then make an assessment on the probability of our Group suffering a loss and the magnitude of such loss based on the trends of the foreign exchange rate and interest rate, and report to our general manager immediately. Our general manager will then review the assessment made by our financial controller and determine whether it is necessary to purchase derivative instruments to: (i) lock up the relevant foreign exchange rate or interest rate, or (ii) hedge against the relevant foreign exchange rate risk or interest rate risk. Our general manager will report to the Board of the situation when he or she deems necessary.

Under our policy, our finance manager is responsible for monitoring the impact of fluctuating foreign exchange rates and/or interest rates on our profit before tax, based on market conditions and our business needs. Our finance manager assists our financial controller to make accurate assessments on the potential loss. Our finance manager, Ms. Gao Chuan, was admitted as a member of the Institute of Singapore Chartered Accountants in February 2017 and she has more than ten years of relevant experience in accounting and finance management. Since 2013, she has been involved in risk management activities in which she monitors and evaluates the risk exposure in respect of fuel oil. Ms. Gao had handled hedging transactions related to fuel oil and foreign exchange rate before she joined our Group and she has handled foreign exchange forward contracts and interest rate swap contracts for our Group. Our financial controller, Mr. Lin Shifeng, has approximately seventeen years of relevant experience in accounting and finance management, fourteen years of which was accumulated from the shipping industry. Our general manager and chief executive officer, Mr. Xu Wenjun, has been responsible for corporate strategic planning since joining our Group. Mr. Xu has approximately 12 years of relevant experience in the shipping industry. For further details of the experiences and qualifications of Mr. Lin and Mr. Xu, please refer to the section headed “Directors and Senior Management” in this prospectus.

Internal control

Our Directors recognise the importance of good corporate governance and internal control and strive to improve it through a variety of means.

We engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) in August 2017 to assist our Group and the Sole Sponsor to review our internal control. The Internal Control Reviewer is a member of an international accounting network. The scope of work mainly entailed (i) conducting a review of our internal control at corporate level and business operation level; (ii) reporting major risks and control deficiencies; (iii) assessing whether policies and operation procedures documents are being appropriately maintained and properly executed; (iv) recommending improvements; (v) communicating with our Directors and senior management to report the findings and recommendations of the review; and (vi) conducting follow-up reviews and reporting on the findings.

For our operational level controls, we are not aware of any material internal control deficiencies with material operational or financial impact. All the recommendations made by the Internal Control Reviewer have been implemented according to the follow up review result.

BUSINESS

For our entity level controls, we have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after Listing and to strengthen our internal control:

- we have appointed China Industrial Securities International Capital Limited as our compliance adviser upon Listing to advise us on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;
- for the purpose of enhancing compliance awareness and knowledge, we have arranged compliance training to our Directors and management on 28 March 2018. The trainings provide information on the on-going obligations duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the Listing Rules; and
- we have established our audit committee which comprises three independent non-executive Directors, all of whom possess experience in financial and/or general management. Our audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, our audit committee is empowered to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

LEGAL PROCEEDINGS

During the Track Record Period, we were not involved in any actual or threatened material litigation, arbitration or claim. As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition, results of operations or our reputation. To the best of our knowledge, no material litigation, arbitration or administrative proceedings had been threatened against our Company or any of our subsidiaries.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, as the Concerted Group, have, throughout the Track Record Period, directly and indirectly controlled more than 50.0% voting rights in aggregate in our operating subsidiaries. The Concerted Group will be beneficially interested in approximately 68.25% of our entire issued share capital after the completion of the Reorganisation, Global Offering and Capitalisation Issue (taking into no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme). The Concerted Group is considered to act as a group of Controlling Shareholders. For details, please refer to the section headed “History, Reorganisation and Group Structure — Acting-in-Concert Agreement” in this prospectus.

Upon Listing, each of Mr. Ding Xiaoli, Mr. Xu Wenjun, Mr. Ding Yuzhao, Golden Boomer, Perfect Bliss, Gigantic Path and Centennial Best will be our Controlling Shareholders under the Listing Rules.

COMPETING INTEREST OF OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

As at the Latest Practicable Date, apart from our Group’s business, none of our Controlling Shareholders, Directors and their respective close associates was engaged or had interest in any business which, directly or indirectly, competes or may compete with our Group’s principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure its subsidiaries (other than our Group) and its/his close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in any business which may be in competition with our principal business.

Non-competition

The Deed of Non-competition was executed by each of our Controlling Shareholders in favour of our Company (for itself and for the benefit of each of the members of our Group) on 6 September 2018, under which our Controlling Shareholders agreed not to compete, and to procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with our principal business and granted to our Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

Each of our Controlling Shareholders has jointly and severally irrevocably undertaken in the Deed of Non-competition that, during the term of the Deed of Non-competition, he/it (as appropriate) will not, and will also procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-competition.

The foregoing restrictions do not apply to (i) the purchase by our Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business compete or are likely to compete with our principal business; or (ii) the holding by our Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business compete or are likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “**Investment Companies**” for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which our Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interest of such Investment Companies are being held by our Controlling Shareholders, their subsidiaries or close associate(s) (as appropriate).

Option for new business opportunities

Each of our Controlling Shareholders has jointly and severally undertaken in the Deed of Non-competition that, during the term of the Deed of Non-competition, if our Controlling Shareholders and/or their subsidiaries and/or their close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business, our Controlling Shareholders will notify our Company in writing immediately and provide to us all information which is reasonably necessary for our Company to consider whether or not to engage in such business opportunity (“**Offer Notice**”). Our Controlling Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to our Company on terms that are fair and reasonable. Our Company is entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules.

Our Controlling Shareholders will use their best efforts to procure their respective close associate(s) and/or their subsidiaries (as appropriate) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our principal business according to the terms of the Deed of Non-competition.

If our Company decides not to take up the new business opportunity for any reason or does not respond to our Controlling Shareholders and/or their subsidiaries and/or their close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and our Controlling Shareholders and/or their subsidiaries and/or their close associates (as appropriate) may operate such new business opportunity on their own.

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Option for acquisitions

In relation to any new business opportunity of our Controlling Shareholders referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by our Controlling Shareholders or any of their subsidiaries or any of their close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, our Controlling Shareholders have undertaken to grant our Company the option, which is exercisable at any time during the term of the Deed of Non-competition, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, our Controlling Shareholders will use their best efforts to procure the third party to waive their pre-emptive right.

Each of our Controlling Shareholders shall use his/its best efforts to procure its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) to comply with the option granted to our Company by our Controlling Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both our Controlling Shareholders and our Company) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive right

Each of our Controlling Shareholders has jointly and severally undertaken that, during the term of the Deed of Non-competition, if it intends to transfer, sell, lease, licence or otherwise permit to use, to a third party any new business opportunity of our Controlling Shareholders referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by our Controlling Shareholders or any of their subsidiaries or any of their close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, our Controlling Shareholders or their subsidiaries or any of their close associate(s) (as appropriate) shall notify our Company by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information which may be reasonably required by our Company. We shall reply to our Controlling Shareholders and/or their subsidiaries and/or their close associate(s) (as appropriate) within 30 business days after receiving the Selling Notice. Our Controlling Shareholders and/or their subsidiaries and/or their close associate(s) (as appropriate) (other than our Group) have undertaken that until they receive the reply from our Company, they shall not notify any third party of the intention to transfer, sell, lease or licence the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues our Controlling Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to our Controlling Shareholders or their subsidiaries or any of their close associate(s) (as

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appropriate) following negotiation between the parties under the fair and reasonable principle, our Controlling Shareholders or their subsidiaries or any of their close associate(s) (as appropriate) are entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

Our Controlling Shareholders shall procure their subsidiaries, and their close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Our Controlling Shareholders' further undertakings

Each of our Controlling Shareholders has further jointly and severally undertaken that:

- (i) it/he will provide all information necessary for our independent non-executive Directors to review our Controlling Shareholders', their subsidiaries' and their close associate(s)' compliance with and enforcement of the Deed of Non-competition;
- (ii) it/he consents to the disclosure of the decision made by our independent non- executive Directors in relation to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (iii) it/he will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for the disclosure in our annual report.

The Deed of Non-competition will become effective upon Listing and remain in full force and be terminated upon the earlier of:

- (i) the date on which our Company becomes wholly owned by any of the Controlling Shareholders and/or his/its close associates;
- (ii) the date on which the aggregate beneficial shareholding (whether direct or indirect) of the Controlling Shareholders and/or its/his close associates in Shares in issue falls below 30% of the number of Shares in issue and the relevant Controlling Shareholder shall cease to be an executive director of our Company; or
- (iii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

Each of our Controlling Shareholders jointly and severally undertakes to our Company that he/it would, during the term of the relevant Deed of Non-competition indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of his/her/its undertakings and/or obligations under the Deed of Non-competition, including any costs and expenses incurred as a result of such

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breach provided that the indemnity contained in the Deed of Non-competition shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any litigation, arbitration, claims or administrative proceedings, whether of administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing, including but not limited to the legal proceedings and claims as disclosed in the section headed “Business — “Legal Proceedings” and “Business — Our Licences and Regulatory Compliance” in this prospectus. For further details of the Deed of Indemnity, please refer to the section headed “Statutory and General Information — Other Information — 14. Estate duty, tax and other indemnities” in Appendix IV to this prospectus.

Decision-making as to whether to take up the options or pre-emptive right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability of business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders and our Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company in this connection.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company.

- (a) our Directors will comply with the Articles of Association which requires the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associate(s) is materially interested;
- (b) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their subsidiaries and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the

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review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-competition and other connected transaction agreements in our annual report;

- (c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (d) our Company has appointed a compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and
- (e) any transaction (if any) between (or proposed to be made between) our Company and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates (other than our Company):

Non-competition

None of our Controlling Shareholders or their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of our Company. In addition, each of our Controlling Shareholders has executed the Deed of Non-competition in favour of our Company. For further details, please refer to the section headed "Deed of Non-competition" in this prospectus.

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors.

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The following table sets forth a summary of positions and roles held by our Directors and members of our senior management team within Centennial Best, Golden Boomer, Perfect Bliss, Gigantic Path, and/or its close associates and/or the company controlled by our Controlling Shareholders other than our Group:

<u>Name</u>	<u>Position in our Company</u>	<u>Position in Centennial Best, Golden Boomer, Perfect Bliss, Gigantic Path, and/or its close associates and/or company controlled by our Controlling Shareholders other than our Group</u>
Mr. Ding Xiaoli	Executive Director	A director of Centennial Best, Golden Boomer, Jincheng Hengtong, Fujian Lian Xin and certain other companies controlled by him other than our Group
Mr. Xu Wenjun	Executive Director	A director of Centennial Best and Perfect Bliss, and the general manager of Jincheng Hengtong and Fujian Chuan Yuan
Mr. Ding Yuzhao	Executive Director	A director of Centennial Best, Gigantic Path and Jincheng Hengtong

Save as disclosed above, none of our Directors or members of the senior management holds any directorship or senior management position in Centennial Best, Golden Boomer, Perfect Bliss, Gigantic Path, Jincheng Hengtong and Fujian Lian Xin, and/or its close associates and/or the companies controlled by our Controlling Shareholders other than our Group. The companies controlled by our Controlling Shareholders do not have business which competes or may compete with our Group. Our Company's management team is different from those of companies controlled by our Controlling Shareholders other than our Group. Therefore, there are sufficient non-overlapping Directors who are not executive management of companies controlled by our Controlling Shareholders other than our Group, and have relevant experience to ensure the proper functioning of the Board.

Despite the interest of our Controlling Shareholders in certain business outside our Company, we believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from the Controlling Shareholders for the following reasons:

- (a) each Director is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions;
- (c) our Board comprises six Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of the Board; This provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules;
- (d) our independent non-executive Directors will bring independent judgment to the decision making process of our Board; and
- (e) our senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged.

Based on the above, our Directors believe that our Company is capable of maintaining management independence from the Controlling Shareholders.

Financial independence

Our financial auditing system is independent from our Controlling Shareholders and we employ our own team of financial accounting personnel. We have our own accounting and finance department, accounting systems, treasury function for cash receipts and payment and access to third party financing. We make financial decisions according to our business needs.

As at 30 April 2018, our bank borrowings and finance lease payables of approximately US\$97.3 million was guaranteed and/or secured directly or indirectly by our Controlling Shareholders and their respective associates. Such guarantees and/or security will be discharged on or before the Listing.

Based on the above, our Directors believe that our Company is capable of maintaining financial independence from our Controlling Shareholders.

Operational independence

Our Group engages in our asphalt tanker chartering business independently, with the independent right to make operational decisions and implement such decisions. Our Group has an independent work force to carry out our operation and holds the licenses and qualifications that are essential to carry on our current business, and has sufficient capital, facilities and technology to operate the business independently from the Controlling Shareholders and/or their respective close associates. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 35 to the accountants' report in Appendix I to this

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

prospectus, our Directors have confirmed that save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus, none of these historical related party transactions with the connected persons as defined in the Listing Rules are expected to be non-exempt continuing connected transactions after the Listing.

Having considered that (i) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities and (ii) our Group does not share our operational resources, such as marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms not less favourable to our Company than those available from the Independent Third Parties, and are expected to continue in the foreseeable future.

CONNECTED PERSONS

Bilsea International, Bilsea Holdings and Seabridge

Seabridge (mainly engages in the provision of bunker services), is wholly-owned by Bilsea Holdings, which is in turn wholly owned by Bilsea International (mainly engages in asphalt trading and provision of transportation services), which is in turn owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai (the spouse of Ms. Liu Weipeng), respectively. As Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of some of our subsidiaries, Seabridge, Bilsea Holdings and Bilsea International are associates of each of Ms. Liu Weipeng and Mr. Yan Xiankai, and are connected persons of our Group at the subsidiary level. As at the Latest Practicable Date, our Company is owned as to 9% by Bilsea International.

Mr. Ding Xiaosheng

Mr. Ding Xiaosheng (who is the brother of Mr. Ding Xiaoli) is an associate of Mr. Ding Xiaoli, an executive Director and a Controlling Shareholder, hence Mr. Ding Xiaosheng is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. Biographical details of Mr. Ding Xiaosheng are set out in the section headed “Directors and Senior Management — Directors and Senior Management — Senior management” in this prospectus.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, save for the transactions specifically exempted under the Listing Rules, including as directors’ service contracts and insurance under Rules 14A.95 and 14A.96, the transactions set forth below will constitute exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

Bilxin Tenancy Agreement

A tenancy agreement (the “**Bilxin Tenancy Agreement**”) is entered into between Bilsea Holdings as landlord and Bilxin Shipping as tenant, under which Bilsea Holdings agreed to lease a property located at No. 3 Church Street #12-03 Samsung Hub, Singapore 049483 to Bilxin Shipping, for a term of 12 months commencing from 1 January 2018 and ending on 31 December 2018 for office use. Pursuant to the Bilxin Tenancy Agreement, the monthly rental payable to Bilsea Holdings shall be in the sum of US\$2,000 (exclusive of the relevant goods and services tax in Singapore). The monthly rental under the Bilxin Tenancy Agreement was determined on an arm’s length basis between Bilsea Holdings and Bilxin Shipping. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate rental paid by our Group to Bilsea Holdings were approximately nil, US\$34,000, US\$57,000 and US\$8,000, respectively. The proposed annual caps contemplated under the Bilxin Tenancy Agreement will be US\$24,000 for the year ending 31 December 2018. The above proposed annual caps were determined

CONTINUING CONNECTED TRANSACTIONS

based on historical transaction amounts and the prevailing market rates of the same or similar properties in the same locality. Since July 2016, Bilxin Shipping has been leasing the abovementioned properties for use as office premise from Bilsea Holdings. As the office premise is well established and known to the business partners, we currently do not, and in a foreseeable future will not, have any plan to relocate to alternative properties, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost, time and operational stability.

Since each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of Bilxin Tenancy Agreement is, less than 5% and the total consideration is less than HK\$3,000,000. Therefore, the transaction contemplated under the Bilxin Tenancy Agreement qualifies as a *de minimis* transaction, constitutes an exempt continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules and will be exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

Our Directors (including the independent non-executive Directors) consider that the terms of the Bilxin Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

Employment Agreement with Mr. Ding Xiaosheng

On 1 December 2017, Mr. Ding Xiaosheng entered into a written employment contract (the "**Employment Agreement with Mr. Ding Xiaosheng**") with Xinlanhai as vice president for a term ending on 31 December 2020. We expect Mr. Ding shall continue to be employed by our Group in the same position upon and following the Listing. Our Directors estimate that the annual salary payable to Mr. Ding shall not exceed US\$75,600 for each of the three years ending 31 December 2020 respectively, as determined by our Directors with reference to the contractual amount payable under the Employment Agreement with Mr. Ding Xiaosheng, and the expected increase in his salary during the contractual period. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate salary paid by our Group to Mr. Ding Xiaosheng were approximately US\$36,000, US\$54,000, US\$63,000 and US\$24,000, respectively.

Our Directors (including the independent non-executive Directors) consider that the entering into of the Employment Agreement with Mr. Ding Xiaosheng is in our ordinary and usual course of business and the terms therein are on normal commercial terms that are fair and reasonable, and in the interests of our Group and our Shareholders as a whole.

Since each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of Employment Agreement with Mr. Ding Xiaosheng is less than 5% and the total consideration is less than HK\$3,000,000. Therefore, the transaction contemplated under the Employment Agreement with Mr. Ding Xiaosheng qualifies as a *de minimis* transaction, constitutes an exempt continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules and will be exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute non-exempt continuing connected transactions of our Company for the purpose of Chapter 14A of the Listing Rules:

Bilsea Master Service Agreement

Background

On 6 September 2018, Shun Yuen HK, as service provider, entered into a master service agreement (the “**Bilsea Master Service Agreement**”) with Bilsea International, for a term ending on 31 December 2020, pursuant to which our Group agreed to provide asphalt tanker chartering services to Bilsea International and/or its subsidiaries (the “**Bilsea Group**”).

Historical transaction value

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the aggregate service fees paid by Bilsea Group for the asphalt tanker chartering services provided by our Group were approximately nil, US\$590,000, US\$5,618,000 and US\$4,205,000, respectively.

Pricing policy

The service fees payable by Bilsea Group to our Group under the Bilsea Master Service Agreement were determined after arm’s length negotiation between the parties thereto with reference to (i) reputation of the customer; (ii) duration of charter period; (iii) the prevailing market circumstances; (iv) past business relationship with the customer; (v) the financing cost of our vessel; (vi) cost of shipbuilding and operation; and (vii) cargo quantity. In order to ensure that the service fees are fair and reasonable and in line with market practices, we will keep ourselves abreast of the prevailing fee level in the market and the market conditions and our Directors would ensure prices of asphalt tanker chartering services offered to Bilsea International under the Bilsea Master Service Agreement are no less favourable to our Group than those offered to other independent customers.

Proposed annual caps

Our Directors estimate that the maximum aggregate service fees payable to our Group for each of the three financial years ending 31 December 2018, 2019 and 2020 will be approximately US\$10,500,000, US\$12,500,000 and US\$12,500,000, respectively.

Basis of the annual caps

The above annual caps were mainly determined with reference to, among other things, (i) the historical service fees paid to us by Bilsea Group; (ii) our increased capacity as a result of the commencement of operation of Baustella and Jastella in 2018 which is expected to enable us to meet the demand for our services from Bilsea Group to a larger extent; and (iii) the expected fee level for our services.

CONTINUING CONNECTED TRANSACTIONS

For the four months ended 30 April 2018, the amount of service fees paid by Bilsea Group to our Group for asphalt tanker chartering services was approximately US\$4.2 million which amounted to approximately 74.7% of the same for the year ended 31 December 2017. In addition, our Company has been informed by Bilsea Group that the total amount of the asphalt tanker chartering services required by Bilsea Group from our Group and other suppliers for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 amounted to approximately US\$13.17 million, US\$5.54 million, US\$11.64 million and US\$6.54 million, respectively. Accordingly, the asphalt tanker chartering services provided by our Group represented approximately 0%, 11%, 48% and 64% of the total asphalt tanker chartering services required by Bilsea Group for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 and it is expected that significant portion of the total amount of the asphalt tanker chartering services (mainly in form of voyage charters and/or CoAs) required by Bilsea Group for the three years ending 31 December 2020 will be serviced by our Group. Further, according to the F&S Report, the global trade volume of asphalt is expected to continue to grow at a CAGR of 5.5% from 2017 to 2021. The market of global asphalt tanker chartering services is estimated to maintain the growth globally in the next five years following 2016. As such, Bilsea Group is expected to have higher demand for asphalt tanker chartering services for the years ended 31 December 2018, 2019 and 2020. Further, the number of vessels available in providing voyage charters increased from two in second half of 2017 to four in 2018, which enables us to meet the demand for our services from Bilsea Group to a larger extent, the annual caps estimated are significantly higher than the historical figures.

Reasons for the transactions

Taking into account that our Group has already provided asphalt tanker chartering services to Bilsea Group in the past and that provision of such services has offered stable and considerable profits to our Group historically, our Directors consider that it is in our Group's interests to continue our relationship with Bilsea Group and to provide the asphalt tanker chartering services under the Bilsea Master Service Agreement to Bilsea Group after the Listing.

Seabridge Master Supply Agreement

Background

On 6 September 2018, Shun Yuen HK, as purchaser, entered into a master supply agreement (the "**Seabridge Master Supply Agreement**") with Seabridge, for a term ending on 31 December 2020, pursuant to which our Group agreed to purchase bunker services from Seabridge.

Historical transaction value

For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, the aggregate fees paid by our Group for bunker services provided by Seabridge were approximately nil, US\$83,000, US\$2,341,000 and US\$977,000, respectively.

Pricing policy

The fees payable by our Group to Seabridge under the Seabridge Master Supply Agreement were determined after arm's length negotiation between the parties thereto with reference to market rate,

CONTINUING CONNECTED TRANSACTIONS

bunker quantity and the location of the port. In order to ensure that the service fees are fair and reasonable and in line with market practices, we will keep ourselves abreast of the prevailing fee level in the market and the market conditions and Directors would compare the bunker price offered by other independent bunker services suppliers in similar quantities and ensure that the price and terms offered by Seabridge are fair and reasonable comparable to those offered by other independent bunker services suppliers.

Proposed annual caps

Our Directors estimate that the maximum aggregate fees payable by our Group for each of the three financial years ending 31 December 2018, 2019 and 2020 will be approximately US\$2,300,000, US\$2,800,000 and US\$3,400,000, respectively.

Basis of the annual caps

The above annual caps were mainly determined with reference to, among other things, (i) the historical fees paid to Seabridge by our Group; (ii) our expected increase in demand due to increase of our vessels and (iii) the expected fee level for bunker services.

Reasons for the transactions

Taking into account that Seabridge has already provided quality bunker services to our Group in the past, our Directors consider that it is in our Group's interests to continue our relationship with Seabridge and to source bunker services from Seabridge after the Listing.

LISTING RULES IMPLICATIONS

Given that Ms. Liu Weipeng and Mr. Yan Xiankai are both the directors of Bilxin Shipping, a wholly-owned subsidiary of our Group, each of Ms. Liu Weipeng and Mr. Yan Xiankai directly or indirectly owns more than 30% of Bilsea International and Seabridge, respectively, and that each of the Bilsea Master Service Agreement and Seabridge Master Supply Agreement was entered into between Shun Yuen HK and Bilsea International and between Shun Yuen HK and Seabridge, respectively, the transactions under each of the Bilsea Master Service Agreement and Seabridge Master Supply Agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As our Board (including all the independent non-executive Directors) has approved the transactions and confirmed that the transactions under each of the Bilsea Master Service Agreement and Seabridge Master Supply Agreement are on normal commercial terms and conducted in usual course of business of our Group, fair and reasonable and in the interests of our Company and our Shareholders as a whole, the transactions under each of the Bilsea Master Service Agreement and Seabridge Master Supply Agreement are subject to the reporting, annual review and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.101 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

APPLICATION FOR WAIVERS

As the non-exempt continuing connected transactions will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and would add unnecessary administrative costs to our Company each time when such transactions arise. Therefore, our Company, pursuant to Rule 14A.105 of the Listing Rules, has applied to the Stock Exchange for and the Stock Exchange has granted a waiver to our Company from compliance with the announcement requirement, subject to the aggregate value of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount as stated above.

CONFIRMATION FROM DIRECTORS

Our Directors (including the independent non-executive Directors) confirm that the above continuing connected transactions have been and will be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and that the annual caps for each of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor considers that:

- (a) the above continuing connected transactions have been and will be entered into in the ordinary and usual course of business of our Group and are based on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps set for the above continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of six members, three of whom are independent non-executive Directors. The power and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meeting, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. All the executive Directors have entered into service contracts with our Group.

The following table sets out the information regarding the current Directors of our Company.

Name	Age	Present position in our Company	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Ding Xiaoli (丁肖立先生) (alias Mr. Ding Xiaoming (丁孝銘先生))	56	Executive Director and chairman of the Board	1 February 2010	28 June 2016	Corporate strategic planning, overseeing the overall operations and business development of our Group	Brother of Mr. Ding Xiaosheng
Mr. Xu Wenjun (徐文均先生)	63	Executive Director and chief executive officer	1 February 2010	28 June 2016	Corporate strategic planning, overseeing the overall operations and business development and day-to-day business management of our Group	None
Mr. Ding Yuzhao (丁玉釗先生)	63	Executive Director	1 February 2010	28 June 2016	Corporate strategic planning, overseeing the overall operations and business development of our Group	None
Mr. Lai Guanrong (賴觀榮先生)	55	Independent non-executive Director	6 September 2018	6 September 2018	Serves on the audit committee of the Board; responsible for overseeing the management independently	None
Mr. Suen Chi Wai (孫志偉先生)	53	Independent non-executive Director	6 September 2018	6 September 2018	Serves on the audit, remuneration and nomination committees of the Board; responsible for overseeing the management independently	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position in our Company	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Xu Jie (徐捷先生)	64	Independent non-executive Director	6 September 2018	6 September 2018	Serves on the audit, remuneration and nomination committees of the Board; responsible for overseeing the management independently	None

Senior management

The following table sets out certain information regarding the current members of our senior management:

Name	Age	Present position in our Company	Date of joining our Group	Date of appointment as our senior management of our Group	Roles and responsibilities	Relationship with other Directors and members of our senior management
Mr. Ding Xiaosheng (丁孝生先生) (former name as Mr. Ding Xiaodi) (丁孝佛先生)	45	Vice president	1 February 2010	1 February 2010	Supervising ship construction projects of our Group	Brother of Mr. Ding Xiaoli
Mr. Chen Chengmei (陳成梅先生)	55	Vice president	1 February 2010	1 February 2010	Supervising tanker chartering business of our Group	None
Mr. Xu Jianping (徐建平先生)	59	Vice president	27 February 2017	27 February 2017	Ship safety management of our Group	None
Mr. Lin Shifeng (林世鋒先生)	41	Financial controller	1 March 2015	1 July 2016	Overseeing the financial planning and accounting management of our Group	None

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ding Xiaoli (丁肖立先生) (alias **Mr. Ding Xiaoming** (丁孝銘先生)), aged 56, is our executive Director and the chairman of the Board. Mr. Ding Xiaoli has been a Director since 28 June 2016, being the date of incorporation of our Company. Mr. Ding Xiaoli has participated in the management of our Group since 1 February 2010 where he has been responsible for overseeing the overall operations and business development of our Group. Mr. Ding Xiaoli is a director of each member of our Group other than Brilliant Star and Xinlanhai. Mr. Ding Xiaoli is the elder brother of Mr. Ding Xiaosheng, a vice president of our Group.

Mr. Ding Xiaoli has approximately eight years of relevant experience in the shipping industry. Prior to joining our Group, Mr. Ding Xiaoli served as staff and the associate division chief of the foreign economic division of the Finance Bureau of Ningde City, Fujian Province* (福建省寧德市財政局外經科) from October 1985 to July 1992. Mr. Ding Xiaoli also worked at Ningde District Import and Export Company Limited (寧德地區進出口公司), a company principally engaged in import and export trade business, from July 1992 to October 1998.

From February 1996 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Fuzhou Lianxin Real Estate Co., Ltd* (福州聯信房地產有限公司), a company principally engaged in the construction, rental, sale of commercial housing, where he was mainly responsible for corporate strategic planning and overseeing the overall operations.

From December 2000 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Fujian Lian Xin, where he was mainly responsible for corporate strategic planning and overseeing the overall operations.

From November 2009 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Jincheng Hengtong, where he was mainly responsible for corporate strategic planning and overseeing the overall operations.

From March 2010 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Union Faith Investment (Holdings) Limited (聯信投資(集團)股份有限公司), a company principally engaged in investment holding, where he was mainly responsible for corporate strategic planning and overseeing the overall operations. From February 2011 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Union Faith, a company principally engaged in investment holding, where he was mainly responsible for corporate strategic planning and overseeing the overall operations. From March 2017 until now, Mr. Ding Xiaoli served as the chairman of the board of director of Hai Xin Petroleum Trading Limited (海信石油貿易有限公司), a company principally engaged in oil trade business, where he was mainly responsible for corporate strategic planning and overseeing the overall operations.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ding Xiaoli was also a director of the following companies prior to their respective dissolutions:

Name of the company	Place of incorporation	Means of dissolution	Nature of business prior to dissolution	Date of dissolution	Reason for dissolution
Shanghai Dian fan Real Estate Ltd.* (上海典範置業有限公司)	PRC	License revoked	Real estate development	18 May 2012	Failure to conduct annual inspection
Fuzhou Xinhai Trading Ltd.* (福州信海貿易有限公司)	PRC	License revoked	Sales of home electrical goods	15 November 2000	Failure to conduct annual inspection
Fuzhou Wu Feng Phoenix Real Estate Development Co., Ltd.* (福州舞鳳房地產開發有限公司)	PRC	License revoked	Construction, rental, sale of commercial housing	5 February 2007	Failure to conduct annual inspection
Fuzhou Tongzheng Trading Ltd.* (福州同正貿易有限公司)	PRC	License revoked	Sale of home electrical goods	23 January 2002	Failure to conduct annual inspection
Fuzhou Yihao Trading Ltd.* (福州怡豪貿易有限公司)	PRC	License revoked	Sale of home electrical goods	15 November 2000	Failure to conduct annual inspection
Union Faith International Development Limited (聯信國際發展有限公司)	Hong Kong	S.291AA Predecessor Companies Ordinance	Corporation	18 April 2008	Never commenced business or operation ceased

Mr. Ding Xiaoli has confirmed that there was no wrongful act on his part leading to the above dissolution and/or deregistration and no claims had been made against him and he was not aware of any threatened and potential claims made against him and there were no outstanding claims and/or liabilities and/or investigations as a result of the dissolutions of the above companies and the relevant companies were solvent at the time of dissolution and/or deregistration.

On the basis that (i) Mr. Ding Xiaoli and other then directors assigned an employee to take charge of company secretarial matters and the person then in charge of such matter failed to conduct annual industry and commerce inspection; (ii) no dishonesty or fraudulent act on the part of Mr. Ding Xiaoli had been involved in the license revocation of these companies or business enterprises; and (iii) three years have passed since the license revocation of these companies or business enterprises, our PRC Legal Advisers advised that Mr. Ding Xiaoli may act as the legal representative, director, supervisor or senior management of other PRC companies.

Our Hong Kong Legal Counsel advised that as (i) Mr. Ding Xiaoli was not penalized by the authority for license revocation of these companies or business enterprises; (ii) there has been

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considerable lapse of time after the license revocation of these companies or business enterprises; and (iii) our Company's PRC Legal Advisers opined that there would be no effect on appointment of Mr. Ding Xiaoli as a company director of a PRC company, the above incidents do not impugn on Mr. Ding Xiaoli's competence as a director of a listed issuer under the Listing Rule.

Basing on the legal opinions of our Company's PRC Legal Advisers and Hong Kong Legal Counsel, our Directors are of the view that, and the Sole Sponsor concurs that, the revocation of the business license of the above companies does not impugn on Mr. Ding Xiaoli's competence as a director under Rule 3.08 and Rule 3.09 of the Listing Rules.

Mr. Ding Xiaoli graduated from Fujian Ningde Finance School* (福建寧德財經學校) in the PRC and received college diploma in corporate accounting in July 1983. Mr. Ding holds the certificate of assistant accountant issued by the finance bureau of Ningde District of Fujian Province in March 1992.

Mr. Xu Wenjun (徐文均先生), aged 63, is our executive Director and the chief executive officer of our Group. Mr. Xu Wenjun has been a Director since 28 June 2016, being the date of incorporation of our Company. Mr. Xu Wenjun has participated in the management of our Group since 1 February 2010 where he has been responsible for corporate strategic planning, overseeing the overall operations and business development and day-to-day business management of our Group. Mr. Xu Wenjun is a director of each member of our Group other than Brilliant Star and Xinlanhai.

Mr. Xu Wenjun has approximately twelve years of relevant experience in the shipping industry. Prior to joining our Group, Mr. Xu Wenjun worked as the deputy general manager at Fuzhou Dongfang Jinrong Shipping Co., Ltd. (福州東方錦榕海運有限公司), a company principally engaged in international shipping management business, from November 2002 to June 2006, where he was mainly responsible for international shipping business. From May 2006 until now, Mr. Xu Wenjun worked as the general manager of Fujian Chuan Yuan, a company principally engaged in investment, where he was mainly responsible for making investment.

Mr. Xu Wenjun served as the chief executive officer and general manager of Jincheng Hengtong from January 2010 to November 2017, where he was mainly responsible for overseeing the overall operations.

Mr. Xu Wenjun was the director of the following companies which were incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The deregistration of all the following three companies was voluntary by way of submitting an application to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

<u>Name of company</u>	<u>Nature of business</u>	<u>Date of deregistration</u>
Gaintex (Asia) Limited (冠達(亞洲)有限公司)	No substantive business	25 January 2008

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Name of company	Nature of business	Date of deregistration
Great Profit Industry Development Limited (利嘉實業發展有限公司)	No substantive business	25 January 2008
Jinrong Ocean Shipping Company (HK) Limited (錦榕遠洋運輸(香港)有限公司)	Shipping	17 April 2009
Well Group Shipping Limited (佳滙船務有限公司)	No substantive business	7 December 2007
Century Richly Limited (豐佳有限公司)	No substantive business	4 February 2005
Hong Kong Zhongcheng United Group Holdings Limited (香港中城聯合投資集團控股有限公司)	Investment Holdings	21 July 2017

Mr. Xu Wenjun was the director of China Ocean Aviation (Hong Kong) Shipping Limited (中海航(香港)船務有限公司), a company incorporated in Hong Kong and was struck off and dissolved on 5 August 2011 pursuant to section 291 of the Predecessor Companies Ordinance which provides that the Registrar of Companies in Hong Kong can strike a defunct company off the register of companies.

Mr. Xu Wenjun was an executive director of Shanghai Tuomu XinYuan Ship Management Co., Ltd.* (上海托姆信源船舶管理有限公司), a company established in the PRC and principally engaged in the management of ship business which was voluntarily dissolved in accordance with PRC laws in June 2017. Mr. Xu Wenjun was also a director of Fujian City Fu Cheung Real Estate Development Limited* (福州市富春房地產開發有限公司), a company established in the PRC and principally engaged in real estate development business which was voluntarily dissolved in accordance with PRC laws in December 2013.

Mr. Xu Wenjun confirmed that the above companies were solvent immediately prior to their respective dissolution or deregistration. Mr. Xu Wenjun confirmed that there was no wrongful act on his part leading to the above dissolution and/or deregistration and the dissolution of such company did not result in any liability or obligation being imposed against him and the relevant companies were solvent at the time of dissolution and/or deregistration.

Mr. Xu Wenjun received the certificate of Adult Higher Education majoring in economic management from Fujian Normal University (福建師範大學) in the PRC in September 2000.

Mr. Ding Yuzhao (丁玉釗先生), aged 63, is our executive Director. Mr. Ding Yuzhao has been a Director since 28 June 2016, being the date of incorporation of our Company. Mr. Ding Yuzhao has participated in the management of our Group since 1 February 2010 where he has been responsible for overseeing the overall operations and business development of our Group. Mr. Ding Yuzhao is a director of each member of our Group other than Brilliant Star and Xinlanhai.

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Mr. Ding Yuzhao has approximately eight years of relevant experience in the shipping industry. Prior to joining our Group, Mr. Ding Yuzhao worked as a deputy manager at Ningde District Power Company* (寧德地區電力公司), a company principally engaged in providing technical support and construction for power systems from March 1990 to December 1991, where he was mainly responsible for providing technical support for power construction. From April 1994 to May 1997, Mr. Ding Yuzhao worked as a director and general manager at Fujian Muyang Creek Hydropower Development Co., Ltd. (福建省穆陽溪水電開發有限公司), a company principally engaged in hydropower construction, where he was mainly responsible for providing technical support for hydropower station development and construction. From May 1997 to August 2006, Mr. Ding Yuzhao served as the general manager of Mindong Power Investment Company Limited* (閩東能源投資有限公司), which is principally engaged the business of power investment, where he was mainly responsible for overseeing investment in hydropower station and fossil-fuel power station.

From November 2003 to August 2006, Mr. Ding Yuzhao served as the deputy general manager and then the general manager of Ningde City State-owned Asset Investment Company Limited* (寧德市國有資產投資有限公司), a company principally engaged in investment, where he was mainly responsible for investment and operation of state-owned asset. From August 2006 to March 2010, Mr. Ding Yuzhao served as the chairman of Ningde City State-owned Properties Investment & Management Co., Ltd. (寧德市國有資產投資經營有限公司) and director of Ningde City State-owned Asset Supervision and Management Committee* (寧德市國有資產監督管理委員會), both of which principally engaged the business of investment, where he was mainly responsible for investment and operation of state-owned asset. From July 2011 to September 2017, Mr. Ding Yuzhao served as the general manager at Fujian Haodeyuan Investment Co., Ltd* (福建昊德元投資有限公司), a company principally engaged in investment, where he was mainly responsible for investment in real estate business. From January 2016 until now, Mr. Ding Yuzhao served as the supervisor of Xiamen Tangram Science and Technology Co., Ltd. (廈門唐人科技股份有限公司), a company principally engages in information technology.

Mr. Ding Yuzhao was the director of Min Dong Hua Cheng Shipping Ltd.* (閩東華誠船務有限公司), a company established in the PRC principally engaged in shipping business which has its business license revoked in September 2000 due to its failure to conduct annual inspection. Mr. Ding Yuzhao has confirmed that there was no wrongful act on his part leading to the above dissolution and/or deregistration and the dissolution of such company did not result in any liability or obligation being imposed against Mr. Ding Yuzhao and the relevant companies were solvent at the time of dissolution and/or deregistration.

On the basis that (i) Mr. Ding Yuzhao and other then directors assigned an employee to take charge of company secretarial matters and the person then in charge of such matter failed to conduct annual industry and commerce inspection; (ii) no dishonesty or fraudulent act on the part of Mr. Ding Yuzhao had been involved in the license revocation of these companies or business enterprises; and (iii) three years have passed since the license revocation of these companies or business enterprises, our PRC Legal Advisers advised that Mr. Ding Yuzhao may act as the legal representative, director, supervisor or senior management of other PRC companies.

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Our Hong Kong Legal Counsel advised that as (i) Mr. Ding Yuzhao was not penalized by the authority for license revocation of these companies or business enterprises; (ii) there has been considerable lapse of time after the license revocation of these companies or business enterprises; and (iii) our Company's PRC Legal Advisers opined that there would be no effect on appointment of Mr. Ding Yuzhao as a company director of a PRC company, accordingly, the above incidents do not impugn on Mr. Ding Yuzhao's competence as a director of a listed issuer under the Listing Rule.

Basing on the legal opinions of our Company's PRC Legal Advisers and Hong Kong Legal Counsel, our Directors are of the view that, and the Sole Sponsor concurs that, the revocation of the business license of the above companies does not impugn on Mr. Ding Yuzhao's competence as a director under Rule 3.08 and Rule 3.09 of the Listing Rules.

Mr. Ding Yuzhao received the Bachelor's degree from the electric engineering school of the Wuhan Institute of Hydraulic and Electric Engineering (武漢水利電力學院) majoring in High-voltage electricity technology and equipment in September 1982. Mr. Ding Yuzhao was granted the qualification as a senior engineer in hydropower by the Department of Personnel of Fujian Province in July 1996.

Independent non-executive Directors

Mr. Lai Guanrong (賴觀榮先生), aged 55, has been our independent non-executive Director since 6 September 2018.

Mr. Lai has approximately sixteen years of experience in finance industry. From November 2001 to May 2005, he served as the president of Huafu Securities Company Limited (華福証券股份有限公司), currently known as Huafu Securities Corporation Limited (華福証券有限責任公司), a company principally engaged in securities brokerage and trading where he was mainly responsible for material decision making. From December 2005 until now, Mr. Lai acted as the deputy general manager, general manager and deputy chairman of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司), currently known as ABC Life Insurance Co., (農銀人壽保險股份有限公司), a company principally engaged in insurance business, where he was mainly responsible for material decision making. Mr. Lai has also been serving as an independent non-executive director of Chinasoft International Limited (Stock Exchange stock code: 00354), a company principally engaged in system applications technology service business since June 2015.

Mr. Lai graduated from the School of Economics of Xiamen University in July 1983 with a bachelor's degree, majoring in finance. He obtained a master's degree in currency and banking business from the PBC School of Finance of Tsinghua University (formerly known as the Graduate School of the People's Bank of China) in June 1986. He obtained a doctor's degree majoring in finance from the School of Economics of Xiamen University in December 2001.

Mr. Suen Chi Wai (孫志偉先生), aged 53, has been our independent non-executive Director since 6 September 2018. He is a practising solicitor in Hong Kong and a partner of Withers. Mr. Suen has approximately seventeen years' experience in corporate finance and with area of practice principally in initial public offerings on the Stock Exchange, mergers and acquisitions, corporate reorganisations and Listing Rules compliance.

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Before joining Withers, Mr. Suen was an associate and later a partner of DLA Piper Hong Kong from June 2007 to May 2012 and May 2012 to February 2018 respectively, and served as a manager in the investment products department of the SFC between October 2005 and July 2006, responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorized schemes. Mr. Suen was an assistant solicitor at Woo Kwan Lee & Lo from September 2000 to March 2005.

Mr. Suen graduated from the University of East Anglia in July 1987 with a Bachelor of Science Degree and the Postgraduate Certificate in Laws program in the University of Hong Kong in June 1998. Mr. Suen was admitted as a solicitor in Hong Kong in October 2000 and in England and Wales in December 2003. Mr. Suen is also a fellow member of the Association of Chartered Certified Accountants since May 1998 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1993.

Mr. Xu Jie (徐捷先生), aged 64, has been our independent non-executive Director since 6 September 2018.

Mr. Xu Jie has accumulated over thirty-one years of experience in the legal field. From June 1986 to July 1993, Mr. Xu Jie was the deputy president of the Maritime Commercial Tribunal of the Shanghai Maritime Court (上海海事法院) of the PRC. From September 1993 to October 1994, Mr. Xu Jie was a teacher at the Shanghai Maritime College (上海海運學院), currently known as Shanghai Maritime University (上海海事大學). From October 1994 to December 2000, Mr. Xu Jie worked as a partner in Duan & Duan (段和段律師事務所). From January 2001 to May 2014, Mr. Xu Jie served as the partner of Shanghai Haoying Law Office* (上海市浩英律師事務所). From May 2014 to November 2016, Mr. Xu Jie served as the senior partner of Co-Effort Law Firm LLP (上海市協力律師事務所).

Mr. Xu Jie graduated from the Shanghai Maritime College (上海海運學院), currently known as Shanghai Maritime University (上海海事大學) in January 1982 with a Bachelor's degree, majoring in ocean shipping transportation, and obtained a Master's degree majoring in international economic law in January 1991. Mr. Xu Jie has also been an arbitrator at the China Maritime Arbitration Commission (中國海事仲裁委員會) since May 2017.

As at the Latest Practicable Date, save as disclosed in this prospectus, (i) none of our Directors held any other major appointment or directorship in other listed company in the preceding three years, nor did any of our Directors have any relationship with any Director, senior management, substantial shareholder, or controlling shareholders of our Company; (ii) none of our Directors held other positions with our Company or other members of our Group; (iii) none of our Directors were interested in any shares of our Company within the meaning of Part XV of the SFO, and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect of the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

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Senior management

Mr. Ding Xiaosheng (丁孝生先生) (former name as Mr. Ding Xiaodi) (丁孝悌先生), aged 45, is the vice president of our Company since 28 June 2016. Mr. Ding Xiaosheng has participated in the management of our Group since 1 February 2010 where he has been primarily responsible for supervising ship construction projects of our Group. Mr. Ding Xiaosheng is the younger brother of Mr. Ding Xiaoli, an executive Director.

Mr. Ding Xiaosheng has approximately eight years of relevant experience in the shipping industry. Prior to joining our Group, Mr. Ding Xiaosheng worked as a staff member at the agricultural tax division of the Finance Bureau of Xiapu County* (霞浦縣財政局農稅科) of Ningde City, Fujian Province from August 1992 to May 1996, where he was mainly responsible for collection of agricultural tax.

From December 2003 until April 2018, Mr. Ding Xiaosheng was a director and the deputy general manager of Fujian Lian Xin, a company principally engaged in investment holding, real estate development and property management business, where he was mainly responsible for overseeing the overall operations.

Mr. Ding Xiaosheng served as the deputy chief executive officer of Jincheng Hengtong from January 2010 until November 2017, where he was mainly responsible for supervening investment of Jincheng Hengtong.

Mr. Ding Xiaosheng graduated from No. 6 Middle School of Xiapu County (霞浦縣第六中學) in June 1990. Mr. Ding Xiaosheng received the National Certificate of Construction Cost Estimator Qualification (全國建設工程造價員資格證書) issued by the China Engineering Cost Association (中國建設工程造價管理協會) in July 2007.

Mr. Chen Chengmei (陳成梅先生), aged 55, is the vice president of our Company since 28 June 2016. Mr. Chen has participated in the management of our Group since 1 February 2010 where he has been primarily responsible for supervising tanker chartering business of our Group.

Mr. Chen has approximately eight years of relevant experience in the shipping industry. Prior to joining our Group, Mr. Chen served as the general manager at Fuzhou South Pipeline Gas Technology Development Co., Ltd* (福州南方管道燃氣技術開發有限公司) from April 2002 to April 2004, a company principally engaged in gas Technology Development pipeline provision, where he was mainly responsible for overseeing the overall operations of gas pipeline provision.

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From May 2006 until April 2018, Mr. Chen served as the deputy general manager at Fujian Chuan Yuan, a company principally engaged in investment, where he was mainly responsible for supervising overall operations.

Mr. Chen served as the deputy chief executive officer of Jincheng Hengtong from January 2010 until November 2017, where he was mainly responsible for supervising investment of Jincheng Hengtong.

Mr. Xu Jianping (徐建平先生), aged 59, is the vice president of our Company since February 2017. Mr. Xu Jianping has participated in the management of our Group since February 2017 where he has been primarily responsible for ship safety management of our Group.

Mr. Xu Jianping has approximately twenty-two years of relevant experience in the shipping industry. From January 1996 to August 2007, Mr. Xu Jianping then served as the manager of the corporate planning department and crew of Fujian Shipping Corporation* (福建省輪船總公司), now known as Fujian Shipping Group Co., Ltd. (福建省海運集團有限責任公司), a company principally engaged in shipping business, where he was mainly responsible for formulating operation and production plans. From August 2007 to December 2010, Mr. Xu Jianping served as the general manager and ship captain at China Master Shipping Limited* (華萬船務有限公司), a company principally engaged in shipping business, where he was mainly responsible for ship safety management.

Mr. Xu Jianping served as the general manager of Sky Rainbow Shipping Limited (天虹船務有限公司) from January 2011 to January 2017, a company principally engaged in shipping business, where he was mainly responsible for overseeing the overall operations.

Mr. Xu Jianping served as the deputy chief executive officer of Jincheng Hengtong from February 2017 until November 2017, where he was mainly responsible for supervising investment of Jincheng Hengtong.

Mr. Xu Jianping graduated from Jimei Navigation Institute (集美航海專科學校, now known as Jimei University (集美大學)) in the PRC majoring in navigation in July 1980. Mr. Xu Jianping was granted the qualification as an intermediate level sea captain (船長(中級)) by the PRC Harbour Superintendency Administration* (中華人民共和國港務監督局) in October 1990, and was granted the sea crew certificate (船員證書) by Shanghai Maritime Safety Administration of the PRC (中華人民共和國上海海事局) in June 2006.

Mr. Lin Shifeng (林世鋒先生), aged 41, is the financial controller of our Company since July 2011. Mr. Lin has participated in the management of our Group since July 2016 where he has been primarily responsible for overseeing the financial planning and accounting management of our Group.

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Mr. Lin has approximately seventeen years of relevant experience in accounting and finance management, where he has spent approximately fourteen years in the shipping industry. Prior to joining our Group, Mr. Lin worked as a financial officer at Fujian Wanfeng Shoes Co., Ltd* (福建萬豐鞋業有限公司), a company principally engaged in sports products production, from July 2000 to November 2003, where he was mainly responsible for product cost accounting and difference analysis, data statistics and financial statement preparation.

From November 2003 to January 2006, Mr. Lin worked as an accountant at P&O NEDLLOYD (CHINA) Ltd. Fuzhou Branch (鐵行渣華(中國)船務有限公司福州分公司), a company principally engaged in shipping business, where he was mainly responsible for cost accounting and cost control.

From February 2006 to November 2007, Mr. Lin worked as an assistant accountant and cost manager at Maersk Logistics (China) Co., Ltd., a company principally engaged in container shipping, where he was mainly responsible for registering and controlling operational cost and assisting payment center to arrange operational payment.

From November 2007 to January 2015, Mr. Lin served as a financial officer at Dafei Shipping (China) Company Limited Fuzhou Branch (達飛輪船(中國)有限公司福州分公司), a company principally engaged in container transportation and, where he was mainly responsible for account management and accounting principal setting up.

Mr. Lin served as the finance manager of Jincheng Hengtong from March 2015 until April 2016 and as the financial controller from July 2016 until November 2017, where he was mainly responsible for accounting management.

From April 2016 to June 2016, Mr. Lin served as a finance manager at Air Liquide (Fuzhou) Co., Ltd* (液化空氣(福州)有限公司), a company principally engaged in the supplying of industrial gases and services, where he was mainly responsible for accounting management and accounting principal setting up.

Mr. Lin graduated from Changchun University of Science and Technology (長春理工大學), formerly known as Changchun Institute of Optics and Precision Instruments (長春光學精密器械學院) and received a bachelor's degree in accounting in July 2000. Mr. Lin was granted the certificate of accounting professional (會計從業資格證書) by the Finance Bureau of Fuzhou (福州市財政局) in July 2012.

Save as disclosed above, each of the senior management has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Yim Lok Kwan (嚴洛鈞), was appointed as the company secretary of our Company on 14 June 2018. Mr. Yim has over 6 years of experience in the corporate services field. Mr. Yim currently

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serves as manager of SWCS Corporate Services Group (Hong Kong) Limited, formerly known as SW Corporate Services Group Limited (“SWCS”), a professional services provider specialising in corporate services. Mr. Yim was nominated by SWCS to act as our company secretaries pursuant to an engagement letter entered into between our Company and SWCS.

Mr. Yim graduated from Hong Kong Shue Yan University and received a Bachelor’s Degree in accounting in July 2010. In September 2016, Mr. Yim obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University. Since December 2016, he has been both an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD COMMITTEES

Audit Committee

Our Company will establish the Audit Committee with written terms of reference in compliance with Rule 3.21 and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on 6 September 2018 with effect upon the Listing. The primary duties of the Audit Committee include ensuring that an effective financial reporting, internal control and risk management systems are in place and compliance of the Listing Rules, controlling the completeness of our Company’s financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between our internal and external auditors.

The Audit Committee initially comprises three members, namely Mr. Lai Guanrong, Mr. Suen Chi Wai and Mr. Xu Jie. Mr. Suen Chi Wai is the chairman of the Audit Committee.

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Remuneration Committee

Our Company will establish the Remuneration Committee with written terms of reference in compliance with Rule 3.25 and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on 6 September 2018 with effect upon the Listing. The primary duties of the Remuneration Committee include assisting the Board in determining the remuneration policy for and structure of our Directors and senior management, reviewing incentive schemes and service contracts of our Directors, and ensuring the execution of the remuneration packages of the executive Directors and senior management.

The Remuneration Committee initially comprises three members, namely Mr. Xu Wenjun, Mr. Xu Jie and Mr. Suen Chi Wai. Mr. Xu Jie is the chairman of the Remuneration Committee.

Nomination Committee

Our Company will establish the Nomination Committee with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 to the Listing Rules on 6 September 2018 with effect upon the Listing. The primary duties of the Nomination Committee include assisting the Board in identifying suitable candidates for our Directors and making recommendations to the Board, assessing the structure and composition of the Board, preparing, making recommendations to and supervising the execution of the nomination policy of our Company.

The Nomination Committee initially comprises three members, namely Mr. Ding Xiaoli, Mr. Xu Jie and Mr. Suen Chi Wai. Mr. Ding Xiaoli is the chairman of the Nomination Committee.

COMPLIANCE ADVISER

Our Company has appointed China Industrial Securities International Capital Limited, in accordance with Rule 3A.19 of the Listing Rules, as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date (i.e. the date of dispatch of the annual report of our Company in respect of its results for the financial year ending 31 December 2019), subject to extension by mutual agreement. Pursuant to 3A.23 of the Listing Rules, the compliance adviser will provide advice to us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notification or connected transaction, is contemplated, including share issues and share repurchases;

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- (iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes any inquiry to us regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. The remuneration to our employees includes salaries and allowances. We provide our personnel formal and on-the-job training to enhance their technical skills as well as knowledge of industry quality standards and work place safety standards.

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonuses, pension-defined contribution plans and other allowances and benefits in kind subject to applicable laws, rules and regulations. The aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to our Directors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were approximately US\$43,000, US\$62,000, US\$89,000 and US\$33,000, respectively.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to the five highest paid individuals were approximately US\$214,000, US\$248,000, US\$330,000 and US\$129,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. Further, none of our Directors had waived any remuneration during the Track Record Period.

The primary goal of the remuneration policy with regard to the remuneration packages of our executive Directors is to enable our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our executive Directors remuneration packages include basic salaries and discretionary bonuses.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (excluding discretionary bonus) payable to and benefits in kind receivable by our Directors (including independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2018 will be approximately US\$118,420.

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We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in note 14 to the accountants' report as set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. Additionally, in the case of the executive directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The principal terms of this scheme are summarised in the section headed "Statutory and General Information — Other Information — 13. Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

Assuming the Over-allotment Option and options granted under the Share Option Scheme are not exercised, the authorised and issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering is set out as follows:

<i>Authorised Share Capital:</i>		<i>US\$</i>
10,000,000,000	Shares of US\$0.01 each	100,000,000
<i>Shares of US\$0.01 each in issue and to be issued, fully paid or credited as fully paid:</i>		
52,986,244	Shares in issue at the date of this prospectus	529,862.44
247,013,756	Shares to be issued pursuant to the Capitalisation Issue	2,470,137.56
100,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which have been or may be granted under the Share Option Scheme)	1,000,000
<hr/>		<hr/>
<i>Total</i>		
<u>400,000,000</u>	Shares	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering is made.

The above table does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to our Directors to allot and issue or repurchase Shares pursuant to the Repurchase Mandate as described below.

SHARE CAPITAL

RANKING

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will be ordinary shares and will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions thereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total number of issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares and must have an expected market capitalisation at the time of listing of not less than HK\$125,000,000.

Based on the information in the table above, our Company will meet the public float requirement under the Listing Rules after the completion of the Capitalisation Issue and the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 6 September 2018. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. For further details of the rules of the Share Option Scheme, please refer to the section headed "Statutory and General Information — Other Information — 13. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of such Shares not exceeding the aggregate of (a) 20% of the number of issued Shares as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the number of such Shares which may be repurchased by our Company under the Repurchase Mandate (the "**Issuing Mandate**").

SHARE CAPITAL

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements. The aggregate number of Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of such Shares.

The Issuing Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — Further Information About Our Company — 3. Resolutions in writing of our Shareholders passed on 6 September 2018" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of issued Shares, as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) (the "**Repurchase Mandate**").

The Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Statutory and General Information — Further Information About Our Company — 6. Securities repurchase mandate" in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or

SHARE CAPITAL

- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about the Repurchase Mandate, please refer to the section headed “Statutory and General Information — Further Information About our Company — 3. Resolutions in writing of our Shareholders passed on 6 September 2018” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Islands Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles of Association, a summary of which is set out in the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons is, as at the Latest Practicable Date, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company:

Shareholders	Capacity / Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding in our Company
Centennial Best	Beneficial owner	46,651,160 Shares (L)	88.04%
Golden Boomer ⁽²⁾	Beneficial owner	97,894 Shares (L)	0.19%
	Interest of controlled corporation	46,651,160 Shares (L)	88.04%
Mr. Ding Xiaoli (丁肖立先生) (alias Mr. Ding Xiaoming (丁孝銘先生)) ⁽²⁾	Interest of controlled corporation	46,749,054 Shares (L)	88.23%
Ms. Chen Qinhui (陳欽惠女士) ⁽³⁾	Interest of spouse	46,749,054 Shares (L)	88.23%
Perfect Bliss ⁽⁴⁾	Interest of controlled corporation	46,651,160 Shares (L)	88.04%
Mr. Xu Wenjun (徐文均先生) ⁽⁴⁾	Interest of controlled corporation	46,651,160 Shares (L)	88.04%
Ms. Zhu Zhen (朱珍女士) ⁽⁵⁾	Interest of spouse	46,651,160 Shares (L)	88.04%
Gigantic Path ⁽⁶⁾	Beneficial owner	1,468,428 Shares (L)	2.77%
	Interest of controlled corporation	46,651,160 Shares (L)	88.04%
Mr. Ding Yuzhao (丁玉釗先生) ⁽⁶⁾	Interest of controlled corporation	48,119,588 Shares (L)	90.81%
Ms. Huang Cui (黃萃女士) ⁽⁷⁾	Interest of spouse	48,119,588 Shares (L)	90.81%

Notes:

(1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in our Shares.

SUBSTANTIAL SHAREHOLDERS

- (2) Centennial Best is owned as to 43% by Golden Boomer, which is in turn wholly owned by Mr. Ding Xiaoli. As such, each of Golden Boomer and Mr. Ding Xiaoli is deemed to be interested in the 46,651,160 Shares held by Centennial Best, and Mr. Ding Xiaoli is deemed to be interested in the 97,894 Shares held by Golden Boomer pursuant to the SFO.
- (3) Ms. Chen Qinhui is the spouse of Mr. Ding Xiaoli. By virtue of the SFO, Ms. Chen is deemed to be interested in the Shares held by Mr. Ding Xiaoli.
- (4) Centennial Best is owned as to 42% by Perfect Bliss, which is in turn wholly owned by Mr. Xu Wenjun. As such, each of Perfect Bliss and Mr. Xu Wenjun is deemed to be interested in the 46,651,160 Shares held by Centennial Best pursuant to the SFO.
- (5) Ms. Zhu Zhen is the spouse of Mr. Xu Wenjun. By virtue of the SFO, Ms. Zhu is deemed to be interested in the Shares held by Mr. Xu Wenjun.
- (6) Centennial Best is owned by Golden Boomer, Perfect Bliss and Gigantic Path as to 43%, 42% and 15%, which are in turn wholly owned by Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, respectively. As the Concerted Group, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao restrict their ability to exercise direct control over our Company by holding their interests through Centennial Best, a common investment holding company, and as a result Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao are presumed to be a group of controlling shareholders. As such, each of Gigantic Path and Mr. Ding Yuzhao is deemed to be interested in the 46,651,160 Shares held by Centennial Best, and Mr. Ding Yuzhao is deemed to be interested in the 1,468,428 Shares held by Gigantic Path pursuant to the SFO.
- (7) Ms. Huang Cui is the spouse of Mr. Ding Yuzhao. By virtue of the SFO, Ms. Huang is deemed to be interested in the Shares held by Mr. Ding Yuzhao.

So far as our Directors are aware, each of the following persons will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Interest in our Company

Shareholders	Capacity / Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding in our Company
Centennial Best	Beneficial owner	264,131,725 Shares (L)	66.03%
Golden Boomer ⁽²⁾	Beneficial owner	554,260 Shares (L)	0.14%
	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Mr. Ding Xiaoli (丁肖立先生) (alias Mr. Ding Xiaoming (丁孝铭先生)) ⁽²⁾	Interest of controlled corporation	264,685,985 Shares (L)	66.17%

SUBSTANTIAL SHAREHOLDERS

Shareholders	Capacity / Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding in our Company
Ms. Chen Qinhuai (陳欽惠女士) ⁽³⁾	Interest of spouse	264,685,985 Shares (L)	66.17%
Perfect Bliss ⁽⁴⁾	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Mr. Xu Wenjun (徐文均先生) ⁽⁴⁾	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Ms. Zhu Zhen (朱珍女士) ⁽⁵⁾	Interest of spouse	264,131,725 Shares (L)	66.03%
Gigantic Path ⁽⁴⁾	Beneficial owner	8,314,015 Shares (L)	2.08%
	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Mr. Ding Yuzhao (丁玉釗先生) ⁽⁶⁾	Interest of controlled corporation	272,445,740 Shares (L)	68.11%
Ms. Huang Cui (黃萃女士) ⁽⁷⁾	Interest of spouse	272,445,740 Shares (L)	68.11%
Bilsea International ⁽⁸⁾	Beneficial Owner	27,000,000 Shares (L)	6.75%
Ms. Liu Weipeng ⁽⁸⁾	Interest of controlled corporation and interest of spouse	27,000,000 Shares (L)	6.75%
Mr. Yan Xiankai ⁽⁸⁾	Interest of controlled corporation and interest of spouse	27,000,000 Shares (L)	6.75%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in our Shares.
- (2) Centennial Best is owned as to 43% by Golden Boomer, which is in turn wholly owned by Mr. Ding Xiaoli. As such, each of Golden Boomer and Mr. Ding Xiaoli is deemed to be interested in the 264,131,725 Shares held by Centennial Best, and Mr. Ding Xiaoli is also deemed to be interested in the 554,260 Shares directly held by Golden Boomer pursuant to the SFO.
- (3) Ms. Chen Qinhuai is the spouse of Mr. Ding Xiaoli. By virtue of the SFO, Ms. Chen is deemed to be interested in the Shares held by Mr. Ding Xiaoli.

SUBSTANTIAL SHAREHOLDERS

- (4) Centennial Best is owned as to 42% by Perfect Bliss, which is in turn wholly owned by Mr. Xu Wenjun. As such, each of Perfect Bliss and Mr. Xu Wenjun is deemed to be interested in the 264,131,725 Shares held by Centennial Best pursuant to the SFO.
- (5) Ms. Zhu Zhen is the spouse of Mr. Xu Wenjun. By virtue of the SFO, Ms. Zhu is deemed to be interested in the Shares held by Mr. Xu Wenjun.
- (6) Centennial Best is owned by Golden Boomer, Perfect Bliss and Gigantic Path as to 43%, 42% and 15%, which are in turn wholly owned by Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, respectively. As the Concerted Group, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao restrict their ability to exercise direct control over our Company by holding their interests through Centennial Best, a common investment holding company, and as a result Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao are presumed to be a group of controlling shareholders. As such, each of Gigantic Path and Mr. Ding Yuzhao is deemed to be interested in the 264,131,725 Shares held by Centennial Best, and Mr. Ding Yuzhao is also deemed to be interested in the 8,314,015 Shares directly held by Gigantic Path pursuant to the SFO.
- (7) Ms. Huang Cui is the spouse of Mr. Ding Yuzhao. By virtue of the SFO, Ms. Huang is deemed to be interested in the Shares held by Mr. Ding Yuzhao.
- (8) Bilsea International is owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai, respectively. By virtue of the SFO, each of Ms. Liu and Mr. Yan is deemed to be interested in the Shares held by Bilsea International. Ms. Liu Weipeng is the spouse of Mr. Yan Xiankai.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% of the issued voting shares of any other member of our Group.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information set out in the Accountants' Report included as Appendix I to this prospectus and selected historical consolidated financial data, in each case, together with the accompanying notes thereto included elsewhere in this prospectus. The financial information included in the Accountants' Report has been prepared in accordance with HKFRSs. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group structure, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus. Additionally, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our future results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including without limitation, the factors set out in the section headed "Risk Factors" and elsewhere in this prospectus.

Our financial year begins from 1 January and ends on 31 December. All references to "FY2015", "FY2016" and "FY2017" mean the financial years ended 31 December 2015, 2016 and 2017, respectively.

OVERVIEW

Our Group principally provides asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and CoAs.

According to the F&S Report, in 2017, our Group ranked fourth in the global asphalt tanker chartering services market in terms of total carrying capacity (dwt) of vessels and in terms of revenue.

Our Group's fleet size grew during the Track Record Period. In FY2015, FY2016, FY2017 and the four months ended 30 April 2018, our Group operated two, three, seven and nine vessels, respectively.

As at 30 April 2018, we operated a fleet of nine vessels, five were chartered under time charters and four were chartered under voyage charters or CoAs. Under our Group's time charters, we usually charge charter hire on a per day basis. Under voyage charters, charter hire is determinable with reference to market rate, the cargo quantity, the locations of the loading port and the discharging port and the price of bunker. Under CoAs, the freight charges are pre-determined and prevail throughout the agreed period under the contracts.

In FY2015, FY2016, FY2017 and the four months ended 30 April 2018, our revenue amounted to approximately US\$10.8 million, US\$15.5 million, US\$33.7 million and US\$13.3 million, respectively. Our net profit amounted to approximately US\$3.4 million, US\$4.5 million, US\$6.0 million and US\$3.4 million for the same periods, respectively.

For further details of our business, please refer to the section headed "Business — Overview" in this prospectus.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

The financial information of our Group has been prepared in accordance with all applicable HKFRSs issued by the Institute of Certified Public Accountants, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations. Our Group’s financial information also complies with the applicable disclosure provisions of the Listing Rules and with the disclosure requirements of the Companies Ordinance.

Immediately prior to and after the Reorganisation, our business is held by the operating companies and the operating companies were transferred to and held by our Company pursuant to the Reorganisation. Our Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation did not result in any change in the management and the ultimate owners of our Group’s business.

Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of our Group’s business under our Company and the financial information has been prepared and presented as a continuation of the consolidated financial statements of our Company and its subsidiaries, using the carrying values of assets, liabilities and operating results of our Group’s business under the consolidated financial statements of our Company for all periods presented.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Group’s business, results of operations and financial condition have been and are expected to be affected by a number of principal factors which are set forth below.

Market conditions in the infrastructure construction industry

Our business is substantially affected by the market condition of the infrastructure construction industry. If the demand for infrastructure construction materials declines, and thereby the demand for asphalt declines due to slowing economic growth or a recession, it will automatically lead to a decline in the demand for our services or otherwise lower our charter hire rates.

In addition, the utilization rate of our vessels is affected by the market demand and supply of asphalt tanker chartering services, which is subject to the global economic condition of infrastructure construction industry. In the event that the global economy fails to improve or further suffers a recession, the demand for asphalt tanker chartering services would decrease accordingly. Thereby, the utilization rate of our vessels would decrease and our operating results and financial performance would be materially and adversely affected.

Besides, political and trade disputes and trade protectionism may result in imposition of trade barriers or restrictions, new or higher tariffs, sanctions, boycotts or embargoes, and other factors such as acts of war, hostilities, epidemics or terrorism, could also adversely affect the international or regional trade volume and, in turn, could have a material adverse effect on our business, financial condition and results of operations as well as affecting our future expansion strategies.

FINANCIAL INFORMATION

Our ability to obtain external financing

During the Track Record Period, we achieved our business growth partly through purchase of new vessels from shipyards. The increasing number of vessels operated by us has enabled our Group to expand our business scale and improve our financial results. We expect our future business expansion to rely upon our ability to purchase new vessels to meet market demand.

We rely on external sources of financing for a significant portion of our capital needs for purchase of vessels, which include bank loans and finance lease arrangements. Failure to obtain external financing would affect our ability in purchasing new vessels and thus affecting our results of operations as well as affecting our future expansion strategies. Without external financing, it is not guaranteed that we would be able to maintain the growth of revenue achieved during the Track Record Period.

Cost of purchasing our vessels

The price we pay to purchase our vessels is subject to (i) the price of raw materials used for the construction of vessels, (ii) the cost of labour, and (iii) the cost of equipment and machinery, and has a significant impact on our costs and profitability. The vessel's purchase price determines (i) our depreciation costs in accordance with our accounting policies; (ii) our finance costs in relation to the extent of bank loans or finance lease arrangements needed to complete the purchase; and (iii) our net gain on disposal should we eventually decide to dispose the vessel.

As our business growth depends on our continued ability to expand our fleet through purchase of new vessels, we expect that our overall costs and profitability will continue to depend, in part, on the cost of purchasing our vessels.

Crew expenses

Crew expenses constitute one of the major cost of sales components in our business. Fluctuation in crew expenses directly affects our operating cost and profitability. For FY2015, FY2016, FY2017 and the four months ended 30 April 2018, our Group incurred crew expenses of approximately US\$2.1 million, US\$2.9 million, US\$7.3 million and US\$2.9 million, respectively, representing 32.3%, 32.5%, 35.5% and 36.1% of our total cost of sales, respectively. For FY2015, FY2016 and FY2017, our average crew expenses per vessel amounted to approximately US\$1,026,000, US\$979,000 and US\$1,039,000, respectively. The fluctuations of the crew expenses per vessel were mainly due to the changes in meals and travel subsidies provided to sailors.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the total crew expenses on our net profit during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be approximately 3%, 6% and 9% for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively, based on the fluctuation of average crew expenses per vessel in FY2015, FY2016 and FY2017.

Hypothetical Fluctuation	+/- 3%	+/- 6%	+/- 9%
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Increase/decrease in crew expense</i>			
Year ended 31 December 2015	+/- 62	+/- 123	+/- 185
Year ended 31 December 2016	+/- 88	+/- 176	+/- 264
Year ended 31 December 2017	+/- 218	+/- 436	+/- 654
Four months ended 30 April 2018	+/- 88	+/- 175	+/- 263
<i>Decrease/increase in net profit</i>			
Year ended 31 December 2015	-/+ 62	-/+ 123	-/+ 185
Year ended 31 December 2016	-/+ 88	-/+ 176	-/+ 264
Year ended 31 December 2017	-/+ 218	-/+ 436	-/+ 654
Four months ended 30 April 2018	-/+ 88	-/+ 175	-/+ 263

For illustrative purpose of breakeven analysis only, for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, if the total crew expenses had increased by approximately 164.5%, 154.0%, 83.0% and 117.0%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

Foreign exchange rates

Presently, our Group's functional currency is US\$, in which our revenue is also denominated and received in US\$, and most of our operating costs are incurred in US\$. However, we also carried out foreign currency transactions in RMB, HKD and SGD. In addition, our Group has certain bank loans denominated in US\$ and SGD that required repayment denominated in US\$ and SGD.

To the extent that our operating costs and loan repayments are not exactly matched in the same currency or to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than our functional currency.

Since HKD is pegged to US\$, we do not expect any significant movement in the US\$/HKD exchange rate, the currencies giving rise to exchange risks are primarily RMB and SGD. In FY2017, we recorded an unrealised exchange loss of approximately US\$1.5 million primarily due to part of our Group's bank loans were made in SGD, and US\$ depreciated against SGD in FY2017. As at 31 December 2016, 2017 and 30 April 2018, the carrying amount of our Group's bank loans denominated in SGD was approximately US\$6.9 million, US\$24.4 million and US\$23.4 million, respectively.

FINANCIAL INFORMATION

As at 31 December 2015, 2016, 2017 and 30 April 2018, if US\$ had strengthened five per cent against SGD with all other variables held constant, our consolidated profit after tax for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018 would have been approximately US\$1,000, US\$355,000, US\$1.2 million and US\$1.2 million lower, higher, higher and higher, respectively, arising mainly as a result of the foreign exchange gain on bank loans denominated in SGD. If US\$ had weakened five per cent against SGD with all other variables held constant, our consolidated profit after tax for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018 would have been approximately US\$1,000, US\$355,000, US\$1.2 million and US\$1.2 million higher, lower, lower and lower, respectively, arising mainly as a result of the foreign exchange loss on bank loans denominated in SGD.

Interest rates

For FY2015, FY2016, FY2017 and the four months ended 30 April 2018, we incurred finance costs of approximately US\$649,000, US\$1.9 million, US\$3.6 million and US\$1.5 million, respectively, representing approximately 6.0%, 12.4%, 10.6% and 11.0% of our revenue for the same periods, respectively. The significant part of our finance costs comprised of interest on bank and other borrowings and finance lease charges, which bear interests at variable rates varied with the then prevailing market condition. Any increase in the interest rates could lead to an increase of our finance costs and thus adversely affect our results of operation.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the interest rate on our net profit during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed that the interest rate increases or decreases approximately 1%, 2% and 3% for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

Hypothetical Fluctuation	+/- 1%	+/- 2%	+/- 3%
	US\$'000	US\$'000	US\$'000
<i>Increase/decrease in finance costs subject to floating-interest rate</i>			
Year ended 31 December 2015	+/- 256	+/- 512	+/- 768
Year ended 31 December 2016	+/- 521	+/- 1,042	+/- 1,563
Year ended 31 December 2017	+/- 772	+/- 1,543	+/- 2,315
Four months ended 30 April 2018	+/- 973	+/- 1,947	+/- 2,920
<i>Decrease/increase in net profit</i>			
Year ended 31 December 2015	-/+ 256	-/+ 512	-/+ 768
Year ended 31 December 2016	-/+ 521	-/+ 1,042	-/+ 1,563
Year ended 31 December 2017	-/+ 772	-/+ 1,543	-/+ 2,315
Four months ended 30 April 2018	-/+ 973	-/+ 1,947	-/+ 2,920

FINANCIAL INFORMATION

For illustrative purpose of breakeven analysis only, for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, if the total interest rate had increased by approximately 13%, 9%, 8% and 4%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND ASSUMPTIONS

The discussion and analysis of our operating results and financial position are based on our audited consolidated financial statements, which have been prepared in accordance with HKFRSs which will be revised from time to time. During the Track Record Period, our Group has been adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. Based on the new and revised HKFRSs, the followings are relevant to our Group:

(1) **HKFRS 9 Financial Instruments**

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. Our Group has adopted the new standard on the required effective date and does not restate comparative information.

The impact of HKFRS 9 to our Group's consolidated financial statements is as follows:

(i) *Classification and measurement*

The adoption of HKFRS 9 does not have significant impact to the classification and measurement of financial assets of our Group. The classification and measurement policy of financial assets under HKFRS 9 had been disclosed in Note 4(g) to the Accountants' Report.

(ii) *Impairment*

HKFRS 9 requires our Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model does not result in earlier recognition of credit losses at 1 January 2018.

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(2) HKFRS 15 Revenue from Contracts with Customers

(i) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable for provision of asphalt tanker chartering services in the ordinary course of our Group's activities. Revenue is shown, net of discounts and after eliminating sales with the members of our Group. Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities, as described below.

Revenue from voyage charters and CoAs

Revenue is recognised when or as the control of services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of services may be transferred over time or at a point in time. Control of the services is transferred over time if our Group's performance: (1) provides all of the benefits received and consumed simultaneously by the customer; (2) creates and enhances an asset that the customer control as our Group performs; or (3) does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of the value of individual service transferred by our Group to customer, by reference to the time proportion of each individual voyage. When either party to a contract has performed, our Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

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If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers services to the customer, our Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer. A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

(ii) *Application of HKFRS 15*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Our Group has adopted the standard using the modified retrospective approach and does not restate the comparative information.

Our Group has identified the following areas which are affected:

Timing of revenue recognition

Before adoption of HKFRS 15, revenue from voyage charters and CoAs is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies three situations in which control of the promised goods or service is regarded as being transferred over time.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

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HKFRS 15 does not have impact on how our Group recognises revenue from voyage charters and CoAs. However, the adoption of HKFRS 15 would affect the recognition and presentation of trade receivables, contract assets and liabilities. The accounting policies and presentation of contract assets and liabilities are further disclosed in Note 4(o) and Note 20 to the Accountants' Report respectively. The following table summarises the impacts of adopting HKFRS 15 on our Group's consolidated financial statements for the four months ended 30 April 2018:

As at 30 April 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of HKFRS 15
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Contract assets	96	(96)	—
Trade receivables	1,399	(285)	1,114
Contract liabilities	(381)	381	—

The adoption of HKFRS 15 does not have significant impact to the financial position and performance of our Group.

For further details for the impacts of the new and revised HKFRSs, please refer to Note 3 of the Accountant's Report set out in Appendix I to this prospectus.

Our operating results and financial position are sensitive to accounting methods, assumptions, and estimates. The assumptions and estimates are based on our industry experience and various factors, including our management's expectations of future events, which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

It should be noted that accounting estimates and assumptions are used in preparation of our financial information. Although these estimates are based on our management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These estimates and assumptions are subject to change in the future, as necessary. For further details regarding significant accounting policies, estimates and assumptions, please refer to Note 4 and Note 5 of the Accountants' Report set out in Appendix I to this prospectus.

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PRINCIPAL COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated statements of profit or loss and other comprehensive income

The following table sets forth the summary of our results of operations during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Revenue	10,760	100	15,457	100	33,727	100	9,795	100	13,348	100
Cost of sales	<u>(6,357)</u>	<u>(59.1)</u>	<u>(9,043)</u>	<u>(58.5)</u>	<u>(20,458)</u>	<u>(60.7)</u>	<u>(6,634)</u>	<u>(67.7)</u>	<u>(8,082)</u>	<u>(60.5)</u>
Gross profit	4,403	40.9	6,414	41.5	13,269	39.3	3,161	32.3	5,266	39.5
Other income	250	2.3	666	4.3	332	1.0	121	1.2	740	5.5
Administrative expenses	(642)	(6.0)	(783)	(5.1)	(2,095)	(6.2)	(518)	(5.3)	(871)	(6.5)
Other operating expenses	—	—	(162)	(0.9)	(350)	(1.0)	(206)	(2.1)	—	—
Exchange gain/(loss), net	<u>14</u>	<u>0.2</u>	<u>299</u>	<u>1.9</u>	<u>(1,543)</u>	<u>(4.6)</u>	<u>(473)</u>	<u>(4.8)</u>	<u>(261)</u>	<u>(2.0)</u>
Profit from operations	4,025	37.4	6,434	41.7	9,613	28.5	2,085	21.3	4,874	36.5
Finance costs	<u>(649)</u>	<u>(6.0)</u>	<u>(1,912)</u>	<u>(12.4)</u>	<u>(3,581)</u>	<u>(10.6)</u>	<u>(986)</u>	<u>(10.1)</u>	<u>(1,462)</u>	<u>(11.0)</u>
Profit before tax	3,376	31.4	4,522	29.3	6,032	17.9	1,099	11.2	3,412	25.5
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other comprehensive income										
Exchange difference on translating foreign operation	—	—	—	—	—	—	—	—	10	0.1
Profit and total comprehensive income for the year	<u>3,376</u>	<u>31.4</u>	<u>4,522</u>	<u>29.3</u>	<u>6,032</u>	<u>17.9</u>	<u>1,099</u>	<u>11.2</u>	<u>3,422</u>	<u>25.6</u>
Attributable to:										
Owners of our Company	3,377	100	4,390	97.1	5,489	91.0	1,289	13.3	3,422	25.6
Non-controlling interests	<u>(1)</u>	<u>—</u>	<u>132</u>	<u>2.9</u>	<u>543</u>	<u>9.0</u>	<u>(190)</u>	<u>1.9</u>	<u>—</u>	<u>—</u>
	<u>3,376</u>	<u>100</u>	<u>4,522</u>	<u>100</u>	<u>6,032</u>	<u>100</u>	<u>1,099</u>	<u>11.2</u>	<u>3,422</u>	<u>25.6</u>

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Revenue

We generated our revenue from the provision of asphalt tanker chartering services in different continents, such as Asia, Australia, North America, South America, Africa and Europe under various types of charter agreement comprising (i) time charters, (ii) voyage charters and CoAs, during the Track Record Period.

Other than our charter hire rate, the overall time charter revenue generated by our Group was mainly affected by (i) number of vessels available in our fleet, and (ii) number of off-hire days during the Track Record Period. While for voyage charters and CoAs, the overall revenue generated was mainly affected by (i) number of vessels available in our fleet, (ii) supply of vessels in the market for the period of time under consideration, and (iii) utilisation rate of our vessels. For further details of the utilisation rate of our vessels, please refer to the section headed “Business — Fleet Management — Fleet utilisation rate” in this prospectus.

The following table sets out our revenue by the types of our asphalt tanker chartering services during the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	<i>Revenue</i> <i>US\$'000</i>	<i>%</i>	<i>Revenue</i> <i>US\$'000</i>	<i>%</i>	<i>Revenue</i> <i>US\$'000</i>	<i>%</i>	<i>Revenue</i> <i>US\$'000</i>	<i>%</i>	<i>Revenue</i> <i>US\$'000</i>	<i>%</i>
	<i>(unaudited)</i>									
Time charters	10,760	100	14,117	91.3	20,061	59.5	5,271	53.8	7,987	59.8
Voyage charters and CoAs	—	—	1,340	8.7	13,666	40.5	4,524	46.2	5,361	40.2

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The following table sets forth the revenue for our chartering services: time charters and voyage charters and CoAs, respectively, during the Track Record Period:

		Revenue by type of services			
Name of vessels or company	Time Charters	Voyage charters		Total	Total
		and CoAs	Total		
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>		<i>%</i>
FY2015	San Du Ao	5,350	—	5,350	49.7
	Zhuang Yuan Ao	5,410	—	5,410	50.3
	Total	<u>10,760</u>	<u>—</u>	<u>10,760</u>	<u>100</u>
FY2016	San Du Ao	4,356	—	4,356	28.2
	Zhuang Yuan Ao	5,273	—	5,273	34.1
	Feng Huang Ao ⁽¹⁾	4,488	1,340	5,828	37.7
	Total	<u>14,117</u>	<u>1,340</u>	<u>15,457</u>	<u>100</u>
FY2017	San Du Ao	5,029	—	5,029	14.9
	Zhuang Yuan Ao	4,981	—	4,981	14.8
	Feng Huang Ao	5,863	—	5,863	17.4
	Lilstella ⁽³⁾	2,264	2,390	4,654	13.8
	Poestella ⁽³⁾	1,924	2,393	4,317	12.8
	Orcstella	—	4,740	4,740	14.1
	Rostella	—	3,749	3,749	11.1
	Bilxin Shipping ⁽²⁾	—	394	394	1.1
	Total	<u>20,061</u>	<u>13,666</u>	<u>33,727</u>	<u>100</u>

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		Revenue by type of services			
Name of vessels or company		Voyage charters			Total
		Time Charters	and CoAs	Total	
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	%
Four months ended 30 April 2017	San Du Ao	1,651	—	1,651	16.8
	Zhuang Yuan Ao	1,734	—	1,734	17.7
	Feng Huang Ao	1,886	—	1,886	19.3
	Orcstella	—	679	679	6.9
	Rostella	—	73	73	0.8
	Poestella	—	1,696	1,696	17.3
	Lilstella	—	1,682	1,682	17.2
	Bilxin Shipping ⁽²⁾	—	394	394	4.0
	Total		<u>5,271</u>	<u>4,524</u>	<u>9,795</u>
Four months ended 30 April 2018	San Du Ao	1,627	—	1,627	12.2
	Zhuang Yuan Ao	1,776	—	1,776	13.3
	Feng Huang Ao	1,956	—	1,956	14.7
	Lilstella	1,272	—	1,272	9.5
	Poestella	1,356	—	1,356	10.2
	Orcstella	—	1,685	1,685	12.6
	Rostella	—	2,005	2,005	15.0
	Baustella	—	1,264	1,264	9.5
	Jastella	—	407	407	3.0
Total		<u>7,987</u>	<u>5,361</u>	<u>13,348</u>	<u>100</u>

Notes:

- ⁽¹⁾ In FY2016, Feng Huang Ao was operated under voyage charters before its operation was changed to time charter in March 2016.
- ⁽²⁾ Revenue of approximately US\$394,000 was generated by Bilxin Shipping in FY2017, mainly attributed to our fulfilment of CoAs, in which Huate requested three vessels but only two of our vessels were available at that time. our Directors considered San Du Ao was the suitable additional vessel and decided to enter into a voyage charter with Group A to charter in San Du Ao from Group A back to us for a short period For further details, please refer to the section headed “Business — Customers — Relationship with Group A” in this prospectus.
- ⁽³⁾ In FY2017, Lilstella and Poestella were operated under voyage charters before their operation were changed to time charter in June and July 2017, respectively.

Our revenue recorded a growth of approximately 43.7% and 118.2% for FY2016 and FY2017 in comparison with the previous year, and a growth rate of approximately 36.3% the four months ended 30 April 2018 in comparison with the corresponding period in the previous year. Such growths in revenue were attributable to an increase in the number of our vessels of approximately 50%, 133% and 28.6% for the corresponding periods, respectively. According to the F&S report, with our current fleet’s size, in 2017, we ranked fourth in the global asphalt tanker chartering services market in terms of total carrying capacity (dwt) of vessels and in terms of revenue.

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It was our management’s decision to achieve rapid growth in revenue by expanding our fleet. Our customers generally issue a letter of intent to us before we purchase new vessels, in which our management is of the view that we are able to generate sufficient revenue to recover the operating costs and cost of construction. For further details, please refer to the section headed “Business — Our Fleet — Engaging shipyards to build new vessels for us” in this prospectus.

Cost of sales

Our cost of sales mainly consists of crew expenses, depreciation, bunker fees, port charges, insurance expenses and management fees. For FY2015, FY2016, FY2017 and the four months ended 30 April 2018, our cost of sales represented approximately 59.1%, 58.5%, 60.7% and 60.5% of our total revenue, respectively.

The following table sets out a breakdown of our Group’s cost of sales during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Crew expenses ⁽¹⁾	2,052	32.3	2,936	32.5	7,270	35.5	2,136	32.2	2,920	36.1
Depreciation ⁽²⁾	2,472	38.9	3,204	35.4	5,535	27.1	1,660	25.0	2,175	26.9
Bunker fees	—	—	83	0.9	2,682	13.1	953	14.4	1,157	14.3
Port charges	—	—	98	1.1	915	4.5	276	4.2	348	4.3
Management fees	210	3.3	301	3.3	754	3.7	201	3.0	301	3.7
Spare parts	427	6.7	357	3.9	596	2.9	178	2.7	338	4.2
Materials	288	4.5	249	2.8	555	2.7	103	1.6	142	1.8
Lease cost ⁽³⁾	—	—	—	—	422	2.1	422	6.4	—	—
Insurance expenses	164	2.6	243	2.7	378	1.8	123	1.9	194	2.4
Inspection	192	3.0	203	2.2	213	1.0	61	0.9	59	0.7
Broker expenses	—	—	90	1.0	182	0.9	40	0.6	73	0.9
Repair and maintenance costs	205	3.2	751	8.3	178	0.9	123	1.9	69	0.9
Lubricant oil	223	3.5	332	3.7	162	0.8	90	1.4	108	1.3
Others ⁽⁴⁾	124	2.0	196	2.2	616	3.0	268	3.8	198	2.5
Total	6,357	100	9,043	100	20,458	100	6,634	100	8,082	100

Notes

⁽¹⁾ Crew expenses mainly consist of (i) sailors’ salaries and bonuses; (ii) overtime charges; and (iii) meals and travelling costs.

⁽²⁾ Depreciation mainly consists of depreciation of our vessels and dry-docking.

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⁽³⁾ In 2017, during which our Group chartered our vessels San Du Ao and Zhuang Yuan Ao to Group A under time charter, our Group had entered into a voyage charter with Group A to lease back San Du Ao from Group A for a short period so that we could meet another customer's demand for our asphalt tanker chartering services under CoAs. For further details, please refer to the section headed "Business — Customers — Relationship with Group A" in this prospectus.

⁽⁴⁾ Others mainly consist of (i) fee for vessels' certification; (ii) chart (sea map); (iii) communication fee; and (iv) miscellaneous.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by types of our asphalt tanker chartering services during the Track Record Period:

Charterparty	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	<i>Gross Profit</i>		<i>Gross Profit</i>		<i>Gross Profit</i>		<i>Gross Profit</i>		<i>Gross Profit</i>	
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Time charters	4,403	40.9	5,858	41.5	9,083	45.3	2,579	48.9	3,617	45.3
Voyage charters and CoAs	—	—	556	41.5	4,186	30.6	582	12.9	1,649	30.8
	<u>4,403</u>	40.9	<u>6,414</u>	41.5	<u>13,269</u>	39.3	<u>3,161</u>	32.3	<u>5,266</u>	39.5

Under our Group's time charters, we are not responsible for the bunker fees and port charges, while for voyage charters and CoAs, bunker fees and port charges are components of our cost of sales. Therefore, our gross profit margin for time charters is generally higher than the gross profit margin for voyage charters and CoAs, except for FY2016. In FY2016, we recorded a lower gross profit margin from time charters and higher gross profit margin from voyage charters, and this was mainly due to: (i) our Group's vessels, San Du Ao and Zhuang Yuan Ao recorded total off-hire days of 58 days and 20 days, respectively, mainly for dry-docking, and off-hire days of 25 days of San Du Ao resulted from an incident due to the negligence of crew members in March 2016, all in which our Group incurred costs but did not generate revenue during those periods, and thus reduced the overall gross profit margin from time charters; and (ii) our Group achieved a relatively higher gross profit margin from voyage charters in 2016 when compared to 2017, due to our Group's vessel Feng Huang Ao operated under voyage charters in 2016 has the largest carrying capacity among our Group's fleet.

Our gross profit amounted to approximately US\$4.4 million, US\$6.4 million, US\$13.3 million and US\$5.3 million for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively, representing gross profit margin of approximately 40.9%, 41.5%, 39.3% and 39.5%, for the same periods, respectively.

Other income

Our Group's other income mainly consists of insurance compensation, gain on disposals of derivative financial instruments and sundry income. The other income recorded an increase from

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approximately US\$250,000 for FY2015 to approximately US\$666,000 for FY2016, and recorded a decrease to approximately US\$332,000 for FY2017. The other income recorded an increase from approximately US\$121,000 for the four months ended 30 April 2017 to approximately US\$740,000 for the four months ended 30 April 2018. The following table sets forth our other income recognised and as percentage of total other income during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Insurance compensation	141	56.4	27	4.1	258	77.7	114	94.2	286	38.7
Fair value gain on derivative financial instruments	—	—	—	—	—	—	—	—	443	59.9
Gain on disposals of derivative financial instruments	—	—	516	77.5	—	—	—	—	—	—
Bank interest income	1	0.4	3	0.4	11	3.3	2	1.7	7	0.9
Sundry income ⁽¹⁾⁽²⁾⁽³⁾	108	43.2	120	18.0	63	19.0	5	4.1	4	0.5
Total	250	100	666	100	332	100	121	100	740	100

Note

- (1) Sundry income consists of (i) government subsidy; (ii) reimbursement of listing expenses from our shareholder, Bilsea International; and (iii) miscellaneous.
- (2) In FY2015 and FY2016, our Group received government subsidy for foreign investment (對外投資合作專項資金) in relation to reimbursement of interest expenses resulted from loan arrangements made by Xin Yuan Ocean and Xin De Yuan from Fuzhou Municipal Bureau of Commerce (福州市商務局).
- (3) Bilsea International shared 9% of the listing expenses incurred in FY2017. The percentage of the listing expenses Bilsea International shared was proportional to its shareholding in our Company after the completion of the Reorganisation.

Administrative expenses

Our Group's administrative expenses amounted to approximately US\$642,000, US\$783,000, US\$2.1 million and US\$871,000 for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively. Administrative expenses incurred by our Group during the Track Record Period mainly consist of staff costs for our employees, listing expenses, rental expenses, entertainment expenses, travelling expenses, fees paid to engage legal and professional parties and our bank charges. The staff costs represented the largest component of our administrative expenses, representing approximately 49.4%, 40.5%, 43.6% and 39.5% of our administrative expenses for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

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The table below sets out a breakdown of our administrative expenses by components for the periods indicated and as percentage of total administrative expenses:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
	<i>(unaudited)</i>									
Staff costs ⁽¹⁾	317	49.4	317	40.5	914	43.6	254	49.0	344	39.5
Listing expenses	—	—	—	—	374	17.9	—	—	223	25.6
Rental expenses	38	5.9	63	8.0	171	8.2	58	11.2	62	7.1
Entertainment expenses	40	6.2	22	2.8	160	7.6	49	9.5	21	2.4
Travelling expenses	38	5.9	45	5.7	82	3.9	17	3.3	15	1.7
Legal and professional fees ⁽²⁾	47	7.3	61	7.8	101	4.8	9	1.7	77	8.8
Auditor's remuneration ⁽³⁾	52	8.1	52	6.7	52	2.5	17	3.3	59	6.8
Bank charges	73	11.4	53	6.8	43	2.1	12	2.3	22	2.5
General expenses ⁽⁴⁾	—	—	90	11.5	36	1.7	24	4.6	—	—
Others ⁽⁵⁾	37	5.8	80	10.2	162	7.7	78	15.1	48	5.6
Total	642	100	783	100	2,095	100	518	100	871	100

Note

- ⁽¹⁾ Staff costs mainly include salaries, welfares and retirement benefits, and our directors' emoluments. Staff costs include fee reimbursement of approximately US\$317,000, US\$278,000 and US\$640,000 to Jincheng Hengtong in FY2015, FY2016 and FY2017, respectively. The arrangement ceased in December 2017, for further details, please refer to the section headed "Business — Employees" in this prospectus.
- ⁽²⁾ In FY2015, FY2016, FY2017 and four months ended 30 April 2018, we paid approximately US\$14,000, US\$33,000, US\$25,000 and nil, respectively, to our auditor.
- ⁽³⁾ Auditor's remuneration incurred mainly arose from the preparation of Accountants' Report for the purpose of the Listing.
- ⁽⁴⁾ Our Group had entered into agreements with Bilsea International, pursuant to which Bilsea International provided human resources, information technology and secretary services to our Group for the period from January 2016 to June 2017.
- ⁽⁵⁾ Others mainly include renovation fee for our office, stamp duty and insurance expenses.

Other operating expenses

Other operating expenses incurred by our Group during the Track Record Period mainly consist of the fair value loss on derivative financial instruments including foreign currency forward contracts and interest rate swap contracts. Our Group's other operating expenses were approximately nil, US\$162,000, US\$350,000 and nil for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

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During the Track Record Period, our Group entered into certain foreign currency forward contracts between US\$ and SGD, and interest rate swap contracts with banks.

The foreign currency forward contracts are measured at fair value through profit or loss. The fair value was estimated using discounted cash flows method that are based on forward exchange rates and contract forward rates.

The interest rate swap contracts are measured at fair value through profit or loss. The fair value was estimated using discounted cash flows that are based on interest rates and discount rates.

Exchange gain/(loss), net

As at 31 December 2015, 2016, 2017 and 30 April 2018, we had outstanding bank loans denominated in SGD of approximately nil, US\$6.9 million, US\$24.4 million and US\$23.4 million, respectively. Based on our accounting policy on foreign currency translation, monetary assets and liabilities, such as our bank loans, denominated in currencies other than our functional currency, are translated at the exchange rate at the end of each reporting period, which may result in exchange gain or loss. For details of our accounting policy on foreign currency translation, please refer to Note 4(b)(ii) of the Accountants' Report set out in Appendix I to this prospectus.

Profit from operations

Our profit from operations is calculated as our gross profit and other income less administrative expenses, other operating expenses and exchange gain or loss, net.

Finance costs

Our finance costs mainly consist of (i) interest on bank and other borrowings; (ii) finance lease charges; (iii) interest rate swap expenses and (iv) bank charges during the Track Record Period.

After capitalisation, the interest on bank and other borrowings represented the largest component of our finance costs, accounted for approximately 73.8%, 62.9%, 74.2% and 66.8% of our finance costs for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

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The table below sets out a breakdown of our finance costs during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
	<i>(unaudited)</i>									
Interest on bank and other borrowings	930	73.8*	1,323	62.9*	2,690	74.2*	767	74.5	976	66.8
Finance lease charges	—	—	710	37.1	712	19.9	239	24.2	395	27.0
Interest rate swap expenses	—	—	—	—	211	5.9	12	1.3	91	6.2
Bank charges	170	26.2	—	—	—	—	—	—	—	—
	1,100		2,033		3,613		1,018		1,462	
Less: amount capitalised	(451)		(121)		(32)		(32)		—	
Total	649	100	1,912	100	3,581	100	986	100	1,462	100

**Note:* The percentage of total finance costs is calculated by the amount of interest on bank and other borrowings less capitalised amount and then divided by total finance costs.

Profit before tax

Our profit before tax is calculated as our profit from operations less the finance costs.

Income tax expense

The following table sets forth our profit before tax, income tax expense and effective tax rate for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(unaudited)</i>				
Profit before tax	3,376	4,522	6,032	1,099	3,412
Income tax expense	—	—	—	—	—
Effective tax rate	—	—	—	—	—

Our Tax Adviser has reviewed our tax position and agreed no Hong Kong profits tax, PRC corporate income tax and Singapore corporate income tax provision is required for FY2015, FY2016, FY2017 and the four months ended 30 April 2018.

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Hong Kong Taxation

Our Group has certain operating subsidiaries incorporated in Hong Kong which are mainly engaged in the provision of asphalt tanker chartering services. As the vessels held under these subsidiaries mainly navigated outside the waters of Hong Kong and locations outside the river trade limits, as advised by our Tax Adviser, the charter income from the provision of asphalt tanker chartering services is eligible for profits tax exemption under section 23B of the IRO.

PRC Taxation

Certain Hong Kong operating subsidiaries of our Group have their back offices in the PRC. In the PRC, corporate income tax shall be paid in accordance with the provisions of the PRC Corporate Income Tax Law (“CIT Law”) by all PRC enterprises and income receiving organizations on their income derived from production, business operations and other source. In the PRC, corporate Income Tax (“PRC CIT”) shall be computed on taxable income at a rate of 25% subject to certain applicable tax preferential treatments. Pursuant to the Double Taxation Agreement between Hong Kong and the PRC, income derived by an enterprise in Hong Kong from the operation of ships in shipping transport shall be exempt from tax (including business tax in the PRC) in the PRC. The charter income from the provision of asphalt tanker chartering services by the vessels held under these Hong Kong subsidiaries with their back offices in the PRC was received from (i) companies not established in the PRC; and (ii) companies established in the PRC. As advised by our Tax Adviser, revenue received from companies not established in the PRC is not sourced in the PRC and not subject to PRC CIT, and revenue received from the companies established in the PRC is also exempted from PRC CIT under the Double Taxation Agreement.

Singapore Taxation

In relation to tax exemption under Section 13A of the Singapore Income Tax Act (“SITA”), it provides tax exemption on qualifying income derived by a shipping enterprise from the operation of Singapore-flagged or foreign-flagged ships.

Under section 13A(16) of the SITA, “operation” is defined to mean:

- a) in relation to a Singapore ship —
 - i. the carriage of passengers, mail, livestock or goods outside the limits of the port of Singapore;
 - ii. towing or salvage operations outside the limits of the port of Singapore;
 - iii. the charter of the ship for use outside the limits of the port of Singapore;
 - iv. the use outside the limits of the port of Singapore of the ship as a dredger, seismic ship or ship used for offshore oil or gas activity; or
 - v. the use, on or after 25 March 2016, outside the limits of the port of Singapore of the ship for offshore renewable energy activity or offshore mineral activity; and

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- b) in relation to a foreign ship, the carriage of passengers, mail, livestock or goods shipped in Singapore, except where such carriage arises solely from transshipment from Singapore, or is only within the limits of the port of Singapore.

Our Group has certain operating subsidiaries incorporated in Singapore. As the vessels held under these subsidiaries incorporated in Singapore (i) are tax residents in Singapore, (ii) each of these subsidiaries owns a Singapore-flagged vessel and (iii) the Singapore-flagged ships owned by these subsidiaries plied in international waters, with at least one leg of the transaction (either the load or the discharge port) falls outside of Singapore, our Tax Adviser advised that their charter income and related shipping income (e.g. incidental demurrage fees) earned from vessel chartering for asphalt transportation are exempted from Singapore corporate income tax under the provisions of Section 13A(16)(a)(iii) of the SITA.

Profit and total comprehensive income for the year

The table below sets out our profit and total comprehensive income for the year and net profit margin during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
	<i>(unaudited)</i>									
Profit and total comprehensive income for the year	<u>3,376</u>	<u>31.4</u>	<u>4,522</u>	<u>29.3</u>	<u>6,032</u>	<u>17.9</u>	<u>1,099</u>	<u>11.2</u>	<u>3,422</u>	<u>25.6</u>

REVIEW OF HISTORICAL RESULT OF CONTINUING OPERATIONS

Comparison between the four months ended 30 April 2018 and the four months ended 30 April 2017

Revenue

For the four months ended 30 April 2018, our revenue increased by approximately US\$3.6 million or 36.3% compared to the four months ended 30 April 2017. For the period under review, the increase was mainly due to the number of our vessels increased by 28.6% from seven vessels to nine vessels.

The increase of approximately US\$2.7 million or 51.5% of revenue generated from time charter services was mainly due to our vessels, Lilstella and Poestella were put into operation for time charters and commenced to generate revenue in June and July 2017, respectively.

The increase of approximately US\$837,000 or 18.5% of revenue generated from voyage charter, and CoAs was mainly due to (i) our vessels, Baustella and Jastella, were delivered and put into operation for voyage charter and CoAs and commenced to generate revenue in February and April 2018, respectively; and (ii) our vessels, Orcstella and Rostella were not in full operation for the whole four months ended 30 April 2017 but they were in full operation for the whole four months ended 30 April 2018.

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Cost of sales

For the four months ended 30 April 2018, our new vessels, Baustella and Jastella, were put into operation in February and April 2018, respectively.

Our cost of sales increased by approximately US\$1.4 million or 21.8% for the four months ended 30 April 2018 compared with the four months ended 30 April 2017. Such increase was in line with the increase in revenue generated and the increase in the number of vessels for the same period and our vessels, Orcstella and Rostella, did not operate for full four month period for the four months ended 30 April 2017.

The increase of cost of sales was mainly due to:

- (i) our crew expense recorded an increase of approximately US\$784,000 or 36.7%, which was mainly because our vessels, Orcstella, Rostella, Baustella and Jastella were put into operation in March and April 2017, February and April 2018, respectively;
- (ii) our depreciation recorded an increase of approximately US\$515,000 or 31.0%, which was mainly because our vessels, Lilstella, Poestella, Orcstella and Rostella did not depreciate for full four month period for the four months ended 30 April 2017; and
- (iii) our bunker fees and port charges recorded an increase of approximately US\$204,000 and US\$72,000 or 21.4% and 26.1%, respectively, such increases mainly due to (a) our new vessels, Baustella and Jastella, were put into operation for voyage charters and CoAs in February and April 2018, respectively; and (b) our vessels, Orcstella and Rostella did not operate for the full four month period for the four months ended 30 April 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately US\$2.1 million, or 66.6% for the four months ended 30 April 2018 compared to the four months ended 30 April 2017 mainly due to our vessels, Lilstella, Poestella, Orcstella and Rostella did not operate for full four month period for the four months ended 30 April 2017.

The increase in our gross profit margin from approximately 32.3% for the four months ended 30 April 2017 to approximately 39.5% for the four months ended 30 April 2018 was mainly due to the lower profit margin of approximately 12.9% recorded under voyage charters and CoAs in the four months ended 30 April 2017 resulted from (i) a one-off lease cost of approximately US\$422,000 incurred in February 2017 for the fulfilment of CoAs; and (ii) our vessel, Rostella, which was delivered in late April 2017, only generated revenue for 9 days, and some of the major operating costs, such as crew expenses and management fees, were charged for the full month of April.

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Other income

Our other income increased by approximately US\$619,000 or 511.6% from approximately US\$121,000 for the four months ended 30 April 2017 to approximately US\$740,000 for the four months ended 30 April 2018.

The increase of other income was mainly due to the fair value gain on derivative financial instruments of approximately US\$443,000 in relation to the interest rate swap contracts recognised for the four months ended 30 April 2018.

Administrative expenses

Our Group's administrative expenses increased by approximately US\$353,000 or 68.1% from approximately US\$518,000 for the four months ended 30 April 2017 to approximately US\$871,000 for the four months ended 30 April 2018, which was in line with the increase in our business operation for the four months ended 30 April 2018.

The increase of administrative expenses was mainly due to:

- (i) our Group incurred listing expenses of approximately US\$223,000 in the four months ended 30 April 2018; and
- (ii) our staff costs recorded an increase of approximately US\$90,000 due to the increase in wage rate and the number of employees.

Other operating expense

Our Group recorded other operating expenses of approximately US\$206,000 and nil for the four months ended 30 April 2017 and 2018, respectively.

Exchange gain/loss, net

Our Group recorded an unrealised exchange loss of approximately US\$261,000 for the four months ended 30 April 2018 as compared to an unrealised exchange loss of approximately US\$473,000 for the four months ended 30 April 2017, which was principally attributable to the translation of our Group's bank loans of approximately SGD31.0 million, which was equivalent to approximately US\$23.4 million, into our reporting currency of US\$, and US\$ depreciated against SGD for approximately 1.0% between 30 April 2017 and 30 April 2018.

Based on our accounting policy on foreign currency translation, our Group's monetary assets and liabilities denominated in currencies other than our functional currency are translated at the exchange rate at the end of each reporting period.

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Finance costs

Our finance costs increased by approximately US\$476,000, or 48.3% for the four months ended 30 April 2018 as compared to the four months ended 30 April 2017. The increase was mainly due to (i) the increase in interest on bank and other borrowing of approximately US\$209,000 resulted from the increase in our bank loans due to (a) increased effective interest rates, and (b) the addition of our vessels in FY2017; and (ii) increase in finance lease charges of approximately US\$156,000 due to the addition of our vessels, Baustella and Jastella, in the four months ended 30 April 2018.

Profit and total comprehensive income for the period under consideration

Our profit and total comprehensive income for the four months ended 30 April 2018 increased by approximately US\$2.3 million, or 211.4% as compared to the four months ended 30 April 2017. Such increase in our profit was principally attributable to the increase in our revenue resulted from the increase of two new vessels, namely Baustella and Jastella, which were put into operation in February and April 2018, respectively.

Our net profit margin increased to 25.6% for the four months ended 30 April 2018 compared with 11.2% for the four months ended 30 April 2017. Such increase in our net profit margin was primarily due to the combined effect of (i) the increase in gross profit margin generated from voyage charters and CoAs; (ii) the increase in other income of approximately US\$619,000; (iii) the decrease in exchange loss of approximately US\$212,000; and (iv) the decrease in other operating expenses of approximately US\$206,000.

Comparison between FY2017 and FY2016

Revenue

In FY2017, our revenue increased by approximately US\$18.3 million or 118.2% compared to FY2016. For the year under review, the increase was mainly due to the number of our vessels increased by 133.3% from three vessels to seven vessels.

The increase of approximately US\$5.9 million or 42.1% of revenue generated from time charter services was mainly due to our vessels, Lilstella and Poestella, were put into operation for time charter and commenced to generate revenue in June and July 2017, respectively.

The increase of approximately US\$12.3 million or 919.9% of revenue generated from voyage charters and CoAs was mainly due to our vessels (i) Orcstella and Rostella were put into operation for voyage charters or CoAs and commenced to generate revenue in March and April 2017, respectively; (ii) Lilstella and Poestella were operated under voyage charters before their operations were changed to time charter services in June and July 2017, respectively; and (iii) the three vessels, San Du Ao, Zhuang Yuan Ao and Feng Huang Ao, mainly focused on time charters in FY2016.

Cost of sales

In FY2017, our new vessels, namely Lilstella, Poestella, Orcstella and Rostella, were put into operation in January, January, March and April 2017, respectively. In particular, Lilstella and Poestella were operated under voyage charters or CoAs from January 2017 and then their operations were changed to time charter in June and July 2017, respectively.

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Our cost of sales increased by approximately US\$11.4 million or 126.2% as compared with FY2016. Such increase was in line with the increase in revenue generated and the increase in the number of vessels for the same period.

The increase of cost of sales was mainly due to:

- (i) our crew expenses recorded an increase of approximately US\$4.3 million or 147.6%, which was mainly because of (a) crew expenses incurred in respect of our new vessels; and (b) we engaged a new reputable ship management company, BSM, in FY2017 to manage our new vessels and Feng Huang Ao, which offered quality service and charged higher fees;
- (ii) our depreciation recorded an increase of approximately US\$2.3 million or 72.8%, which was mainly because of our new vessels were delivered, put into operation and commenced to depreciate in FY2017;
- (iii) our bunker fees and port charges recorded an increase of approximately US\$2.6 million and US\$817,000 or 3,131.3% and 833.7%, respectively. Such rapid increases were mainly due to our new vessels were put into operation for voyage charters or CoAs in 2017, and we only had one vessel, Feng Huang Ao, operated under voyage charters from January to March 2016; and
- (iv) our insurance expenses recorded an increase of approximately US\$135,000 or 55.6%, which was mainly due to our new vessels were put into operation.

Gross profit and gross profit margin

Our gross profit increased by approximately US\$6.9 million, or 106.9% in FY2017 due to our new vessels, namely Lilstella, Poestella, Orcstella and Rostella, were put into operation in FY2017. The increase of gross profit is in line with our increase in the number of vessels.

The decrease in our gross profit margin from approximately 41.5% for FY2016 to approximately 39.3% for FY2017 was mainly due to the lower gross profit margin of approximately 30.6% recorded under voyage charters and CoAs in FY2017.

In FY2017, our gross profit margin from time charter services increased by 3.8% from 41.5% to 45.3%. The increase in gross profit margin was mainly due to our decrease of approximately 49 days or 62.8% in the total number of off-hire days of 29 days in FY2017 as compared to 78 days in FY2016, in which we incurred costs during the off-hire days but did not generate revenue.

The decrease of approximately 10.9% of gross profit margin from voyage charters and CoAs was mainly due to the higher gross profit margin of approximately 41.5% recorded under our vessel, Feng Huang Ao, operated under voyage charters in FY2016 as it had the largest carrying capacity within our fleet.

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Other income

In FY2016 and FY2017, our other income amounted to approximately US\$666,000 and US\$332,000, respectively, represented a decrease of approximately US\$334,000 or 50.2% in FY2017 as compared with FY2016.

The decrease of other income was mainly due to the combined effect of:

- (i) our insurance compensation recorded a significant increase of approximately US\$231,000 or 855.6%, which was principally because more insurance claims were resolved in FY2017 compared to FY2016, which resulted in higher amount of insurance compensation received. In FY2017, we received insurance compensation in relation to the incidents including malfunction of our vessel, an incident of our crew's finger injury and illnesses of our crews;
- (ii) our gain on disposals of derivative financial instruments recorded a decrease of approximately US\$516,000 or 100%, which was due to our Group did not record any gain from disposals of derivative financial instruments in FY2017;
- (iii) our sundry income recorded a decrease of approximately US\$57,000 or 47.5%, which was mainly due to decrease in government subsidy received for reimbursement of loans interest expenses as Xin Yuan Ocean and Xin De Yuan were no longer entitled to the government subsidy after the reorganisation in FY2016; and
- (iv) our Group received a reimbursement of listing expenses of approximately US\$60,000 from Bilsa International in FY2017, in which Bilsa International shared 9% of the listing expenses incurred in FY2017. The percentage of the listing expenses Bilsa International shared was proportional to its shareholding in our Company after the completion of the Reorganization.

Administrative expenses

Our Group's administrative expenses increased by approximately US\$1.3 million or 167.6% from approximately US\$783,000 in FY2016 to US\$2.1 million in FY2017, which was in line with the increase in our business operation in FY2017.

The increase of administrative expenses was mainly due to:

- (i) our staff costs recorded an increase of approximately US\$597,000 or 188.3%. Such increase was mainly due to (i) the increase in wage rate of our employees in FY2017; (ii) we hired some experienced staff in FY2017 to handle our new vessels in FY2017 with wage higher than our average wage rate; and (iii) we hired our first staff in Singapore in mid-2016, only several months of salaries were incurred;
- (ii) our Group recorded an increase of listing expenses of approximately US\$374,000 or 100%; and

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- (iii) our rental expenses recorded an increase of approximately US\$108,000 or 171.4% due to the fact that our Group reallocated to an office with higher rent and larger space in late 2016 in the PRC and rented an office in Hong Kong in 2017.

Other operating expenses

Our Group's other operating expenses experienced an increase of approximately US\$188,000 or 116.0% in FY2017, which was primarily due to the fair value loss incurred from interest rate swap contracts of approximately US\$350,000 recorded in FY2017 as compared to our fair value loss of approximately US\$162,000 incurred from foreign currency forward contracts recorded in FY2016.

Exchange gain/loss, net

Our Group recorded an unrealised exchange loss of approximately US\$1.5 million in FY2017 as compared to an unrealised exchange gain of approximately US\$303,000 in FY2016, which was mainly attributable to the translation of our Group's bank loans of approximately SGD32.6 million, which was equivalent to approximately US\$24.4 million, into our functional currency of US\$, in which US\$ depreciated against SGD for approximately 8.2% in FY2017.

Based on our accounting policy on foreign currency translation, our Group's monetary assets and liabilities denominated in currencies other than our functional currency are translated at the exchange rate at the end of each reporting period.

Finance costs

Our finance costs increased by approximately US\$1.7 million, or 87.3% in FY2017 as compared with FY2016. This is principally due to (i) the increase in interest on bank and other borrowing of approximately US\$1.4 million resulted from the increase in our bank loans due to the addition of our vessels during the year; and (ii) interest rate swap expenses of approximately US\$211,000 in FY2017.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by approximately US\$1.5 million, or 33.4% in FY2017. Such increase in our profit was mainly attributable to the increase in our revenue resulted from the increase of four new vessels, namely Lilstella, Poestella, Orcstella and Rostella, which were put into operation in January, January, March and April 2017, respectively.

Our net profit margin decreased to 17.9% for FY2017 compare with 29.3% for FY2016. Such decrease in our net profit margin was primarily due to the combined effect of (i) our unrealised loss in exchange rate and fair value loss on interest rate swap contracts; (ii) the increase in our administrative expenses which principally resulted from the staff costs and listing expenses we incurred in FY2017; (iii) the difference in services mix as we provided more voyage charters and CoAs services with a lower gross profit margin in FY2017 compared to FY2016; and (iv) the increase in finance costs in FY2017.

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Comparison between FY2016 and FY2015

Revenue

In FY2016, our revenue increased by approximately US\$4.7 million or 43.7% compared to FY2015. For the year under review, the increase was mainly due to the number of our vessels increased by 50% from two vessels to three vessels.

The increase of approximately US\$3.4 million or 31.2% of revenue generated from time charter services was mainly due to our vessel, Feng Huang Ao, which commenced to operate under time charters and generate revenue in March 2016.

The increase of approximately US\$1.3 million of revenue generated from voyage charter services was mainly due to our vessel, Feng Huang Ao, which was put into operation for voyage charters and commenced to generate revenue from January to March 2016. We had no revenue generated from voyage charters and CoAs in FY2015.

Cost of sales

In FY2016, our new vessel, Feng Huang Ao, was put into operation in January 2016, which was operated under voyage charters before its operation was changed to time charters in March 2016.

Our cost of sales increased by approximately US\$2.7 million or 42.3% as compared with FY2015, such increase was in line with the increase in revenue generated and the increase in the number of vessels for the same year.

The increase of cost of sales was mainly due to:

- (i) our crew expenses recorded an increase of approximately US\$884,000 or 43.1%. The increase was mainly because of the additional expenses incurred in respect of our vessel Feng Huang Ao, was put into operation in January 2016;
- (ii) our depreciation recorded an increase of approximately US\$732,000 or 29.6%, which was mainly because of our vessel, Feng Huang Ao, which was delivered, put into operation and commenced to incur depreciation;
- (iii) our bunker fees recorded an increase of approximately US\$83,000 in FY2016 from nil in FY2015, which was mainly due to our vessel, Feng Huang Ao, which was put into operation under voyage charters before its operation was changed to time charter services in March 2016;
- (iv) our port charges recorded an increase of approximately US\$98,000 in FY2016 from nil in FY2015, which was mainly due to our vessel, Feng Huang Ao, was put into operation for voyage charters before its operation was changed to time charter services in March 2016; and

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- (v) our insurance expenses recorded an increase of approximately US\$79,000 or 48.2%, which was mainly because of our vessel, Feng Huang Ao, which was delivered and put into operation in January 2016.

Gross profit and gross profit margin

Our gross profit increased by approximately US\$2.0 million, or 45.7% in FY2016 due to our vessel, Feng Huang Ao, was put into operation in FY2016. Such increase in gross profit was generally in line with the increase in our revenue and the number of vessels operated by our Group.

Our gross profit margin increased slightly from approximately 40.9% in FY2015 to 41.5% in FY2016, which was mainly due to our vessel, Feng Huang Ao, generated higher gross profit margin under voyage charters, and offset by the increase in total number of off-hire days of 59 days from 19 days in FY2015 as compared to 78 days in FY2016 from other two vessels, San Du Ao and Zhuang Yuan Ao.

Other income

In FY2015 and FY2016, our other income amounted to approximately US\$250,000 and US\$666,000, respectively, represented an increase of approximately US\$416,000 or 166.4% in FY2016 as compared with FY2015.

The increase of other income was mainly due to the combined effect of:

- (i) our insurance compensation recorded a significant decrease of approximately US\$114,000 or 80.9% in FY2016 as compared with FY2015, which was because of the insurance compensation received on the loss caused by the severe wear of certain machineries of our vessel San Du Ao in FY2015. The amount of compensation we received was thus based on the assessment of our loss caused by the particular incident;
- (ii) the gain on disposals of derivative financial instrument of approximately US\$516,000 in FY2016 in relation to the foreign currency forward contracts. We did not record any gain on disposals of derivative financial instruments in FY2015 because we did not enter into any foreign currency forward contracts in FY2015; and
- (iii) our sundry income recorded an increase of approximately US\$12,000 or 11.1% in FY2016 compared with FY2015, which was mainly due to the increase in government subsidy received in respect of Xin Yuan Ocean and Xin De Yuan of approximately US\$8,000 from approximately US\$108,000 in FY2015 to approximately US\$116,000 in FY2016.

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Administrative expenses

Our Group's administrative expenses increased by approximately US\$141,000 or 22.0% from approximately US\$642,000 in FY2015 to approximately US\$783,000 in FY2016.

The increase of administrative expenses was mainly due to:

- (i) we recorded administrative expenses of approximately US\$90,000 in which Bilsea International provided administrative services to our Group.
- (ii) our Group recorded an increase in renovation fee of approximately US\$37,000 due to the reallocation of our office in late 2016.

Other operating expenses

Our Group did not incur any other operating expenses in FY2015. The other operating expenses incurred in FY2016 were primarily due to the fair value loss from foreign currency forward contracts of approximately US\$162,000 recorded as at 31 December 2016.

Exchange gain/(loss), net

Our Group's exchange gain increased by approximately US\$285,000 or 2,035.7% from approximately US\$14,000 in FY2015 to approximately US\$299,000 in FY2016. Such increase was attributable to an unrealised exchange gain of approximately US\$303,000 recorded in FY2016, which was mainly attributable to the translation of our Group's bank loans of approximately SGD10.0 million, which was equivalent to approximately US\$6.9 million, into our functional currency of US\$, in which US\$ appreciated against SGD for approximately 4.2% since the date of first drawdown of our bank loans denominated in SGD in mid-2016.

Based on our accounting policy on foreign currency translation, our Group's monetary assets and liabilities denominated in currencies other than our functional currency are translated at the exchange rate at the end of each reporting period.

Finance costs

Our finance costs increased by approximately US\$1.3 million, or 194.6% in FY2016 from approximately US\$649,000 in FY2015 to approximately US\$1.9 million in FY2016. This is principally due to (i) the increase in our finance lease charges of approximately US\$710,000 resulted from our finance lease arrangements with finance lease company for building our vessel; and (ii) the increase in interest on bank and other borrowings of approximately US\$393,000 resulted from the increase in our bank loans balances from refinancing.

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Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by approximately US\$1.1 million or 33.9% from approximately US\$3.4 million in FY2015 to approximately US\$4.5 million in FY2016. Such increase was mainly attributable to the increase in our revenue, which was because of our vessel, Feng Huang Ao, was put into operation in January 2016.

Our net profit margin decreased to 29.3% in FY2016 compared with 31.4% in FY2015. Such decrease was primarily due to a higher rate of increase in our finance costs than that of our revenue.

DISCUSSION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment comprised vessels and dry-docking, vessels under construction and office equipment. Our property, plant and equipment amounted to approximately US\$54.9 million, US\$101.1 million, US\$157.5 million and US\$178.1 million as at 31 December 2015, 2016, 2017 and 30 April 2018, respectively.

The increase in property, plant and equipment of approximately US\$20.6 million or 13.1% from approximately US\$157.5 million as at 31 December 2017 to approximately US\$178.1 million as at 30 April 2018, was mainly attributable to the combined effect of (i) the increase in our vessels under construction of approximately US\$22.7 million in respect of our vessel under construction, Lotstella, for approximately US\$3.6 million, and completion of our vessels, namely Baustella and Jastella for approximately US\$19.1 million; and (ii) the depreciation of our vessels and dry-docking.

The increase in property, plant and equipment of approximately US\$56.4 million or 55.9% from approximately US\$101.1 million as at 31 December 2016 to approximately US\$157.5 million as at 31 December 2017, was mainly attributable to the combined effects of (i) the increase in our vessels under construction of approximately US\$60.9 million in respect of our vessels, namely Baustella, Jastella and Lotstella for approximately US\$23.6 million, and completion of our vessels, namely Lilstella, Poestella, Orestella and Rostella for approximately US\$37.3 million; (ii) the increase in our dry-docking of approximately US\$1.1 million; and (iii) the depreciation of our vessels and dry-docking.

The increase in property, plant and equipment of approximately US\$46.2 million or 84.2% from approximately US\$54.9 million as at 31 December 2015 to approximately US\$101.1 million as at 31 December 2016, was mainly attributable to the combined effects of (i) the increase in our new vessels under construction of approximately US\$49.1 million in respect of our vessels, namely Lilstella, Poestella, Orcstella and Rostella for approximately US\$37.1 million, and completion of Feng Huang Ao for approximately US\$12.0 million; (ii) the increase in our dry-docking of approximately US\$261,000; and (iii) the depreciation of our vessels and dry-docking.

For further details of our vessels, please refer to the section headed “Business — Our Fleet” in this prospectus.

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Deposits

As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group paid deposits of approximately US\$7.5 million, US\$2.5 million, nil and nil to shipyards prior to the commencement of construction of our vessels, respectively. The deposits paid in FY2015 were for the construction of our vessels, namely Lilstella, Poestella, Orestella and Rostella, and the deposits paid in FY2016 were for the construction of our vessels, namely Baustella and Jastella.

Inventories

The table below sets out a summary of our inventory balance as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Bunker and lubricant oil	—	—	633	1,011

Our inventories were principally bunker and lubricant oil stored in vessels under voyage charters and CoAs. We did not record any inventories as at 31 December 2015 and 2016 as our Group principally operated under time charters. As at 31 December 2017 and 30 April 2018, our Group had vessels operated under voyage charters or CoAs, the bunker and lubricant oil stored was approximately US\$633,000 and US\$1.0 million, respectively. Our inventories increased by approximately US\$378,000 or 59.7% from approximately US\$633,000 as at 31 December 2017 to approximately US\$1.0 million as at 30 April 2018. Such increase was mainly due to the increase of the number of our vessels operated under voyages charters and CoAs.

As at 31 July 2018, approximately US\$750,000, representing 74.2% of our inventories as at 30 April 2018, was utilised.

Contract assets

Our contract assets represented revenue recognised prior to the date we invoiced our customers. As our Group did not early adopt HKFRS 15, which became effective on 1 January 2018, therefore the amount of contract assets recorded was nil as at 31 December 2015, 2016 and 2017. As at 30 April 2018, our contract assets amounted to approximately US\$96,000. The contract assets mainly consisted of unbilled amount resulting from voyage charters and CoAs. There was no impairment loss recognised on any contract assets during the Track Record Period.

As at 31 July 2018, approximately US\$96,000, representing 100.0% of our contract assets as at 30 April 2018, had subsequently been billed to our customers.

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Trade receivables

Our trade receivables primarily represented receivables of revenue generated from our customers for voyage charters and CoAs. The following table sets out our trade receivables as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	—	—	1,101	1,399

Under time charters, the charter income is collected in advance each month. Our Group did not record any trade receivables as at 31 December 2015 as our income was generated from time charters only. Our Group provided voyage charters services in FY2016, which all balance was settled before 31 December 2016. As a result, there was no trade receivables recorded as at 31 December 2016. Our trade receivables increased by approximately US\$298,000 or 27.1% from approximately US\$1.1 million as at 31 December 2017 to approximately US\$1.4 million as at 30 April 2018. Such increase was mainly due to the adoption of HKFRS 15 which became effective on 1 January 2018.

Trade receivable aging analysis

For time charter, our Group generally receives monthly prepayment from customers. For voyage charter, our Group generally receives full payment within five business days after completion of cargo loading. For CoAs, our Group generally receives full payment within three business days after completion of cargo discharging. For demurrage claims, the balance is normally paid within 30 days after the finalisation. The table below sets forth the ageing analysis of our Group's trade receivable based on invoice date, as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Ageing analysis of trade receivables</i>				
0 to 30 days	—	—	1,101	1,269
Over 30 days	—	—	—	130
	<u>—</u>	<u>—</u>	<u>1,101</u>	<u>1,399</u>

During the Track Record Period, no bad debt was recorded for our Group. Our Directors consider that our Group did not encounter any material debt collection problem and the balances are considered fully recoverable.

As at 31 July 2018, approximately US\$1.2 million, representing 86.1% of our trade receivables as at 30 April 2018, was settled.

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The following table sets forth our trade receivable turnover days as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
Trade receivable turnover days ⁽¹⁾	— ⁽²⁾	— ⁽²⁾	29	28

Notes:

- ⁽¹⁾ Trade receivable turnover days is calculated based on the average trade receivables divided by total revenue derived from voyage charters and CoAs and multiplied by the number of days for the year/period (365 days/120 days). Average trade receivables is calculated based on trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period and divided by two. As our Group recorded no trade receivables as at 31 December 2016, the trade receivable turnover days as at 31 December 2017 is calculated as trade receivables as at 31 December 2017 divided by 365 days.
- ⁽²⁾ Our Group recorded no trade receivables as at 31 December 2015 and 2016, and thus the trade receivable turnover days as at 31 December 2015 and 2016 are not applicable.

Our trade receivable turnover days remained stable for FY2017 and the four months ended 30 April 2018, which were 29 days and 28 days, respectively.

Other receivables, deposits and prepayments

The following table sets forth our other receivables, deposits and prepayments as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Deposits and prepayments	209	1,664	800	1,183
Other receivables	54	93	82	457
Amount due from a Controlling Shareholder	—	12	10	10
Amount due from related companies	6,599	1,735	—	—
Amount due from our Directors	2	—	—	—
	<u>6,864</u>	<u>3,504</u>	<u>892</u>	<u>1,650</u>

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Deposits and prepayments

Our deposits and prepayments mainly consist of deposit paid for construction of new vessel, deposits paid to ship management companies, prepayments for spare parts and prepayments related to listing expenses.

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Deposits for ship management companies	121	309	321	320
Deposit for finance lease arrangements	—	—	—	300
Prepayments related to listing expenses	—	—	124	200
Delivery cost of a vessel	—	—	124	97
Deposit for construction of new vessels	—	1,000	—	—
Prepayments for spare parts	—	329	—	—
Others	88	26	231	266
	<u>209</u>	<u>1,664</u>	<u>800</u>	<u>1,183</u>

Our deposits and prepayments increased by approximately US\$383,000 or 47.9% from approximately US\$800,000 as at 31 December 2017 to approximately US\$1.2 million as at 30 April 2018. Such increase was mainly attributable to (i) the deposit paid to the finance lease company of approximately US\$300,000 for our vessels, Baustella and Jastella; and (ii) the increase in prepayments made related to listing expenses of approximately US\$76,000.

Our deposits and prepayments decreased by approximately US\$864,000 or 51.9% from approximately US\$1.7 million as at 31 December 2016 to approximately US\$800,000 as at 31 December 2017. Such decrease was mainly attributable to the refund of deposit of approximately US\$1.0 million for construction of new vessels which was cancelled in FY2017 due to our adjustments to the vessels' design, but partially offset by the increase in prepayments made related to listing expenses of approximately US\$124,000.

Our deposits and prepayments increased by approximately US\$1.5 million or 696.2% from approximately US\$209,000 as at 31 December 2015 to approximately US\$1.7 million as at 31 December 2016. Such increase was mainly attributable to (i) the deposit paid for construction of new vessel of approximately US\$1.0 million in FY2016; and (ii) the increase in prepayments in relation to procurement of spare parts of approximately US\$329,000 for our vessels, namely Lilstella, Poestella, Orestella and Rostella.

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Amounts due from a Controlling Shareholder

The following table sets out the amounts due from a Controlling Shareholder as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Amounts due from a Controlling Shareholder</i>				
Centennial Best	—	12	10	10

During the Track Record Period, we had non-trade balance with a Controlling Shareholder, Centennial Best. Such non-trade balance was unsecured, interest-free and had no fixed terms of repayment. All balance due from such Controlling Shareholder was settled in August 2018.

Amounts due from related companies

The following table sets out the amounts due from our related companies as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Amounts due from related companies</i>				
Jincheng Hengtong	6,429	1,559	—	—
Union Faith	170	170	—	—
Golden Boomer	—	2	—	—
Perfect Bliss	—	2	—	—
Gigantic Path	—	2	—	—
	6,599	1,735	—	—

During the Track Record Period, we had non-trade balances with the related companies above. Such non-trade balances were unsecured, interest-free and had no fixed terms of repayment.

Amounts due from our Directors

During the Track Record Period, we had non-trade balances with our Directors, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao for approximately US\$1,100, US\$1,100 and US\$400, respectively, in FY2015. The amounts due were settled in FY2016. Such non-trade balances were unsecured, interest-free and had no fixed terms of repayment.

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Pledged bank deposits and bank and cash balances

As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group's pledged bank deposits included deposits pledged to a bank of approximately nil, US\$452,000, US\$1.3 million and US\$1.3 million as securities for our Group's bank loans, respectively. The deposits were in SGD and bore fixed interest rate of nil, 0.6%, 1.1% and 2.2% per annum as at 31 December 2015, 2016, 2017 and 30 April 2018, respectively, and were subject to fair value interest rate risk.

As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group's bank and cash balances amounted to approximately US\$1.0 million, US\$3.2 million, US\$2.5 million and US\$3.8 million, respectively, and approximately US\$754,000, US\$2.2 million, US\$1.7 million and US\$1.6 million of the balances were restricted from being used and charged over our Group's bank loans and finance lease arrangements, respectively.

As at 31 December 2015, 2016, 2017 and 30 April 2018, the bank and cash balances of our Group denominated in RMB and kept in the PRC amounted to approximately nil, nil, US\$57,000 and US\$201,000, respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Trade payables

Our trade payables mainly represent payables for ship management companies, shipbroker and bunker providers.

The following table sets out the amounts of our trade payables as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	606	815	1,050	902

Our trade payables decreased by approximately US\$148,000 or 14.1% from approximately US\$1.1 million as at 31 December 2017 to approximately US\$902,000 as at 30 April 2018. Such decrease was mainly due to the decrease in trade payables with Group A as fewer purchases of vessel related spare parts and lubricant oil were made from Group A for the four months ended 30 April 2018.

Our trade payables increased by approximately US\$235,000 or 28.8% from approximately US\$815,000 as at 31 December 2016 to approximately US\$1.1 million as at 31 December 2017. Such increase was in line with the increase in the number of our vessels and the costs related to voyage charters and CoAs in 2017.

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Our trade payables increased by US\$209,000 or 34.5% from approximately US\$606,000 as at 31 December 2015 to approximately US\$815,000 as at 31 December 2016. The increase in trade payables was in line with the increase in the number of our vessels in FY2016.

Trade payable ageing analysis

Our Group is subject to different payment terms with different suppliers. For details of our payment terms, please refer to the section headed “Business — Suppliers — Payment terms” in this prospectus. During the Track Record Period, we did not default in any material payment of our trade and other payables and did not experience any material dispute with our suppliers. The table below sets forth the ageing analysis of our Group’s trade payables based on invoice date as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Ageing analysis of trade payables</i>				
0 days to 30 days	606	815	920	874
31 days to 60 days	—	—	27	11
Over 60 days	—	—	103	17
	606	815	1,050	902

As at 31 July 2018, approximately US\$873,000, representing approximately 96.8% of our trade payables as at 30 April 2018, was settled.

The following table sets forth our trade payables turnover days as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
Average trade payables turnover days ⁽¹⁾	64	44	23	20

Note:

- (1) Average trade payables turnover days is calculated based on the average trade payables divided by total cost of sales (excluding depreciation) and multiplied by the number of days for the year/period (365 days/120 days). Average trade payables is calculated based on trade payables at the beginning of the year/period plus trade payables at the end of the year/period and divided by two.

Our Group’s average trade payables turnover days were 64 days, 44 days, 23 days and 20 days for the years ended 31 December 2015, 2016, 2017 and 30 April 2018, respectively. Our Group’s

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average trade payables turnover days decreased from approximately 64 days for FY2015 to approximately 44 days for FY2016, and further decreased to approximately 23 days for FY2017 and 20 days for the four months ended 30 April 2018. The decrease in average trade payables turnover days during the Track Record Period was mainly due to (i) our Group settled the outstanding trade payables within shorter period of time in FY2016, and (ii) we engaged new ship management company, BSM, in FY2017 in which we had to prepay in advance for procurements. Our Directors are of the view that by shortening the time for settlement it would help us to maintain stable relationship with our suppliers and improve our credibility.

Contract liabilities

Our contract liabilities represented advanced payments received from customers for services that had not yet been provided to the customers. As our Group did not early adopt HKFRS 15, which became effective on 1 January 2018, therefore the amount of contract liabilities recorded was nil as at 31 December 2015, 2016 and 2017. As at 30 April 2018, our contract liabilities amounted to approximately US\$381,000. The contract liabilities mainly included advanced payments received from voyage charters and CoAs.

Other payables and accruals

Our other payables and accruals mainly consist of (i) amounts due to related companies; (ii) amounts due to non-controlling Shareholder; and (iii) amounts due to a related party.

The following table sets forth our other payables and accruals as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Other payables and accruals				
Amounts due to related companies	12,524	16,652	5,092	5,201
Payables and accruals	2,493	2,052	4,715	4,318
Receipts in advance	118	588	528	528
Amounts due to a Director	—	—	105	90
Amounts due to non-controlling				
Shareholder	240	300	—	240
Amounts due to a related party	<u>3,147</u>	<u>3,147</u>	<u>—</u>	<u>—</u>
	<u>18,522</u>	<u>22,739</u>	<u>10,440</u>	<u>10,377</u>

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Amounts due to related companies

The following table sets out the amounts due to related companies as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Amounts due to related companies</i>				
Jincheng Hengtong	9,822	14,149	4,642	4,721
Union Faith	<u>2,702</u>	<u>2,503</u>	<u>450</u>	<u>480</u>
	<u>12,524</u>	<u>16,652</u>	<u>5,092</u>	<u>5,201</u>

During the Track Record Period, we had non-trade balances with the related companies above. Such non-trade balances were unsecured, interest-free and had no fixed terms of repayment. All balances due to such related companies were settled after the re-financing of our vessels, San Du Ao and Zhuang Yuan Ao, in July 2018.

Payables and accruals

Our payables and accruals mainly consist of accruals for bank loan interests and finance lease charges, dry-docking cost, shipyard cost and other costs arising from our daily business operation and amounts payable to Fujian Yuan Yang Shipping Equipment Import Co., Ltd.. The following table sets forth our payables and accruals as at the dates indicated.

Payables and accruals	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Shipyard cost	—	—	4,220	3,600
Bank loan interests and finance lease charges	42	240	321	367
Fujian Yuan Yang Shipping Equipment Import Co., Ltd. ⁽¹⁾	1,523	1,496	28	25
Dry-docking cost	702	—	—	—
Others	<u>226</u>	<u>316</u>	<u>146</u>	<u>326</u>
	<u>2,493</u>	<u>2,052</u>	<u>4,715</u>	<u>4,318</u>

Note:

- (1) Fujian Yuan Yang Shipping Equipment Import Co., Ltd. is an entity controlled by Mr. Zhang Jian, the grandson of Mr. Xu Wenjun's sister-in-law.

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Shipyards cost represent the amount payable to the shipyard for construction of new vessel, Lotstella. Our non-trade balances due to Fujian Yuan Yang Shipping Equipment Import Co., Ltd. were unsecured, interest-free and had no fixed terms of repayment, and the balance was settled in July 2018.

Receipts in advance

The following table sets out the receipts in advance for the use of our vessels as at the date indicated.

Name of vessel	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
San Du Ao	118	110	110	110
Zhuang Yuan Ao	—	222	222	222
Feng Huang Ao	—	256	196	196
	<u>118</u>	<u>588</u>	<u>528</u>	<u>528</u>

Our receipts in advance represent the prepayment made by our customers under time charters.

Amounts due to our Director

The following table sets out the amounts due to our Director as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts due to our Director				
Mr. Ding Yuzhao	—	—	105	90
	<u>—</u>	<u>—</u>	<u>105</u>	<u>90</u>

During the Track Record Period, we had non-trade balance due to our Director, Mr. Ding Yuzhao. Such non-trade balance was unsecured, interest-free and had no fixed terms of repayment. All balance due to such Director was settled in July 2018.

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Amounts due to our non-controlling Shareholder

The following table sets out the amounts due to our non-controlling Shareholder as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Amounts due to our non-controlling Shareholder</i>				
Bilsea International	240	300	—	240

During the Track Record Period, we had non-trade balance with our non-controlling Shareholder, Bilsea International. Such non-trade balance was unsecured, interest-free and had no fixed terms of repayment.

Amounts due to a related party

The following table sets out the amounts due to a related party as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Amounts due to a related party</i>				
Mr. Ding Xiaosheng	3,147	3,147	—	—

During the Track Record Period, we had non-trade balance due to a related party, Mr. Ding Xiaosheng, brother of Mr. Ding Xiaoli, our executive Director. Such non-trade balance was unsecured, interest-free and had no fixed terms of repayment.

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Advance from related companies

The following table sets out the amounts due to our related companies as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Advance from related companies</i>				
Hao De Yuan	3,020	3,020	—	—
Union Faith	1,260	6,855	298	298
Fujian Chuan Yuan	—	4,760	292	278
	4,280	14,635	590	576

During the Track Record Period, we had non-trade advance from related companies, Hao De Yuan, Union Faith and Fujian Chuan Yuan for the purchase of our vessels, namely Lilstella, Poestella, Orcstella and Rostella. Such non-trade advance was unsecured, interest-free and had no fixed terms of repayment. All balances due from such related companies were settled after the re-financing of our vessels, San Du Ao and Zhuang Yuan Ao, in July 2018.

Advance from a director of our subsidiaries

The following table sets out the amounts due to a director of our subsidiaries as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<i>Advance from a director of our subsidiaries</i>				
Ms. Liu Weipeng	2,160	6,480	—	—

During the Track Record Period, we had non-trade advance from a director of our subsidiaries, Ms. Liu Weipeng, for the purchase of our vessels, namely Lilstella, Poestella, Orcstella and Rostella. Such non-trade advance was unsecured, interest-free and had no fixed terms of repayment.

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Net current liabilities

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 April 2018	At 31 July 2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(unaudited)</i>
Current assets					
Inventories	—	—	633	1,011	993
Contract assets	—	—	—	96	33
Trade receivables	—	—	1,101	1,399	1,975
Other receivables, deposits and prepayments	6,864	3,504	892	1,650	2,624
Derivative financial instruments	—	—	—	93	93
Pledged bank deposits	—	452	1,324	1,329	1,337
Bank and cash balances	<u>1,067</u>	<u>3,214</u>	<u>2,536</u>	<u>3,782</u>	<u>3,766</u>
Total current assets	<u>7,931</u>	<u>7,170</u>	<u>6,486</u>	<u>9,360</u>	<u>10,821</u>
Current liabilities					
Contract liabilities	—	—	—	381	452
Trade payables	606	815	1,050	902	929
Other payables and accruals	18,522	22,739	10,440	10,377	1,616
Advance from related companies	4,280	14,635	590	576	—
Advance from a director of our subsidiaries	2,160	6,480	—	—	—
Derivative financial instruments	—	162	350	—	—
Bank loans	3,480	4,908	10,880	10,919	7,335
Finance lease payables	<u>—</u>	<u>2,499</u>	<u>2,499</u>	<u>6,069</u>	<u>9,784</u>
Total current liabilities	<u>29,048</u>	<u>52,238</u>	<u>25,809</u>	<u>29,224</u>	<u>20,116</u>
Net current liabilities	<u>(21,117)</u>	<u>(45,068)</u>	<u>(19,323)</u>	<u>(19,864)</u>	<u>(9,295)</u>

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Our current assets consist primarily of inventories, contract assets, trade receivables, other receivables, deposits and prepayments, derivative financial instruments, pledged bank deposits and bank and cash balances.

Our current liabilities consist primarily of contract liabilities, trade payables, other payables and accruals, advance from related companies, advance from a director of our subsidiaries, derivative financial instruments and the current portion of bank loans and finance lease payables.

We recorded net current liabilities of approximately US\$21.1 million, US\$45.1 million, US\$19.3 million and US\$19.9 million as at 31 December 2015, 2016, 2017 and 30 April 2018, respectively. Our net current liabilities position during the Track Record Period mainly resulted from the current liabilities that we incurred for purchase of our vessels that were classified as non-current assets, including (i) the current portion of our bank loans and finance lease payables, and (ii) our advance from related companies and advance from a director of our subsidiaries. Furthermore, our payables and accruals arose from our business operations were also attributable to our net current liabilities position. As significant portion of our other payables and accruals are repayable on demand, based on our accounting policy, they are classified as current liabilities.

As at 30 April 2018, our Group had total bank loans of approximately US\$59.6 million. The current portion of our bank loans payable within one year was approximately US\$10.9 million and classified under current liabilities. It exceeded the total amount of current assets of approximately US\$9.4 million. Our Group had to make such high repayment amount for the bank loans because the bank loans were used to finance the building of the vessels with a short repayment period ranging from five to seven years.

Our net current liabilities decreased by approximately US\$10.6 million or 53.2% from approximately US\$19.9 million as at 30 April 2018 to approximately US\$9.3 million as at 31 July 2018. Such decrease was mainly attributable to the combined effect of (i) the decrease in other payables and accruals of approximately US\$8.8 million resulted from (a) the settlement of the shipyard cost for construction of our new vessel Lotstella; and (b) settlement of amounts due to related companies using the funds obtained from re-financing of our vessels, San Du Ao and Zhuang Yuan Ao; (ii) increase in other receivables, deposits and prepayments mainly resulted from the deposit of approximately US\$1.2 million paid to the finance lease companies for our vessels San Du Ao and Zhuang Yuan Ao; and (iii) the decrease in the current portion of our bank loans of US\$3.6 million and the increase in the current portion of our finance lease payables of approximately US\$3.7 million mainly resulted from the re-financing of our vessels, San Du Ao and Zhuang Yuan Ao.

Our net current liabilities increased by approximately US\$541,000 or 2.8% from approximately US\$19.3 million as at 31 December 2017 to approximately US\$19.9 million as at 30 April 2018. Such increase was mainly attributable to the combined effect of (i) the increase in bank and cash balances of approximately US\$1.2 million; (ii) the increase in other receivables, deposits and prepayments of approximately US\$758,000 resulted from the increase in deposits and prepayments due to (a) the US\$300,000 deposit paid to the finance lease company, and (b) the increase in prepayments made related to listing expenses of approximately US\$76,000; and (iii) the increase in the current portion of the finance lease payables of approximately US\$3.6 million mainly due to the finance lease arrangements made in the four months ended 30 April 2018 for our vessels Baustella and Jastella.

FINANCIAL INFORMATION

Our net current liabilities decreased by approximately US\$25.8 million or 57.1% from approximately US\$45.1 million as at 31 December 2016 to approximately US\$19.3 million as at 31 December 2017. Such decrease was mainly attributable to the combined effect of (i) the decrease in other payables and accruals of approximately US\$12.3 million and the decrease in advance from related companies of approximately US\$14.0 million resulted from the assignment of amounts due to Centennial Best which was subsequently settled by Shares issued to Centennial Best; (ii) the decrease in advance from a director of our subsidiaries of approximately US\$6.5 million resulted from the assignment of advance due of approximately US\$6.5 million to Bilsea International, which was subsequently settled by Shares issued to Bilsea International, but partially offset by (a) the decrease in other receivables, deposits and prepayments of approximately US\$2.6 million; and (b) the increase in the current portion of bank loans of approximately US\$6.0 million resulted from the purchase of our vessels Lilstella, Poestella, Orcstella and Rostella.

Our net current liabilities increased significantly by approximately US\$24.0 million or 113.4% from approximately US\$21.1 million as at 31 December 2015 to US\$45.1 million as at 31 December 2016. Such increase was mainly attributable to the combined effect of (i) the increase in other payables and accruals of approximately US\$4.2 million resulted from the increase in amounts due to related companies of approximately US\$4.1 million; (ii) the increase in advance from related companies and increase in advance from a director of our subsidiaries resulted from the purchase of our vessels Lilstella, Poestella, Orcstella and Rostella of approximately US\$10.4 million and US\$4.3 million respectively; and (iii) the decrease in other receivables, deposits and prepayments of approximately US\$3.4 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Overview

We have historically met our working capital and other capital requirements principally through cash generated from operations, advance from related companies, advance from a director of our subsidiaries, bank loans and finance lease arrangement.

Our primary uses of cash are for the purchase of our vessels, repayment of bank loans and finance lease payables and settlement of various operating expenses, and have been funded through cash generated from our operations. From time to time, our Directors assess the liquidity requirement of our Group, and the ability to finance our working capital and meet capital expenditure requirements in the future. During the Track Record Period, there have been no material changes in our underlying drivers of the sources and uses of cash.

In view of the above, after taking into consideration the financial resources presently available to our Group, including our available bank loans, finance lease arrangements, other internal resources, and the estimated net proceeds of the Global Offering and in the absence of any unforeseeable circumstances, our Directors confirm and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

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Cash Flow

The following table sets forth the condensed summary of our consolidated statements of cash flows for the periods as indicated during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				<i>(unaudited)</i>	
Net cash generated from operating activities	6,271	10,690	20,220	19,451	4,036
Net cash used in investing activities	(20,375)	(33,809)	(60,043)	(50,884)	(3,617)
Net cash generated from financing activities	<u>14,337</u>	<u>23,870</u>	<u>39,622</u>	<u>35,160</u>	<u>846</u>
Net increase/(decrease) in cash and cash equivalents	233	751	(201)	3,727	1,265
Effect of foreign exchange rate changes	—	—	—	—	10
Cash and cash equivalents at the beginning of the year	<u>80</u>	<u>313</u>	<u>1,064</u>	<u>1,064</u>	<u>863</u>
Cash and cash equivalents	<u><u>313</u></u>	<u><u>1,064</u></u>	<u><u>863</u></u>	<u><u>4,791</u></u>	<u><u>2,138</u></u>
Analysis of cash and cash equivalents					
Bank and cash balances	1,067	3,214	2,536	6,441	3,782
Less: Restricted bank balances	<u>(754)</u>	<u>(2,150)</u>	<u>(1,673)</u>	<u>(1,650)</u>	<u>(1,644)</u>
	<u><u>313</u></u>	<u><u>1,064</u></u>	<u><u>863</u></u>	<u><u>4,791</u></u>	<u><u>2,138</u></u>

FINANCIAL INFORMATION

Net cash generated from operating activities

We derive our cash generated from operating activities principally from the charter hire income received from our customers for the provision of asphalt tanker chartering services. Our cash used in operating activities was principally for our cost of sales, such as crew expenses, bunker fees and port charges. Net cash flow generated from operating activities reflects (i) profit before tax and adjustments for non-cash and non-operating items, primarily consisted of depreciation and finance costs and unrealised exchange gain or loss; (ii) the effects of movements in working capital, such as increases or decreases in other receivables, deposits and prepayments and trade payables and other payables and accruals; and (iii) other cash items for operations such as interest and bank charges and finance lease charges.

For the four months ended 30 April 2018, we had net cash generated from operating activities of approximately US\$4.0 million brought by (i) our profit before tax of approximately US\$3.4 million; (ii) adjustments for non-cash and non-operating items of approximately US\$3.4 million mainly due to the depreciation of approximately US\$2.2 million and finance costs of approximately US\$1.5 million; (iii) cash outflow of movements in working capital of approximately US\$1.4 million mainly due to the combined movements of increase in other receivables, deposits and prepayments of US\$758,000 and increase in inventories of approximately US\$378,000; and (iv) cash outflow of other cash items comprising interest and bank charges paid of approximately US\$1.1 million and finance lease charges paid of approximately US\$395,000.

In FY2017, we had net cash generated from operating activities of approximately US\$20.2 million brought by (i) our profit before tax of approximately US\$6.0 million; (ii) adjustments for non-cash and non-operating items of approximately US\$11.0 million mainly due to the depreciation of approximately US\$5.5 million, finance costs of approximately US\$3.6 million and unrealised exchange loss of approximately US\$1.5 million; (iii) cash inflow of movements in working capital of approximately US\$6.8 million mainly due to the combined movements of increase in other payables and accruals of approximately US\$7.4 million and increase in trade receivables of approximately US\$1.1 million; and (iv) cash outflow of other cash items comprising interest and bank charges paid of approximately US\$2.9 million and finance lease charges paid of approximately US\$0.7 million.

In FY2016, we had net cash generated from operating activities of approximately US\$10.7 million brought by (i) our profit before tax of approximately US\$4.5 million; (ii) adjustments for non-cash and non-operating items of approximately US\$4.5 million mainly due to the combined movements of depreciation of approximately US\$3.2 million, finance costs of approximately US\$1.9 million, gain on disposals of derivative financial instruments of approximately US\$516,000 and unrealised exchange gain of approximately US\$303,000; (iii) cash inflow of movements in working capital of approximately US\$3.7 million mainly due to the combined movements of decrease in other receivables, deposits and prepayments of approximately US\$3.4 million; and (iv) cash outflow of other cash items comprising interest and bank charges paid of approximately US\$1.3 million and finance lease charges paid of approximately US\$710,000.

FINANCIAL INFORMATION

In FY2015, we had net cash generated from operating activities of approximately US\$6.3 million brought by (i) our profit before tax of approximately US\$3.4 million; (ii) adjustments for non-cash and non-operating items of approximately US\$3.1 million mainly due to the depreciation of approximately US\$2.5 million and finance costs of approximately US\$649,000; (iii) cash inflow of movements in working capital of approximately US\$875,000 mainly due to the combined movements of increase in other receivables, deposits and prepayments of approximately US\$1.8 million and increase in other payables and accruals of approximately US\$2.9 million; and (iv) cash outflow of interest and bank charges paid of approximately US\$1.1 million.

Net cash used in investing activities

Our investing activities during the Track Record Period primarily included purchases of property, plant and equipment, deposits paid for construction of new vessels, acquisition of subsidiaries under common control and increase or decrease in pledged bank deposits and restricted bank balances.

For the four months ended 30 April 2018, net cash used in investing activities was approximately US\$3.6 million which was mainly attributable to the payment for additions of property, plant and equipment of approximately US\$3.6 million, including our vessels Baustella, Jastella and Lotstella.

In FY2017, net cash used in investing activities was approximately US\$60.0 million which was mainly attributable to (i) the payment for additions of property, plant and equipment of approximately US\$59.2 million, including our vessels, Lilstella, Poestella, Orcstella, Rostella, Baustella, Jastella and Lotstella; and (ii) increase in pledged bank deposits of approximately US\$872,000.

In FY2016, net cash used in investing activities was approximately US\$33.8 million which was mainly attributable to (i) the payment for additions of property, plant and equipment of approximately US\$24.0 million, including our vessels, Lilstella, Poestella, Orcstella and Rostella; (ii) acquisition of subsidiaries under common control of approximately US\$6.0 million due to the Reorganisation; (iii) deposits paid for construction of our vessels, namely Baustella and Justella of approximately US\$2.5 million; and (iv) the increase in pledged bank deposits and restricted bank balances of approximately US\$1.8 million.

In FY2015, net cash used in investing activities was approximately US\$20.4 million which was mainly attributable to (i) the payment for additions of property, plant and equipment of approximately US\$15.1 million, for our vessel Feng Huang Ao; (ii) the deposits paid for construction of our vessels, namely Lilstella, Poestella, Orcstella and Rostella, of approximately US\$7.4 million; and (iii) the decrease in restricted bank balances of approximately US\$2.0 million.

Net cash generated from financing activities

Our financing activities during the Track Record Period primarily included bank loans raised, advance from related companies, advance from a director of our subsidiaries and repayment of bank loans and finance lease payables.

FINANCIAL INFORMATION

For the four months ended 30 April 2018, net cash generated from financing activities was approximately US\$846,000, which was brought by (i) the cash inflow from drawdown from finance leases of approximately US\$6.4 million; and (ii) repayment of bank loans of approximately US\$4.3 million and finance lease payables of approximately US\$1.3 million,

In FY2017, net cash generated from financing activities was approximately US\$39.6 million, which was brought by (i) the cash inflow from bank loans raised of approximately US\$36.0 million; (ii) the cash inflow from advance from related companies of approximately US\$16.1 million; and (iii) repayment of bank loans of approximately US\$10.0 million and finance lease payables of approximately US\$2.5 million.

In FY2016, net cash generated from financing activities was approximately US\$23.9 million, which was brought by (i) the cash inflow from advance from related companies of approximately US\$10.4 million; (ii) the cash inflow from advance from a director of our subsidiaries of approximately US\$4.3 million; (iii) the cash inflow from bank loans raised of approximately US\$16.4 million; and (iv) the cash outflow from repayment of bank loans of approximately US\$5.6 million and finance lease payables of approximately US\$1.9 million.

In FY2015, net cash generated from financing activities was approximately US\$14.3 million, which was brought by (i) the cash inflow from advance from related companies of approximately US\$4.3 million; (ii) the cash inflow from advance from a director of our subsidiaries of approximately US\$2.2 million; (iii) the cash inflow from bank loans raised of approximately US\$15.0 million; and (iv) the cash outflow from repayment of bank loans of approximately US\$7.2 million.

WORKING CAPITAL

Our Group financed our operations and growth mainly through cash generated from operations, advance from related companies, advance from a director of our subsidiaries, bank loans and finance lease arrangement. We applied our cash mainly to finance our operations, repay bank loans, fulfill obligations under finance lease arrangement resulted from purchase of vessel and settle our finance costs. As at 31 December 2015, 2016, 2017 and 30 April 2018, we had cash and cash equivalents (excluding pledged bank deposit and restricted bank balances) of approximately US\$313,000, US\$1.1 million, US\$863,000 and US\$2.1 million, respectively.

We monitor our cash flows and cash balances on a regular basis and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. As at the Latest Practicable Date, save as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, our Directors are not aware of any material change to the sources of cash of our Group and the use of cash by our Group.

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SUFFICIENCY OF WORKING CAPITAL

In spite of the net current liabilities and high gearing ratio throughout the Track Record Period, our Directors consider that they had not, and will not impose material adverse impact on our financial and operational status, due to the factors:-

- (i) our bank loans and the finance lease payables increased during the Track Record Period were mainly due to our business development and expansion of our fleet, which was generally in line with our increase in revenue and the number of vessels;
- (ii) there was no repayable on demand clause in our bank loan agreements and finance lease agreements. Therefore, we repaid the loans and finance lease payables pursuant to the repayment schedule stipulated in relevant bank loan agreements and finance lease agreements;
- (iii) the net cash generated from operating activities was sufficient to cover our various operating expenses, the finance cost and the current portion of our bank loans and the finance lease payables during the Track Record Period;
- (iv) our other payables and accruals consisted of amounts due to our related companies of approximately US\$5.2 million as at 30 April 2018, combined with advance from related companies of approximately US\$576,000 as at 30 April 2018, which amounted to approximately US\$5.8 million in total, were settled by the funds obtained from re-financing of our vessels, San Du Ao and Zhuang Yuan Ao, in July 2018;
- (v) during the Track Record Period and up to the Latest Practicable Date, we had not caused any default in payment of our various operating expenses, bank loans and finance lease payables;
- (vi) the market value of our vessels are generally higher than our outstanding borrowing amount, in which we can refinance our existing bank loans and finance lease payables for our vessels when we deem necessary to provide cash for our operation; and
- (vii) our Group's interest coverage ratio was higher than two times throughout the Track Record Period.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditure primarily for the additions of property, plant and equipment of approximately US\$15.5 million, US\$49.4 million, US\$62.0 million and US\$22.7 million for FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

Our planned future capital expenditures mainly include purchase of new vessels. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for a detailed description of our planned future capital expenditures. Apart from the proceeds from the Global Offering, we may also fund our future plans with cash generated from our operations, bank loans and finance lease arrangements. No assurance can be given that any of our planned capital expenditure will proceed as planned. We may adjust our capital expenditure plan based on our future results of operations, cash flows and overall financial condition.

INDEBTEDNESS

As at 31 July 2018, being the date for this indebtedness statement, save as disclosed in this section, we did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees. As at the Latest Practicable Date, we did not have any unutilised banking facilities.

The following table sets out our Group’s indebtedness as at the dates indicated:

	<u>At 31</u> <u>December 2015</u>	<u>At 31</u> <u>December 2016</u>	<u>At 31</u> <u>December 2017</u>	<u>At 30 April</u> <u>2018</u>	<u>At 31 July</u> <u>2018</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(unaudited)</i>
Advance from related companies	4,280	14,635	590	576	—
Advance from a director of our subsidiaries	2,160	6,480	—	—	—
Bank loans	25,609	36,125	63,691	59,621	42,517
Finance lease payables	—	15,976	13,477	37,727	61,187
	<u>32,049</u>	<u>73,216</u>	<u>77,758</u>	<u>97,924</u>	<u>103,704</u>

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Bank loans

As at 31 December 2015, 2016, 2017, 30 April 2018 and 31 July 2018, our total bank loans (comprising both current and non-current portions) were approximately US\$25.6 million, US\$36.1 million, US\$63.7 million, US\$59.6 million and US\$42.5 million, respectively. The following table sets out our Group's bank loans as at the dates indicated:

	<u>At 31</u> <u>December 2015</u>	<u>At 31</u> <u>December 2016</u>	<u>At 31</u> <u>December 2017</u>	<u>At 30 April</u> <u>2018</u>	<u>At 31 July</u> <u>2018</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(unaudited)</i>
Within one year	3,480	4,908	10,880	10,919	7,335
More than one year, but not exceeding two years	3,480	5,494	10,880	10,919	7,335
More than two years, but not more than five years	10,440	17,935	36,518	33,595	24,705
More than five years	<u>8,209</u>	<u>7,788</u>	<u>5,413</u>	<u>4,188</u>	<u>3,142</u>
Total bank loans	25,609	36,125	63,691	59,621	42,517
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(3,480)</u>	<u>(4,908)</u>	<u>(10,880)</u>	<u>(10,919)</u>	<u>(7,335)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>22,129</u>	<u>31,217</u>	<u>52,811</u>	<u>48,702</u>	<u>35,182</u>

The following table sets out the carrying amounts of our Group's bank loans as denominated in the following currencies as at the dates indicated:

	<u>At 31</u> <u>December 2015</u>	<u>At 31</u> <u>December 2016</u>	<u>At 31</u> <u>December 2017</u>	<u>At 30 April</u> <u>2018</u>	<u>At 31 July</u> <u>2018</u>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(unaudited)</i>
USD	25,609	29,228	39,279	36,238	20,700
SGD	<u>—</u>	<u>6,897</u>	<u>24,412</u>	<u>23,383</u>	<u>21,817</u>
	<u>25,609</u>	<u>36,125</u>	<u>63,691</u>	<u>59,621</u>	<u>42,517</u>

FINANCIAL INFORMATION

The following table sets out the range of effective interest rates of our Group's bank loans as at the dates indicated:

	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 April 2018
Bank loans	<u>4.42%</u>	<u>3.27%-4.5%</u>	<u>3.32%-5.5%</u>	<u>3.74%-6.75%</u>

Our bank loans are arranged at floating rates, thus we are exposed to cash flow interest rate risk.

During the Track Record Period, our Group used interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. For further details, please refer to the section headed "Business — Risk Management and Internal Control Systems — Risk Overview" in this prospectus.

Our bank loans were obtained for the sole purpose of construction of our vessels. As at 31 December 2015, 2016, 2017 and 30 April 2018, our bank loans were secured by:

- (i) mortgage over our Group's vessels including vessels under construction. As at 31 December 2015, 2016, 2017 and 30 April 2018, the carrying amounts of our vessels and dry-docking including vessels under construction pledged as securities for our Group's bank loans amounted to approximately US\$40.0 million, US\$75.3 million, US\$109.1 million and US\$107.4, respectively;
- (ii) corporate guarantees provided by our related companies, our Shareholder and certain subsidiaries of our Company. The corporate guarantees provided by our related companies and our Shareholder will be released upon Listing and replaced by a corporate guarantee of our Company;
- (iii) personal guarantees provided by our Controlling Shareholders and two directors of our subsidiaries, Mr. Yan Xiankai and Ms. Liu Weipeng. Such personal guarantees will be released upon Listing and replaced by a corporate guarantee of our Company;
- (iv) pledged bank deposits and restricted bank balances. As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group's pledged bank deposits pledged to a bank as securities for our Group's bank loans amounted to approximately nil, US\$452,000, US\$1.3 million and US\$1.3 million, respectively. As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group's bank and cash balances of approximately US\$754,000, US\$1.6 million, US\$1.2 million and US\$1.2 million were restricted from being used and charged over our Group's bank loans, respectively; and
- (v) charge over shares of certain subsidiaries of our Company.

Save as disclosed above, our Directors do not expect any material change in terms of the bank loans upon release of the aforesaid personal and certain corporate guarantees upon Listing.

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Our Group's bank loans were subject to the fulfilment of material covenants including: (i) the revenue generated from our operation have to be remitted into the specified accounts; (ii) (a) the loan to value ratio shall not exceed 70% or (b) the aggregate value of our vessel and/or the additional security provided is at least 143% of the amount of the total outstanding indebtedness (equivalent to loan to value ratio not exceeding approximately 69.9%); (iii) our Group shall maintain a minimum balance with the lenders at all time; (iv) no change in vessels' class and flag; and (v) for time chartered vessels, no cancellation of the existing time chartering contracts without the lenders' written approval.

As at 30 April 2018, our loan to value ratio ranged from 37% to 63% in respect of our bank loans, and our Directors confirmed that they were not aware of any material breach of any of the restrictive covenants contained in our bank loans during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, our bank loan agreements do not contain any material terms or covenants that may have any material adverse effect or restriction on us to make further borrowings or our ability to issue debt or equity securities in the future.

Obligations under finance leases

As at 31 December 2015, 2016, 2017, 30 April 2018 and 31 July 2018, our total obligations under finance lease arrangements (comprising both current and non-current portions) were approximately nil, US\$16.0 million, US\$13.5 million, US\$37.7 million and US\$61.2 million, respectively.

The following table sets out our Group's finance lease payables as at the dates indicated:

	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 30 April 2018	At 31 July 2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i> <i>(unaudited)</i>
Within one year	—	2,499	2,499	6,069	9,784
In the second to fifth years, inclusive	<u>—</u>	<u>13,477</u>	<u>10,978</u>	<u>31,658</u>	<u>51,403</u>
Present value of lease obligations	—	15,976	13,477	37,727	61,187
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>—</u>	<u>(2,499)</u>	<u>(2,499)</u>	<u>(6,069)</u>	<u>(9,784)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>—</u>	<u>13,477</u>	<u>10,978</u>	<u>31,658</u>	<u>51,403</u>

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As at 30 April 2018, our Group had three vessels, Feng Huang Ao, Baustella and Jastella, under finance lease arrangements. The average lease term was nil, 5 years, 5 years and 5 years for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, respectively. The effective borrowing rates were nil, approximately 4.5%, 5.0% and 5.4%-6.2% for the same periods, respectively.

Interest rates are arranged at floating rates, thus exposing our Group to cash flow interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of the lease terms, the title to our vessels would be transferred to our Group.

We did not have any finance lease arrangements as at 31 December 2015. As at 31 December 2016, 2017 and 30 April 2018, the finance lease payables were secured by:

- i) charges over our Group's vessel. As at 31 December 2015, 2016, 2017 and 30 April 2018, the carrying amounts of our Group's vessel pledged as securities for our Group's finance lease amounted to approximately nil, US\$25.8 million, US\$24.8 million and US\$61.5 million, respectively;
- ii) corporate guarantee provided by our Company or our subsidiary;
- iii) personal guarantees provided by our Controlling Shareholders. Such personal guarantees will be released upon Listing and replaced by a corporate guarantee of our Company;
- iv) restricted bank balances. As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group's bank and cash balances of approximately nil, US\$512,000, US\$509,000 and US\$446,000 were restricted from being used and charged over our Group's finance lease payables, respectively; and
- v) charge over shares of our subsidiary.

Our Group's finance lease arrangements were subject to the fulfilment of material covenants including: (i) the revenue generated from our operation have to be remitted into a specified accounts, (ii) (a) the loan to value ratio shall not exceed 70% or (b) the market value of our vessel is at least 120% of the amount of the prevailing principal amount outstanding (equivalent to loan to value ratio not exceeding approximately 83.3%), (iii) our Group shall maintain a minimum balance with the lenders at all time, (iv) no change in vessels' class and flag, (v) for time chartered vessel, no cancellation of the existing time chartering contract without the lender's written approval.

As at 30 April 2018, our loan to value ratio was 56% in respect of our finance lease arrangement, and our Directors have confirmed that they were not aware of any material breach of any of the restrictive covenants contained in our finance lease payables during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, our finance lease agreements do not contain any material terms or covenants that may have any material adverse effect or restriction on us to make further borrowings or our ability to issue debt or equity securities in the future.

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CONTRACTUAL AND CAPITAL COMMITMENTS

Capital commitments

Our capital commitments during the Track Record Period were primarily relating to construction of new vessels.

The table below sets out capital commitments as at the dates indicated:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property, plant and equipment contracted but not provided for	<u>47,435</u>	<u>69,500</u>	<u>30,600</u>	<u>9,000</u>

Lease commitments

Our Group as lessee

As at 31 December 2015, 2016, 2017 and 30 April 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	—	50	116	123
In the second to fifth years inclusive	<u>—</u>	<u>—</u>	<u>196</u>	<u>161</u>
	<u>—</u>	<u>50</u>	<u>312</u>	<u>284</u>

Operating lease payments represent rentals payable by our Group for some of our offices. Leases are negotiated for terms ranging from 1 year to 4 years, and rentals are fixed over the lease terms and do not include contingent rentals.

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Our Group as lessor

As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group had future aggregate minimum charter hire income receivable under non-cancellable time charters as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	8,967	16,389	24,205	24,049
In the second to fifth years inclusive	<u>14,519</u>	<u>41,076</u>	<u>28,681</u>	<u>20,821</u>
	<u>23,486</u>	<u>57,465</u>	<u>52,886</u>	<u>44,870</u>

During the Track Record Period, our revenue was mainly generated from providing asphalt tanker chartering services to our customers. As at 31 December 2015, 2016, 2017 and 30 April 2018, our Group had future aggregate minimum charter hire income receivable under non-cancellable time charters of approximately US\$23.5 million, US\$57.5 million, US\$52.9 million and US\$44.9 million, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, there were transactions between our Group and its related parties:

- (i) Particulars of the related parties which entered into transactions with our Group are as follows:

Name of related parties	Relationship with our Group
Mr. Ding Xiaoli	Our Director
Mr. Ding Yuzhao	Our Director
Mr. Xu Wenjun	Our Director
Centennial Best	One of our Controlling Shareholders
Gigantic Path	One of our Controlling Shareholders
Golden Boomer	One of our Controlling Shareholders
Perfect Bliss	One of our Controlling Shareholders
Fujian Chuan Yuan	An entity controlled by our Controlling Shareholder

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Name of related parties	Relationship with our Group
Hao De Yuan	An entity controlled by our Controlling Shareholder
Fujian Lian Xin	An entity controlled by our Controlling Shareholder
Jincheng Hengtong	An entity controlled by our Controlling Shareholders
Union Faith	An entity controlled by our Controlling Shareholder
Mr. Ding Xiaosheng	Brother of our Controlling Shareholder

- (ii) For the balances with related parties during the Track Record Period, please refer to the sections headed “Financial Information — Discussion of Certain Items in the Consolidated Statements of Financial Position — Other receivables, deposits and prepayments”, “Financial Information — Discussion of Certain Items in the Consolidated Statements of Financial Position — Other payables and accruals” and “Financial Information — Discussion of Certain Items in the Consolidated Statements of Financial Position — Advance from related companies” in this prospectus. The advance and amount dues were non-trade in nature, unsecured, interest-free, had no fixed terms of repayment and repayable on demand.

- (iii) **In addition to the balances with related parties, the following table is a summary of transactions made with related parties during the Track Record Period:**

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				<i>(unaudited)</i>	
Reimbursement of rental charges to Jincheng Hengtong	38	29	94	35	—
Reimbursement of staff costs to Jincheng Hengtong	317	278	640	211	—
Interest paid to Fujian Lian Xin	<u>75</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the Track Record Period, our Group paid short-term benefits and made retirement benefit scheme contributions to our Directors and other members of key management. For details, please refer to Note 35(b) to the Accountants’ Report in Appendix I in this prospectus.

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Our Directors confirm that these transactions were conducted on an arm's length's basis, and that all non-trade balances with related parties were settled in July 2018. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets out some of the key financial ratios of our Group for the periods or as at the dates indicated:

	At 31 December/Year ended 31 December			At 30 April/ Four months ended 30 April
	2015	2016	2017	2018
Gross profit margin (<i>Note 1</i>)	40.9%	41.5%	39.3%	39.5%
Net profit margin (<i>Note 2</i>)	31.4%	29.3%	17.9%	25.6%
Current ratio (<i>Note 3</i>)	0.27	0.14	0.25	0.32
Gearing ratio (<i>Note 4</i>)	1.69	5.48	1.04	1.26
Net debt to equity ratio (<i>Note 5</i>)	1.63	5.20	0.99	1.19
Interest coverage ratio (<i>Note 6</i>)	4.3 times	3.2 times	2.7 times	3.3 times
Return on total assets ratio (<i>Note 7</i>)	4.8%	4.0%	3.3%	N/A
Return on equity ratio (<i>Note 8</i>)	17.8%	32.8%	7.4%	N/A

Notes:

1. Gross profit margin is calculated by dividing gross profit by revenue.
2. Net profit margin is calculated by dividing profit for the year/period by revenue.
3. Current ratio is the ratio of the total current assets to the total current liabilities.
4. Gearing ratio is the total debts divided by the total equity attributable to owners of our Company.
5. Net debt to equity ratio is calculated by dividing our net debt, being our total debts net of bank and cash balances and pledged bank deposits, by total equity attributable to owners of our Company.
6. Interest coverage ratio is calculated by dividing profit from operations by interest expenses (excluding bank charges and amount capitalised).
7. Return on total assets ratio is calculated by dividing profit for the year attributable to owners of our Company by total assets and multiplied by 100%. Return on total assets ratio for the four months ended 30 April 2018 is not available due to the lack of profit for the year.
8. Return on equity ratio is calculated by dividing profit for the year attributable to owners of our Company by equity attributable to owners of our Company and multiplied by 100%. Return on equity ratio for the four months ended 30 April 2018 is not available due to the lack of profit for the year.

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Current ratio

Our Group's current ratio was approximately 0.27, 0.14, 0.25 and 0.32 as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, respectively. The increase from approximately 0.25 as at 31 December 2017 to approximately 0.32 as at 30 April 2018 was mainly attributable to the combined effect of (i) the increase in bank and cash balances of approximately US\$1.3 million; (ii) the increase in other receivables, deposits and prepayments of approximately US\$758,000 mainly due to the deposit of US\$300,000 made for our vessels, Baustella and Jastella under the finance lease arrangements; and (iii) the increase in the current portion of the finance lease payables of US\$3.6 million mainly due to the finance lease arrangements made in the four months ended 30 April 2018 for our vessels Baustella and Jastella.

The increase from approximately 0.14 as at 31 December 2016 to approximately 0.25 as at 31 December 2017 was mainly attributable to (i) the decrease in other payables and accruals of approximately US\$12.3 million, primarily due to the decrease in amounts due to related companies of approximately US\$11.6 million; (ii) the decrease in advance from related companies of approximately US\$14.0 million; and (iii) the decrease in advance from a director of our subsidiaries of approximately US\$6.5 million.

The decrease from approximately 0.27 as at 31 December 2015 to approximately 0.14 as at 31 December 2016 was mainly attributable to (i) the increase in other payables and accruals of approximately US\$4.2 million, primarily due to the increase in the amounts due to related companies of US\$4.1 million; (ii) the increase in advance from related companies of approximately US\$10.4 million; (iii) the increase in advance from a director of our subsidiaries of approximately US\$4.3 million; and (iv) the increase in current portion of our finance lease payables in relation to leasing of our vessel Feng Huang Ao of approximately US\$2.5 million.

Gearing ratio

Our Group's gearing ratio was approximately 1.69, 5.48, 1.04 and 1.26 as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, respectively. The increase from approximately 1.04 as at 31 December 2017 to 1.26 as at 30 April 2018 was mainly attributable to the combined effect of (i) the increase in finance lease payables of approximately US\$24.3 million, resulted from the finance lease arrangements made in the four months ended 30 April 2018 for our vessels Baustella and Jastella; (ii) the decrease in bank loans of approximately US\$4.1 million resulted from repayments of bank loans; and (iii) the increase in total equity attributable to owners of our Company of approximately 4.6% mainly resulted from the profit for the period generated for the four months ended 30 April 2018 of approximately US\$3.4 million.

The decrease from approximately 5.48 as at 31 December 2016 to 1.04 as at 31 December 2017 was mainly attributable to the combined effect of (i) the increase in total equity attributable to owners of our Company of approximately US\$61.1 million, primarily due to the Shares issued to Centennial Best of approximately US\$46.6 million and Bilsea International of approximately US\$7.5 million under Reorganisation, and (ii) settlement of advance from related companies and advance from a director of our subsidiaries with a total of approximately US\$20.5 million by way of assignments and capitalisation during the Reorganization.

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The increase from approximately 1.69 as at 31 December 2015 to 5.48 as at 31 December 2016 was mainly attributable to: (i) the finance lease payables of approximately US\$16.0 million, resulted from the finance lease arrangement of our vessel, Feng Huang Ao, in January 2016; (ii) the increase in bank loans of approximately US\$10.5 million; (iii) the increase in advance from related companies and increase in advance from a director of our subsidiaries with a total of approximately US\$14.7 million for the purchase of vessels; and (iv) the decrease in total equity attributable to owners of our Company of approximately US\$10.4 million under Reorganisation.

For details of the change in equity, please refer to the section headed “Consolidated Statements of Changes in Equity” in page I-8 of our Accountants’ Report in Appendix I to this prospectus.

Net debt to equity ratio

Our Group’s net debt to equity ratio was approximately 1.63, 5.20, 0.99 and 1.19 as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, respectively.

The increase from approximately 0.99 as at 31 December 2017 to 1.19 as at 30 April 2018 was mainly attributable to the combined effect of (i) the increase in finance lease payables of approximately US\$24.3 million, resulted from the finance lease arrangements made in the four months ended 30 April 2018 for our vessels Baustella and Jastella; and (ii) the increase in total equity attributable to owners of our Company of approximately US\$3.4 million mainly resulted from the profit for the period generated for the four months ended 30 April 2018 of approximately US\$3.4 million.

The decrease from approximately 5.20 as at 31 December 2016 to 0.99 as at 31 December 2017 was mainly due to increase in total equity the combined effect of (i) the increase in total equity attributable to owners of our Company of approximately US\$61.1 million, primarily due to the Shares issued to Centennial Best of approximately US\$46.6 million and Bilesea International of approximately US\$7.5 million under the Reorganisation, and (ii) settlement of advance from related companies and advance from a director of the subsidiaries with a total of approximately US\$20.5 million by way of assignments during the Reorganisation.

The increase from approximately 1.63 as at 31 December 2015 to 5.20 as at 31 December 2016 was mainly attributable to: (i) the finance lease payables of approximately US\$16.0 million, resulted from the finance lease arrangement of vessel, Feng Huang Ao, in January 2016; (ii) the increase in bank loans of approximately US\$10.5 million; (iii) the increase in advance from related companies and increase in advance from a director of the subsidiaries with a total of approximately US\$ 14.7 million for the purchase of vessels; and (iv) the decrease in total equity attributable to owners of our Company of approximately US\$10.4 million under the Reorganisation.

Our net debt to equity ratio upon the Listing is estimated to be 0.87.

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Interest coverage ratio

Our Group's interest coverage ratio was approximately 4.3 times, 3.2 times, 2.7 times and 3.3 times in FY2015, FY2016, FY2017 and the four months ended 30 April 2018, respectively.

The increase from approximately 2.7 times in FY2017 to 3.3 times in the four months ended 30 April 2018 was primarily due to the increase of our Group's profit from operations for the four months ended 30 April 2018 as a result of (i) the increase in other income of approximately US\$619,000 mainly due to the fair value gain on derivative financial instruments; and (ii) the decrease in other operating expenses of approximately US\$206,000.

The decrease from approximately 3.2 times in FY2016 to 2.7 times in FY2017 was primarily due to (i) the exchange loss of approximately US\$1.5 million caused by the translation of our Group's bank loans of SGD32.6 million into our functional currency of US\$ and we incurred listing expenses of approximately US\$374,000 that led to a smaller increase in profit from operations; and (ii) the increase in finance costs of approximately US\$1.7 million. The decrease from approximately 4.3 times in FY2015 to 3.2 times in FY2016 was due to our increase in finance costs of approximately US\$1.3 million, attributable to the increase in interest on bank and other borrowings of approximately US\$393,000 and finance lease charges of approximately US\$710,000.

Return on total assets ratio

Our Group's return on total assets ratio recorded approximately 4.8%, 4.0% and 3.3% as at 31 December 2015, 2016 and 2017, respectively. The decrease of our Group's return from 4.0% as at 31 December 2016 to 3.3% as at 31 December 2017 was primarily due to the exchange loss of approximately US\$1.5 million caused by the translation of our Group's bank loans of SGD32.6 million into our functional currency of US\$ and we incurred listing expenses of approximately US\$374,000, that led to a smaller increase in profit for the year attributable to the owners of our Company of approximately 25.0% for FY2017, compared to the increase in our total assets of approximately 48.1% for FY2017. The decrease of our Group's return from 4.8% as at 31 December 2015 to 4.0% as at 31 December 2016 was primarily due to the increase in our total assets of approximately 57.6% for FY2016 was higher than the increase in our profit for the year attributable to the owners of our Company of approximately 30.0% for FY2016.

Return on equity ratio

Our Group's return on equity ratio recorded approximately 17.8%, 32.8% and 7.4% as at 31 December 2015, 2016 and 2017, respectively. Our Group's return on equity ratio increased from approximately 17.8% as at 31 December 2015 to approximately 32.8% as at 31 December 2016, decreased to approximately 7.4% as at 31 December 2017. The decrease in FY2017 was mainly attributable to the increase in equity attributable to the owners of our Company of approximately 456.7% for FY 2017, attributable to the Shares issued to Centennial Best of approximately US\$46.6 million and Bilsea International of approximately US\$7.5 million. The increase in FY2016 was mainly

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attributable to the combined effect of (i) increase in our profit attributable to owners of our Company for the year of approximately of 30.0% for FY2016, which was in line with the increase of our revenue; and (ii) decrease in total equity attributable to owners of our Company of approximately US\$10.4 million under Reorganisation.

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Our Group's activities are exposed to a variety of financial risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. For further details of our risk management and internal control systems, please refer to the section headed "Business — Risk Management and Internal Control Systems" in this prospectus.

(a) Foreign currency risk

Our Group has a certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as SGD and RMB. During the Track Record Period, our Group entered into foreign currency forward contracts to hedge the foreign currency risk in respect of bank loans denominated in SGD. In February 2018, we adopted a foreign exchange rate and interest rate risk control policy. For further details, please refer to the section headed "Business — Risk Management and Internal Control Systems — Foreign exchange rate and interest rate risk control policy" in this prospectus.

(b) Credit risk

Trade receivables are closely monitored by the directors.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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The maturity analysis based on contractual undiscounted cash flows of our Group's non-derivative financial liabilities is as follows:

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 31 December 2015					
Trade and other payables	19,010	—	—	—	19,010
Advance from related companies	4,280	—	—	—	4,280
Advance from a director of subsidiaries	2,160	—	—	—	2,160
Bank loans	4,531	4,377	12,209	8,410	29,527
Finance lease payables	—	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016					
Trade and other payables	22,966	—	—	—	22,966
Advance from related companies	14,635	—	—	—	14,635
Advance from a director of subsidiaries	6,480	—	—	—	6,480
Bank loans	6,294	6,655	20,090	7,890	40,929
Finance lease payables	3,163	3,050	11,755	—	17,968
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017					
Trade and other payables	10,962	—	—	—	10,962
Advance from related companies	590	—	—	—	590
Bank loans	13,385	12,900	39,185	5,549	71,019
Finance lease payables	3,108	2,983	8,854	—	14,945
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 April 2018					
Trade and other payables	10,751	—	—	—	10,751
Advance from related companies	576	—	—	—	576
Bank loans	13,563	13,005	38,875	4,274	69,717
Finance lease payables	8,167	7,809	28,315	—	44,291
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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(d) Interest rate risk

Our Group's exposure to interest-rate risk mainly arises from its bank loans and finance lease payables. Bank loans and finance lease payables bear interests at variable rates varied with the then prevailing market condition. As at 31 December 2015, 2016, 2017 and 30 April 2018, if interest rates had been 100 basis points lower/higher with all other variables held constant, our consolidated profit after tax for FY2015, FY2016, FY2017 and the four months ended 30 April 2018 would have been approximately US\$256,000, US\$521,000, US\$772,000 and US\$973,000 higher/lower, respectively, arising mainly as a result of lower/higher interest expenses. In February 2018, we adopted a foreign exchange rate and interest rate risk control policy. For further details, please refer to the section headed "Business — Risk Management and Internal Control Systems — Foreign exchange rate and interest rate risk control policy" in this prospectus.

(e) Categories of financial instruments

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Financial assets:			
Loans and receivables (including cash and cash equivalents)	<u>7,917</u>	<u>6,628</u>	<u>5,441</u>
Financial liabilities:			
Derivative financial instruments — held for trading	—	162	350
Financial liabilities at amortised cost	<u>51,059</u>	<u>96,182</u>	<u>88,720</u>
			As at
			30 April
			2018
			<i>US\$'000</i>
Financial assets:			
Assets at fair value through profit or loss — derivative financial instrument			93
Assets at amortised cost			<u>7,675</u>
Financial liabilities:			
Liabilities at amortised cost			<u>108,675</u>

(f) Fair values

The carrying amounts of our Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group did not enter into any off-balance sheet transactions or arrangements during the Track Record Period and as at the Latest Practicable Date.

SUBSEQUENT EVENTS

Subsequent to 30 April 2018, our Group entered into two finance lease agreements in respect of our vessels San Du Ao and Zhuang Yuan Ao amounted to approximately US\$25.4 million in July 2018 to repay the bank loans, advance from related companies and amounts due to related companies. The aforesaid two finance lease agreements, which are sale and leaseback arrangements, are repayable in four years and secured by (i) charge over vessels, (ii) corporate guarantees provided by our Company and a subsidiary of our Company, (iii) personal guarantees provided by our Controlling Shareholders, which will be released upon Listing, (iv) charge over the bank accounts of subsidiaries, and (v) charge over shares of certain subsidiaries of our Company.

DIVIDENDS

For FY2015, FY2016, FY2017 and the four months ended 30 April 2018, we declared dividends in the amount of approximately nil, US\$9.3 million, nil and nil, respectively. All the dividends declared were fully settled prior to the Listing.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. We currently do not have a formal dividend policy or a fixed dividend distribution ratio. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial condition, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 28 June 2016. As at 30 April 2018, our Company had distributable reserves of approximately US\$55.1 million available for distribution to the Shareholders.

LISTING EXPENSES

The estimated total listing fees for our Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are approximately US\$3.1 million (equivalent to approximately HK\$24.2 million), based on an Offer Price of HK\$1.53 per Share, being the mid-point of the estimated Offer Price range, and assuming the Over-allotment Option is not exercised. Among the estimated total listing fees, approximately US\$1.0 million

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(equivalent to approximately HK\$7.8 million) is expected to be capitalised after the Listing. The remaining amount of approximately US\$2.1 million (equivalent to approximately HK\$16.4 million) was or is expected to be charged to our profit and loss accounts, of which approximately US\$530,000 was charged on or before 31 December 2017 and approximately US\$1.6 million is expected to be charged for the year ending 31 December 2018.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 30 April 2018. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 April 2018 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 April 2018 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share (Note 3)
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	
Based on Offer Price of HK\$1.29 per Share	<u>77,857</u>	<u>14,332</u>	<u>92,189</u>	US\$0.23 (Equivalent to approximately <u>HK\$1.79</u>)
Based on Offer Price of HK\$1.76 per Share	<u>77,857</u>	<u>20,237</u>	<u>98,094</u>	US\$0.25 (Equivalent to approximately <u>HK\$1.95</u>)

For further details, please refer to Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position or prospects of us since 30 April 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus), and there had been no event since 30 April 2018 which would materially affect the financial information shown in the Accountants' Report.

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RECENT DEVELOPMENTS AND TRADING PROSPECTS

Please refer to the sections headed “Summary — Recent Development”, “Business — Our Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus for the details of financial and trading prospects of our Group.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under the Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Our Group plans to further develop its asphalt tanker chartering services business. Our Group aims to maintain its established market presence in the industry by continuously capturing opportunities to leverage its competitive strengths and implement its business strategies summarised below, details of which are set out in the section headed “Business — Our Business Strategies” in this prospectus:

- leverage our position as a leading provider of asphalt tanker chartering services to enhance our global presence;
- expand our Group’s fleet size to strengthen our global market position; and
- maintain our Group’s variety of service types to meet different demands in the market.

Reasons for the Listing

Our Directors are of the view that Listing will be best in line with our business strategies listed above for the following reasons:

- *Improve our Group’s financial position*

As at the Latest Practicable Date, our Group had nine vessels in operation. Four of them were financed under bank loans and the remaining five were financed under finance lease arrangements. With a listing status on the Stock Exchange, our Directors believe that the creditworthiness of our Group will be enhanced and can provide our Group with a greater bargaining power to negotiate with our banks and finance lease companies for better terms, including longer repayment periods and more favourable interest rates for our borrowings. If the current portion of our bank loans and financial lease payables can be reduced as a result of the extension of the relevant repayment periods for the bank loans and lease terms for the finance lease arrangements, the position of our net current liabilities could be improved.

In addition, the Listing, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness; following such, we will be able to use secondary fund raising after the Listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities.

- *Enhance our Group’s corporate profile and brand awareness*

Our Directors believe that our customers will generally prefer doing business with a listed company compared with a private company given the former’s greater transparency and relevant regulatory supervision. The Listing will therefore serve to promote our corporate profile and brand awareness. Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our existing customers’ confidence in us and attract more potential customers to us.

FUTURE PLANS AND USE OF PROCEEDS

- *Enhance market status amongst our Group's customers, suppliers, banks and employees*

Our Directors believe that a listing status will enhance our credibility with our customers, suppliers, banks and thus, enhance our level of competitiveness in competing for more business. With a listing status, our Group can be differentiated from other competitors during the negotiation and allowing us to have a higher chance to secure more new business.

Our Directors further believe that as a listed company, we will be able to retain our existing staff more effectively, at both operational and administrative level. In addition, we will be able to motivate and award our staff with the Share Option Scheme. Our staff will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. In turn, a more stable workforce will improve the quality of our services and efficiency of our day-to-day operations to the benefit of our long term development and competitiveness.

USE OF PROCEEDS

The net proceeds to be received by us from the Global Offering based on the mid-point of the estimated Offer Price range of HK\$1.53 per Share and assuming the Over-allotment Option is not exercised, after deducting related expenses in connection with the Global Offering, are estimated to be approximately HK\$129.0 million (equivalent to approximately US\$16.5 million).

Our Directors presently intend that the net proceeds will be applied as follows:

- (1) **approximately 90.2% of the net proceeds from the Global Offering, or approximately HK\$116.4 million (equivalent to approximately US\$14.9 million), will be used for expanding our fleet by purchasing two new vessels in the next two years in order to cope with our business development, strengthen our brand name and increase our competitiveness in the industry as well as our ability to cater for different needs and requirements of different customers**

As at the Latest Practicable Date, our Group had nine vessels in operation. We have engaged a shipyard to build a new vessel for us with a carrying capacity of approximately 8,000 dwt, which is expected to be completed within 2018. Our Directors consider that in order to sustain our further business growth, our Group plans to purchase two new vessels each with a carrying capacity of approximately 21,000 dwt.

Basis of determining the carrying capacities of the two new vessels

Currently, the carrying capacity of each of our vessels ranges from 8,000 dwt to 12,800 dwt with a majority of our vessels equipped with a carrying capacity of 8,000 dwt. According to the F&S Report, the industrial average of dwt per asphalt vessel is 6,053 dwt and among all vessels in service, less than 5% of the asphalt vessels have a carrying capacity of more than 15,000 dwt and less than 2.5% have a carrying capacity of more than 20,000 dwt. According to the F&S Report, large asphalt tankers with a carrying capacity over 15,000 dwt have become more popular in the market in recent years as they can help save the overall transportation costs. Newly built large asphalt tankers in particular, can reflect the advancement in technology with benefits such as lower fuel consumption and higher environmental protection standard.

FUTURE PLANS AND USE OF PROCEEDS

According to F&S, from 2012 to 2017, the number of large asphalt tankers with a carrying capacity of over 15,000 dwt increased from 4 to 14, representing a CAGR of 28.5%. The number of such large asphalt tankers is expected to increase to 23 in 2021 with a CAGR of 13.2% from 2017 to 2021. Based on the growing demand for such large asphalt vessels, F&S confirmed that there is a market shortage for such large vessels for transportation of asphalt.

Having considered the above, our Directors are of the view that if we purchase two new vessels each with a carrying capacity of approximately 21,000 dwt, we could widen the range of the carrying capacities of our vessels and improve the compositions of our fleet. On such basis, we could better serve customers with a demand for vessels with larger carrying capacities and maintain our competitiveness in the industry.

Having considered our current fleet size, proven track record in delivering quality services and our capability, our Directors are confident that we could secure more business with the two new vessels. Therefore, our Directors considered that the purchase of the two new vessels is necessary in order to sustain our business expansion.

Execution plan for purchasing the two new vessels

Our Group intends to obtain letters of intent from our potential customers for the two new vessels before the commencement of constructions, which are expected to be in the second half of 2018.

Up to the Latest Practicable Date, our Group had obtained a legally binding letter of intent with the first potential customer, which is our existing customer, Huate, for our Group's first new vessel to be operated under time charters with a duration of five years with an option to renew for two years. For details of the salient terms of the letter of intent, please refer to the section headed "Business — Our Fleet — Letter of intent" in this prospectus. Our Group also obtained a written confirmation that Huate had indicated their interest in our Group's second new vessel and had started preliminary discussion. The two new vessels that our Group plans to build will not replace the existing vessels chartered to Huate.

Meanwhile, our Group obtained a written confirmation from a shipbroker that indicated the second potential customer was interested in our Group's second new vessel and they would enter into a legally binding letter of intent with a duration of five years with an option to renew for two years with our Group under time charters after their internal process. Based on the above response from the second potential customer, our Directors are of the view that it is very likely that our Group will be able to obtain a legally binding letter of intent from the second potential customer in the second half of 2018. In the unlikely event that the negotiation with the second potential customer do not materialize and our Group is not able to obtain the letter of intent, our Group will identify other potential customers through our Group's business department or shipbrokers.

FUTURE PLANS AND USE OF PROCEEDS

Based on the best knowledge of our Directors in the asphalt tanker chartering industry, they are of the view that there should be no difficulty to find a new customer for the chartering of our Group's second new vessel because of the following reasons:

- (i) The second new vessel that our Group plans to purchase will have a carrying capacity of approximately 21,000 dwt. According to the F&S Report, from 2012 to 2017, the number of large asphalt tankers with a carrying capacity of more than 20,000 dwt increased from 2 to 7, representing a CAGR of 28.5% during the period. The number of large asphalt tankers is expected to increase to 13 in 2021, representing a CAGR of 16.7% from 2017 to 2021. Currently, there are nine such large asphalt tankers with a carrying capacity of more than 20,000 dwt in 2018, and all of them are in service, which demonstrates the demand for such large asphalt tankers. According to the F&S Report, large asphalt tankers with a carrying capacity over 15,000 dwt have become more popular in the market in recent years as they can help save the overall transportation costs, and downstream customers have further indicated their interest in such large asphalt tankers in the future. From 2012 to 2017, the number of large asphalt vessels with a carrying capacity over 15,000 dwt in the market increased from four to 14, which demonstrated a growing trend.
- (ii) The shipbroker has confirmed to our Group in writing that they are certain that they can find suitable charterers for the vessel because of its advantage with efficient fuel consumption and optimum tank capacity.

Furthermore, our Group had started a preliminary discussion with a third potential customer in respect of our Group's second new vessel as at Latest Practicable Date.

It is expected that the construction cost for each of the two new vessels will be paid to the relevant shipyard in five instalments.

Set out below is the breakdown of the payment terms for the first vessel:

- approximately 33.7% of the net proceeds from the Global Offering, or approximately HK\$43.5 million (equivalent to approximately US\$5.6 million) will be utilized for the first instalment and second instalment in the second half of 2018 and first half of 2019, respectively;
- up to approximately 11.4% of the net proceeds from the Global Offering, or approximately HK\$14.7 million (equivalent to approximately US\$1.85 million) will be utilized (together with our internal resources and bank loans) for the third instalment in the second half of 2019; and
- the fourth instalment and fifth instalment will be paid by our internal resources and bank loans in the second half of 2019 and first half of 2020, respectively.

FUTURE PLANS AND USE OF PROCEEDS

Set out below is the breakdown of the payment terms for the second vessel:

- approximately 33.7% of the net proceeds from the Global Offering, or approximately HK\$43.5 million (equivalent to approximately US\$5.6 million) will be utilized for the first instalment and second instalment in the second half of 2018 and first half of 2019, respectively;
 - up to approximately 11.4% of the net proceeds from the Global Offering, or approximately HK\$14.7 million (equivalent to approximately US\$1.85 million) will be utilized (together with our internal resources and bank loans) for the third instalment in the second half of 2019; and
 - the fourth instalment and fifth instalment will be paid by our internal resources and bank loans in the first half of 2020.
- (2) **approximately 9.8% of the net proceeds from the Global Offering, or approximately HK\$12.6 million (equivalent to approximately US\$1.6 million), will be used as our working capital**

The delivery dates of the two new vessels are expected to be in April and May 2020, respectively, the new vessels will be put into operations upon delivery.

For our vessels San Du Ao, Zhuang Yuan Ao, Feng Huang Ao, Baustella and Jastella, the interest rates of the finance lease arrangements ranged from LIBOR + 3.65% to LIBOR + 4.0%, comparatively, the rates are higher than the interest rates of the bank loans for our vessels Lilstella, Poestella, Orcstella and Rostella, which are either SIBOR + 2.65% or LIBOR + 2.8%.

Taking the cost of financing into consideration, our Group would consider to obtain bank loans first before entering into any finance lease arrangements for our new vessels. Our Group had tried but was not able to obtain bank loans for our vessels Feng Huang Ao, Baustella and Jastella and refinancing of San Du Ao and Zhuang Yuan Ao in July 2018, therefore our Group had enter into finance lease arrangements at interest rates higher than those of the bank loans. With a listing status on the Stock Exchange, our Directors believe that creditworthiness of our Group will be enhanced and it can provide our Group with a greater chance to obtain bank loans. Please refer to the section headed “Future Plans and Use of Proceeds — Reasons for the Listing” in this prospectus for further details. Our Group does not finance the construction of the new vessels wholly with bank borrowings as our Group may only be able to obtain the bank loans up to about 70% of the value of the vessels.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$1.53 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$22.5 million (equivalent to approximately US\$2.9 million). We intend to use such additional proceeds to increase the net proceeds applied to the same purposes above on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at HK\$1.76 per Share, being the high-end of the proposed Offer Price range, the net proceeds from the Global Offering will increase (i) by approximately HK\$22.5 million (equivalent to approximately US\$2.9 million), assuming the Over-allotment Option is not exercised, and (ii) by approximately HK\$48.4 million (equivalent to approximately US\$6.2 million), assuming the Over-allotment Option is exercised in full. We intend to use such additional proceeds to increase the net proceeds applied to the same purposes above on a pro rata basis.

In the event that the Offer Price is set at HK\$1.29 per Share, being the low-end of the proposed Offer Price range, the net proceeds from the Global Offering are estimated to be approximately HK\$105.5 million (equivalent to approximately US\$13.5 million), which is decreased by approximately HK\$23.5 million (equivalent to approximately US\$3.0 million), from approximately HK\$129.0 million (equivalent to approximately US\$16.5 million), being the estimated net proceeds from the Global Offering based on the mid-point of the estimated Offer Price range, assuming the Over-allotment Option is not exercised. Under such circumstances, we intend to reduce the net proceeds applied to the same purposes above on a pro rata basis.

To the extent that our net proceeds are not sufficient to fund the purpose set out above, we intend to fund the balance through a variety of means including cash generated from operations, bank loans and/or finance lease arrangements.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

CORNERSTONE INVESTOR

THE CORNERSTONE INVESTMENT

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor, pursuant to which the Cornerstone Investor has agreed to subscribe for 19,600,000 Shares at the Offer Price. The total number of Shares to be subscribed for by the Cornerstone Investor represents (i) approximately 19.6% of the Offer Shares, and approximately 4.9% of our total issued share capital, upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (ii) approximately 17.0% of the Offer Shares, and approximately 4.7% of our total issued share capital, upon completion of the Global Offering (assuming that the Over-allotment Option is exercised in full). The total subscription price payable by the Cornerstone Investor ranges from HK\$25,284,000 (based on the Offer Price of HK\$1.29, being the low-end of the Offer Price range stated in this prospectus) to HK\$34,496,000 (based on the Offer Price of HK\$1.76, being the high-end of the Offer Price range stated in this prospectus).

The placing to the Cornerstone Investor will form a part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering. The number of Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” nor affected by any exercise of the Over-allotment Option.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party and is independent from our Company, the connected persons of our Company and their associates. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement as disclosed in this section. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Shares. No special rights have been granted to the Cornerstone Investor as part of the placing to the Cornerstone Investor.

OUR CORNERSTONE INVESTOR

The Cornerstone Investor is a limited liability company incorporated in Hong Kong. It is an investment holding company and is 100% held by Huate Holding Group Co. Ltd.* (華特控股集團有限公司) (“**Huate Holding**”). Huate Holding is a limited liability company incorporated in the PRC, it holds a number of companies that are mainly engaged in highway construction. The ultimate controlling shareholder of the Cornerstone Investor is Mr. Gao Wenchuan.

Huate Holding and Mr. Gao Wenchuan are also shareholders of Huate, which was one of our five largest customers during the year ended 31 December 2017 and four months ended 30 April 2018. Please refer to the section headed “Business — Customers” in this prospectus for details.

CORNERSTONE INVESTOR

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investor is subject to, among others, the satisfaction of the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective terms or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
- (b) none of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Offer Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Main Board of the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any regulatory authorities which prohibit the consummation of the investment hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the investment hereunder;
- (e) the Offer Price having been agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters); and
- (f) the respective representations, warranties and confirmations of the Cornerstone Investor and our Company in the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and our Company.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and has undertaken to our Company and the Joint Global Coordinators that unless it has obtained the prior written consent of each of our Company, the Sole Sponsor and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”):

- (a) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares purchased by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement and any shares or other securities of our Company which are derived therefrom pursuant to any rights issue, capitalisation issue or other form of capital reorganisation of our Company (the “**Relevant Shares**”) or any interest therein or any voting right or any other right attaching thereto; or

CORNERSTONE INVESTOR

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or
- (c) enter into any transaction directly or indirectly with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of share capital or other securities, in cash or otherwise.

After expiration of the Lock-up Period, the Cornerstone Investor shall be free to dispose of any of the Relevant Shares under certain conditions as set out in the Cornerstone Investment Agreement, such as notifying our Company and the Joint Global Coordinators in writing prior to disposal of the Relevant Shares and ensuring that the disposal is in compliance with the applicable laws and regulations including the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Listing Rules and the SFO and does not create a disorderly or false market of the Shares.

UNDERWRITING

HONG KONG UNDERWRITERS

China Industrial Securities International Capital Limited

Zhongtai International Securities Limited

SPDB International Capital Limited

Southwest Securities (HK) Brokerage Limited

ZMF Asset Management Limited

ChaoShang Securities Limited

Yicko Securities Limited

China Sky Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 10,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (acting on behalf of all Hong Kong Underwriters) shall

UNDERWRITING

have the right, in their sole and absolute discretion to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
 - (i) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any material breach of any of the representations, warranties, obligations or undertakings contained in the Hong Kong Underwriting Agreement or any other provisions of the Hong Kong Underwriting Agreement by any party to the Hong Kong Underwriting Agreement (other than the Joint Global Coordinators or any of the Hong Kong Underwriters); or
 - (ii) any statement contained in this prospectus, the Application Forms, the post hearing information pack, any supplemental offering materials, announcement, the formal notice to be published in connection with the Hong Kong Public Offering, the roadshow materials and any other documents published or issued by or on behalf of our Company or the International Underwriters for the purposes of or in connection with the Global Offering (“**Offer Documents**”) considered by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material in the context of the Global Offering, was or has become or been discovered to be materially untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (iii) any person (other than the Sole Sponsor, the Joint Global Coordinators and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Offer Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (iv) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of Offer Shares) or the Global Offering; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of our Company, our Controlling Shareholders and our executive Directors or any one or more of them as the context may require under the Hong Kong Underwriting Agreement pursuant to the indemnity provisions herein; or

UNDERWRITING

- (vi) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately prior to the date of this prospectus and not having been disclosed in this prospectus, have constituted, an omission therefrom considered by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material omission in the context of the Global Offering; or

 - (vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (b) there shall develop, occur, exist, or come into effect:
- (i) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation) in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, Singapore or any other jurisdictions relevant to any member of our Group or the Global Offering (the “**Relevant Jurisdictions**”); or

 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in or represent any change or development involving a prospective change, in local, national, regional, international, financial, political, economic, legal, military, industrial, fiscal, regulatory, currency, or market conditions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures or matters) in or affecting Hong Kong or anywhere in the world; or

 - (iii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions or any other relevant jurisdiction, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, the Cayman Islands, Singapore, the BVI or any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in the Shares; or
- (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (viii) the chairman or chief executive officer of our Company vacating his office; or
- (ix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (x) non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or
- (xi) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

UNDERWRITING

- (xiii) an event where, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, has been withdrawn or cancelled and the Joint Global Coordinators, in their absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiv) any material and valid litigation or claim being threatened or instigated against any member of our Group; or
- (xv) any of our executive Directors as set out in the “Directors and Senior Management” section in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any of the said Directors and senior management members in his capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (xvi) any contravention by any Controlling Shareholders as warrantors, any member of our Group or any Director of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any of the Listing Rules; or
- (xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules,

which in each case or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (i) is or will or could be expected to have material adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder in his or its capacity as such; or
- (ii) has or will have or could be expected to have material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (iii) makes it or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents or the formal notice or shall otherwise result in an interruption to or delay thereof; or

UNDERWRITING

- (iv) has or will have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Lock-up undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken with the Joint Global Coordinators (acting on behalf of all the Hong Kong Underwriters) that, and each of our executive Directors and Controlling Shareholders has undertaken irrevocably and unconditionally with the Joint Global Coordinators (acting on behalf of all the Hong Kong Underwriters) to procure that, except for the issue of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of the Shares on exercise thereof or as otherwise with the Joint Global Coordinators' prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will:

- (a) at any time during the first six-month period commencing on the Listing Date and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or

UNDERWRITING

- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the period of six months commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Joint Global Coordinators and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme, he/it will not, and will procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the Joint Global Coordinators’ prior written consent and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above;

UNDERWRITING

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, and or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the period of the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Joint Global Coordinators and the Hong Kong Underwriters that:

- (a) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transaction, he/it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of our Company;
- (b) he/it shall procure that his/its associates and companies controlled by him/it and nominees or trustees holding on trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares; and
- (c) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, our Controlling Shareholders will:
 - (i) when he/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/it is the beneficial owner, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Joint Global Coordinators in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (ii) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Joint Global Coordinators in writing of any such indication.

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Our Company has undertaken to the Sole Sponsor, and each of our Controlling Shareholders has undertaken to the Sole Sponsor that he/it will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (a), (b) or (c) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner(s); and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as such term is defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any of the Shares or securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledged or charge together with the number of Shares or securities of our Company so pledged or charged; and

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- (b) if he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company of such indications.

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally, but not jointly, agree to act as agents of our Company to procure subscribers for the International Offer Shares initially being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “Underwriting arrangements and expenses — Hong Kong Public Offering — Lock-up undertakings to the Hong Kong Underwriters” in this section.

Commission and expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of 2.0% of the total Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions. The amount of underwriting commission is estimated to be approximately HK\$3.1 million (based on the mid-point of our indicative Offer Price range).

The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.53 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately US\$3.1 million (equivalent to approximately HK\$24.2 million) in total, and are payable by our Company.

UNDERWRITING

JOINT GLOBAL COORDINATORS' AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Global Coordinators and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under “Underwriting arrangements and expenses - Commission and expenses”.

We have appointed CISIC as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Joint Global Coordinators and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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THE STRUCTURE OF THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 10,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the sub-section headed “Structure of the Global Offering — The Hong Kong Public Offering”; and
- (ii) the International Offering of 90,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) as described below under the sub-section headed “Structure of the Global Offering — The International Offering”.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares, if qualified to do so, under the International Offering, but may not do both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Offering which are not allowed and are bound to be rejected.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

The 100,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.76 per Hong Kong Offer Share and is expected to be not less than HK\$1.29 per Hong Kong Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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Price payable upon application for the Hong Kong Offer Shares

Applicants under the Hong Kong Public Offering will be required to pay the maximum indicative Offer Price of HK\$1.76 plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,555.48 for each board lot of 2,000 Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.76, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus.

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Shares in the International Offering. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 18 September 2018 and in any event, no later than Wednesday, 19 September 2018.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 19 September 2018, the Global Offering will not proceed and will lapse immediately.

Reduction in Offer Price range and/or number of Offer Shares

The Joint Global Coordinators may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/ or the Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.xysgroup.com notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics

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as currently set out in the “Summary” section and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by

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applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Offering and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional upon, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, any Shares to be issued pursuant to the Global Offering and the Capitalisation Issue, the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the agreement on the final Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company being entered into on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of respective agreements or otherwise,

in each case, on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

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If any of the above conditions has not been fulfilled or waived prior to the times and date(s) specified, the Global Offering will lapse immediately and the Stock Exchange will be notified immediately. Notice of lapse of the Global Offering will be caused to be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.xysgroup.com on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, all application money received from the Hong Kong Public Offering will be held in a separate bank account (or separate bank accounts) with the receiving banker or other licenced bank(s) in Hong Kong.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering 10,000,000 Shares under the Hong Kong Public Offering, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Global Offering, for subscription by way of a public offer in Hong Kong, subject to reallocation as mentioned below, the number of Offer Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment of odd lot size), namely Pool A and Pool B, both of which will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares. Pool A will comprise 5,000,000 Hong Kong Offer Shares and Pool B will comprise 5,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer

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Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules as follows:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 20,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 30,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 30,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 40,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 40,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the Offer Shares reallocated to the Hong Kong Public Offering from the International Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

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In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 20,000,000 Offer Shares).

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The number of Shares to be initially offered for subscription under the International Offering will be 90,000,000 Shares, representing 90% of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-allotment Option). The International Offering is subject to the Hong Kong Public Offering becoming unconditional. The International Offer Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the option which may be granted under the Share Option Scheme.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in section headed “Structure of the Global Offering — Pricing and Allocation — Determining the Offer Price” in this prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), the Over-allotment Option which is exercisable starting from the Listing Date and is expected to expire on the 30th day after the last day of lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and

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issue up to and not more than 15,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Offering. If the Over-allotment Option is exercised in full, the additional 15,000,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised or expired, an announcement will be made.

STOCK BORROWING AGREEMENT

CISIC, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Centennial Best, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with. The principal terms of the Stock Borrowing Agreement are as follows:

- such stock borrowing arrangement with Centennial Best will only be effected by the Stabilising Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Centennial Best under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed from Centennial Best must be returned to it or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full; and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, the Listing Rules and regulatory requirements; and
- no payment will be made to Centennial Best by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

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STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, CISIC, as the Stabilising Manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong and elsewhere, over-allocate Shares or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;

STRUCTURE OF THE GLOBAL OFFERING

- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which is expected to begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Global Offering and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilising Manager may borrow up to 15,000,000 Shares from Centennial Best, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Listing Committee grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

STRUCTURE OF THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Wednesday, 26 September 2018, it is expected that dealings in our Shares on the Main Board will commence at 9: 00 a.m. (Hong Kong time) on Wednesday, 26 September 2018.

The Shares will be traded in board lots of 2,000 Shares each. Our Company will not issue any temporary document of title. The stock code of our Company will be 1748.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/ or any its subsidiaries;
- a Director or chief executive officer of our Company and/ or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 11 September 2018 until 12:00 noon on Monday, 17 September 2018:

- (i) any of the following offices of the Hong Kong Underwriters:

China Industrial Securities International Capital Limited

7/F
Three Exchange Square
8 Connaught Place
Central
Hong Kong

Zhongtai International Securities Limited

19/F
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

SPDB International Capital Limited

Suites 3207-3212, 32/F
One Pacific Place
88 Queensway
Hong Kong

Southwest Securities (HK) Brokerage Limited

40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ZMF Asset Management Limited

Unit 2502, 25/F
World Wide House
19 Des Voeux Road Central
Central
Hong Kong

ChaoShang Securities Limited

Rooms 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Yicko Securities Limited

19/F, Tung Ning Building
125-127 Connaught Road Central
Hong Kong

China Sky Securities Limited

Room 1106, 11/F
Cosco Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road Hong Kong
	Causeway Bay Branch	505 Hennessy Road Causeway Bay Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit, P2-P7, Telford Plaza, No. 33 Wai Yip Street Kowloon Bay Kowloon
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street Mong Kok, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue Sheung Shui New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza 7-11 Kwai Foo Road Kwai Chung New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 11 September 2018 until 12:00 noon on Monday, 17 September 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **BANK OF CHINA (HONG KONG) NOMINEES LIMITED — XIN YUAN GROUP PUBLIC OFFER** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 11 September 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 12 September 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 13 September 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 14 September 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 15 September 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 17 September 2018	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 17 September 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association and Cayman Islands Companies Law;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/ or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/ or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

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(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 11 September 2018 until 11:30 a.m. on Monday, 17 September 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 17 September 2018 or such later time under the “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be

HOW TO APPLY FOR HONG KONG OFFER SHARES

deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

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You will be deemed to have authorised HKSCC and/ or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and/ or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its/their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application

HOW TO APPLY FOR HONG KONG OFFER SHARES

by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Memorandum and the Articles of Association and Cayman Islands Companies Law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/ Custodian Participants can input **electronic application instructions** at following times on the following dates:

Tuesday, 11 September 2018	—	9:00 a.m. to 8:30 p.m.
Wednesday, 12 September 2018	—	8:00 a.m. to 8:30 p.m.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Thursday, 13 September 2018	—	8:00 a.m. to 8:30 p.m.
Friday, 14 September 2018	—	8:00 a.m. to 8:30 p.m.
Saturday, 15 September 2018	—	8:00 a.m. to 1:00 p.m.
Monday, 17 September 2018	—	8:00 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 11 September 2018 until 12:00 noon on Monday, 17 September 2018 (24 hours daily, except on 17 September 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 17 September 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/ or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 17 September 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 17 September 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists do not open and close on Monday, 17 September 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 24 September 2018 on our Company’s website at www.xysgroup.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.xysgroup.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 24 September 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 24 September 2018 to 12:00 midnight on Sunday, 30 September 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 24 September 2018 to Friday, 28 September 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 24 September 2018 to Thursday, 27 September 2018 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/ or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

HOW TO APPLY FOR HONG KONG OFFER SHARES

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.76 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 24 September 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

HOW TO APPLY FOR HONG KONG OFFER SHARES

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 24 September 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at Wednesday, 26 September 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 24 September 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/ or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 24 September 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 24 September 2018, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 24 September 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 24 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 24 September 2018, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 24 September 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 24 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, 24 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 24 September 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 24 September 2018. Immediately following the credit of the Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 24 September 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-63, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



11 September 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XIN YUAN ENTERPRISES GROUP LIMITED AND CHINA INDUSTRIAL SECURITIES INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Xin Yuan Enterprises Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-63, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018, the statements of financial position of the Company as at 31 December 2016 and 2017 and 30 April 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in

Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2016 and 2017 and 30 April 2018 and the Group’s financial position as at 31 December 2015, 2016 and 2017 and 30 April 2018 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises statements of consolidated profit and loss, comprehensive income, changes in equity and cash flows for the four months ended 30 April 2017 and other explanatory information (the “Stub Period Comparative Financial Information”). The Directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit

opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE MAIN BOARD LISTING RULES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by Xin Yuan Enterprises Group Limited in respect of the Track Record Period.

RSM Hong Kong

Certified Public Accountants

Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December			Four months ended	
		2015	2016	2017	30 April	
		US\$'000	US\$'000	US\$'000	2017	2018
					(Unaudited)	
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	8	10,760	15,457	33,727	9,795	13,348
Cost of sales		(6,357)	(9,043)	(20,458)	(6,634)	(8,082)
Gross profit		4,403	6,414	13,269	3,161	5,266
Other income	9	250	666	332	121	740
Administrative expenses		(642)	(783)	(2,095)	(518)	(871)
Other operating expenses		—	(162)	(350)	(206)	—
Exchange gain/(loss), net		14	299	(1,543)	(473)	(261)
Profit from operations		4,025	6,434	9,613	2,085	4,874
Finance costs	11	(649)	(1,912)	(3,581)	(986)	(1,462)
Profit before tax		3,376	4,522	6,032	1,099	3,412
Income tax expense	12	—	—	—	—	—
Profit for the year/period	13	3,376	4,522	6,032	1,099	3,412
Other comprehensive income						
<i>Items that may be reclassified to profit or loss:</i>						
Exchange difference on translating foreign operation		—	—	—	—	10
Other comprehensive income for the year/period, net of tax		—	—	—	—	10
Total comprehensive income for the year/period		3,376	4,522	6,032	1,099	3,422
Profit for the year/period attributable to:						
Owners of the Company		3,377	4,390	5,489	1,289	3,412
Non-controlling interests		(1)	132	543	(190)	—
		3,376	4,522	6,032	1,099	3,412
Total comprehensive income for the year/period attributable to:						
Owners of the Company		3,377	4,390	5,489	1,289	3,422
Non-controlling interests		(1)	132	543	(190)	—
		3,376	4,522	6,032	1,099	3,422
Earnings per share						
Basic and diluted	16	—	—	—	—	—

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at
		2015	2016	2017	30 April
		US\$'000	US\$'000	US\$'000	2018
				US\$'000	
ASSETS					
Non-current assets					
Property, plant and equipment	17	54,860	101,063	157,547	178,081
Deposits	18	7,459	2,500	—	—
Total non-current assets		<u>62,319</u>	<u>103,563</u>	<u>157,547</u>	<u>178,081</u>
Current assets					
Inventories	19	—	—	633	1,011
Contract assets	20(a)	—	—	—	96
Trade receivables	21	—	—	1,101	1,399
Other receivables, deposits and prepayments	22	6,864	3,504	892	1,650
Derivative financial instruments	31	—	—	—	93
Pledged bank deposits	23	—	452	1,324	1,329
Bank and cash balances	23	1,067	3,214	2,536	3,782
Total current assets		<u>7,931</u>	<u>7,170</u>	<u>6,486</u>	<u>9,360</u>
TOTAL ASSETS		<u><u>70,250</u></u>	<u><u>110,733</u></u>	<u><u>164,033</u></u>	<u><u>187,441</u></u>
EQUITY AND LIABILITIES					
Share capital	24(a)	10,403	10	530	530
Reserves	25(a)	8,611	13,360	73,905	77,327
Equity attributable to owners of the Company		19,014	13,370	74,435	77,857
Non-controlling interests		59	431	—	—
Total equity		<u>19,073</u>	<u>13,801</u>	<u>74,435</u>	<u>77,857</u>
LIABILITIES					
Non-current liabilities					
Bank loans	26	22,129	31,217	52,811	48,702
Finance lease payables	27	—	13,477	10,978	31,658
Total non-current liabilities		<u>22,129</u>	<u>44,694</u>	<u>63,789</u>	<u>80,360</u>
Current liabilities					
Contract liabilities	20(b)	—	—	—	381
Trade payables	28	606	815	1,050	902
Other payables and accruals	29	18,522	22,739	10,440	10,377
Advance from related companies	30	4,280	14,635	590	576
Advance from non-controlling shareholders	30	2,160	6,480	—	—
Derivative financial instruments	31	—	162	350	—
Bank loans	26	3,480	4,908	10,880	10,919
Finance lease payables	27	—	2,499	2,499	6,069
Total current liabilities		<u>29,048</u>	<u>52,238</u>	<u>25,809</u>	<u>29,224</u>
TOTAL EQUITY AND LIABILITIES		<u><u>70,250</u></u>	<u><u>110,733</u></u>	<u><u>164,033</u></u>	<u><u>187,441</u></u>
Net current liabilities		<u>(21,117)</u>	<u>(45,068)</u>	<u>(19,323)</u>	<u>(19,864)</u>
Total assets less current liabilities		<u><u>41,202</u></u>	<u><u>58,495</u></u>	<u><u>138,224</u></u>	<u><u>158,217</u></u>

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		As at 30 April
		2016	2017	2018
		US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Investments in subsidiaries		10	8,962	8,962
Current assets				
Other receivables, deposits and prepayments		—	185	260
Due from ultimate parent	10	10	10	10
Due from a subsidiary		—	46,035	45,797
Bank and cash balances		—	—	1
Total current assets		10	46,230	46,068
TOTAL ASSETS		<u>20</u>	<u>55,192</u>	<u>55,030</u>
EQUITY AND LIABILITIES				
Share capital	24(b)	10	530	530
Reserves	25(b)	(7)	54,617	54,277
Total equity		<u>3</u>	<u>55,147</u>	<u>54,807</u>
LIABILITIES				
Current liabilities				
Other payables and accruals		—	1	168
Due to subsidiaries		17	44	55
Total current liabilities		<u>17</u>	<u>45</u>	<u>223</u>
TOTAL EQUITY AND LIABILITIES		<u>20</u>	<u>55,192</u>	<u>55,030</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Merger reserve	Foreign currency translation reserve	Retained Profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	10,402	—	—	—	—	5,234	15,636	—	15,636
Total comprehensive income for the year	—	—	—	—	—	3,377	3,377	(1)	3,376
Capital contribution	1	—	—	—	—	—	1	60	61
Changes in equity for the year	1	—	—	—	—	3,377	3,378	59	3,437
At 31 December 2015	10,403	—	—	—	—	8,611	19,014	59	19,073
At 1 January 2016	10,403	—	—	—	—	8,611	19,014	59	19,073
Total comprehensive income for the year	—	—	—	—	—	4,390	4,390	132	4,522
Capital contribution	10	—	9,310	—	—	—	9,320	240	9,560
Reorganisation	(10,403)	—	—	359	—	—	(10,044)	—	(10,044)
Dividend paid (Note 15)	—	—	—	—	—	(9,310)	(9,310)	—	(9,310)
Changes in equity for the year	(10,393)	—	9,310	359	—	(4,920)	(5,644)	372	(5,272)
At 31 December 2016	10	—	9,310	359	—	3,691	13,370	431	13,801
At 1 January 2017	10	—	9,310	359	—	3,691	13,370	431	13,801
Total comprehensive income for the year	—	—	—	—	—	5,489	5,489	543	6,032
Reorganisation (Note 24(b)(iv))	16	—	—	474	—	—	490	—	490
Shares issued to ultimate parent (Note 24(b)(v))	456	46,185	—	—	—	—	46,641	—	46,641
Shares issued to non-controlling shareholders (Note 24(b)(vi))	48	8,888	—	—	—	(491)	8,445	(974)	7,471
Changes in equity for the year	520	55,073	—	474	—	4,998	61,065	(431)	60,634
At 31 December 2017	530	55,073	9,310	833	—	8,689	74,435	—	74,435
At 1 January 2018	530	55,073	9,310	833	—	8,689	74,435	—	74,435
Total comprehensive income and changes in equity for the period	—	—	—	—	10	3,412	3,422	—	3,422
At 30 April 2018	530	55,073	9,310	833	10	12,101	77,857	—	77,857
At 1 January 2017	10	—	9,310	359	—	3,691	13,370	431	13,801
Total comprehensive income and changes in equity for the period	—	—	—	—	—	1,289	1,289	(190)	1,099
At 30 April 2017 (unaudited)	10	—	9,310	359	—	4,980	14,659	241	14,900

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					(Unaudited)
CASH FLOW FROM OPERATING					
ACTIVITIES					
Profit before tax	3,376	4,522	6,032	1,099	3,412
Adjustments for:					
Depreciation	2,472	3,205	5,545	1,663	2,180
Gain on disposals of derivative financial instruments	—	(516)	—	—	—
Fair value loss/(gain) on derivative financial instruments	—	162	350	206	(443)
Finance costs	649	1,912	3,581	986	1,462
Interest income	(1)	(3)	(11)	(2)	(7)
Unrealised exchange (gain)/loss	—	(303)	1,535	476	254
Operating profit before working capital changes	6,496	8,979	17,032	4,428	6,858
Increase in inventories	—	—	(633)	(508)	(378)
Increase in contract assets	—	—	—	—	(96)
Increase in trade receivables	—	—	(1,101)	(451)	(298)
(Increase)/Decrease in other receivables, deposits and prepayments	(1,842)	3,360	875	2,799	(758)
Increase in contract liabilities	—	—	—	—	381
Increase/(Decrease) in trade payables	(153)	209	235	510	(148)
Increase/(Decrease) in other payables and accruals	2,870	175	7,425	13,691	(63)
Cash generated from operations	7,371	12,723	23,833	20,469	5,498
Interest and bank charges paid	(1,100)	(1,323)	(2,901)	(779)	(1,067)
Finance lease charges paid	—	(710)	(712)	(239)	(395)
Net cash generated from operating activities	6,271	10,690	20,220	19,451	4,036
CASH FLOW FROM INVESTING					
ACTIVITIES					
Purchases of property, plant and equipment	(15,066)	(23,978)	(59,226)	(50,737)	(3,648)
Deposits paid	(7,359)	(2,500)	—	—	—
Acquisition of subsidiaries under common control	—	(6,002)	—	—	—
Proceeds/(payment) on disposals of derivative financial instruments	—	516	(433)	(433)	—
Interest received	1	3	11	2	7
Increase in pledged bank deposits	—	(452)	(872)	(216)	(5)
(Increase)/Decrease in restricted bank balances	2,049	(1,396)	477	500	29
Net cash used in investing activities	(20,375)	(33,809)	(60,043)	(50,884)	(3,617)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Xin Yuan Enterprises Group Limited (the “Company”) was incorporated in the Cayman Islands on 28 June 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The address of its principal place of business in Hong Kong is 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group are principally engaged in provision of asphalt tanker chartering services (the “Listing Business”).

In the opinion of the directors of the Company, Centennial Best Limited (“Centennial Best”), a company incorporated in the British Virgin Islands, is the ultimate parent. Mr. Ding Xiao Li, Mr. Xu Wen Jun and Mr. Ding Yu Zhao are the ultimate controlling parties of the Company (the “Controlling Shareholders”).

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the incorporation of the Company and the completion of the Reorganisation as more fully explained in the section headed “Reorganisation” in “History, Reorganisation and Group Structure” to the Prospectus, the Listing Business was carried out by companies now comprising the Group (collectively the “Operating Companies”) which were controlled by the Controlling Shareholders throughout the Relevant Periods.

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Xin Yuan Enterprises Group Limited and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Xin Yuan Enterprises Group Limited and its subsidiaries, using the carrying values of assets, liabilities and operating results of the Listing Business under the consolidated financial statements of Xin Yuan Enterprises Group Limited for all periods presented.

Upon completion of the Group Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group as at 11 September 2018	Principal activities	Notes
Direct					
Virtue Glory Holdings Limited	The British Virgin Islands	US\$10,000	100%	Investment holding	(b)
Indirect					
Baustella Shipping (Hong Kong) Limited	Hong Kong	HK\$10,000	100%	Vessel owning and chartering	(c)
Begstella Shipping (Hongkong) Limited	Hong Kong	HK\$10,000	100%	Not yet commence business	(c)
Brilliant Star Shipping Limited ("Brilliant Star")	Hong Kong	HK\$1	100%	Inactive	(d), (i)
Jastella Shipping (Hong Kong) Limited	Hong Kong	HK\$10,000	100%	Vessel owning and chartering	(c)
Lotstella Shipping (Hongkong) Limited	Hong Kong	HK\$10,000	100%	Vessel owning and chartering	(c)
Phoenix Shipping (Hong Kong) Limited ("Phoenix Shipping")	Hong Kong	HK\$10,000	100%	Vessel owning and chartering	(e), (i)
Shun Yuen Group (Hong Kong) Limited ("Shun Yuen HK")	Hong Kong	HK\$10,000	100%	Investment holding	(d), (i)
Xin De Yuan (Hong Kong) Shipping Limited	Hong Kong	HK\$59,000,000	100%	Vessel owning and chartering	(d), (i)
Xin Yuan Ocean Shipping (HK) Group Limited ("Xin Yuan Ocean")	Hong Kong	RMB70,000,000	100%	Vessel owning and chartering	(d), (i)
Bilxin Shipping Group Pte. Ltd. ("Bilxin Shipping")	Singapore	US\$1,000,000	100%	Investment holding	(f)
Lilstella Shipping Pte. Ltd.	Singapore	US\$50,000	100%	Vessel owning and chartering	(g)
Orcstella Shipping Pte. Ltd.	Singapore	US\$50,000	100%	Vessel owning and chartering	(g)
Poestella Shipping Pte. Ltd.	Singapore	US\$50,000	100%	Vessel owning and chartering	(g)
Rostella Shipping Pte. Ltd.	Singapore	US\$50,000	100%	Vessel owning and chartering	(g)
Fujian Xinyuanxinlanhai Import and Export Trade Co., Ltd ("Xinlanhai") (福建信源新藍海進出口貿易有限公司)	The People's Republic of China (the "PRC")	RMB6,438,330 (Note a)	100%	Sourcing of mechanical equipment and hardware product for the Group's vessels and provision of administrative services to group companies	(h)

Note:

- (a) Xinlanhai is a wholly-owned foreign enterprise established in the PRC. The registered capital of Xinlanhai is RMB30,000,000 and RMB6,438,330 has been paid up as at the date of this report.

- (b) No statutory financial statements have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there are no statutory audit requirements.
- (c) The statutory financial statements for the period from the date of incorporation to 31 December 2017 was prepared in accordance with HKFRSs issued by the HKICPA, and were audited by RSM Hong Kong.
- (d) The statutory financial statements for the years ended 31 December 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA, and were audited by Andrew Tse & Company.
- (e) The statutory financial statements for the period from the date of incorporation to 31 December 2016 was prepared in accordance with HKFRSs issued by the HKICPA, and were audited by Andrew Tse & Company.
- (f) The statutory financial statements for the period from the date of incorporation to 31 December 2015 and for the years ended 31 December 2016 and 2017 were prepared in accordance with Financial Reporting Standards in Singapore issued by Accounting Standards Council, and were audited by Lo Hock Ling & Co.
- (g) The statutory financial statements for the period from the date of incorporation to 31 December 2016 and for the year ended 31 December 2017 were prepared in accordance with Financial Reporting Standards in Singapore issued by Accounting Standards Council, and were audited by Lo Hock Ling & Co.
- (h) No statutory financial statements have been prepared since its date of incorporation as it is incorporated as it is newly incorporated and not yet due for statutory audit as at the date of this report.
- (i) The statutory financial statements for the year ended 31 December 2017 was prepared in accordance with HKFRSs issued by the HKICPA, and were audited by RSM Hong Kong.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Group had net current liabilities of approximately US\$19,864,000 as at 30 April 2018. (31 December 2015: US\$21,117,000; 31 December 2016: US\$45,068,000; 31 December 2017: US\$19,323,000)

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its continuous positive operating cashflow and the bank and other facilities. The Group’s forecasts and projections, taking account of reasonably possible changes in the results of business operation, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group’s borrowings is given in Notes 26 and 27.

3. ADOPTION OF NEW AND REVISED HKFRSS**(a) Application of new and revised HKFRSs**

During the Track Record Period, the Group has been adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on 1 January 2018. Of these, the following new and revised HKFRSs are relevant and significant to the Group.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group has adopted the new standard on the required effective date and does not restate comparative information.

The impact of HKFRS 9 to the Group's consolidated financial statements is as follows:

(a) **Classification and measurement**

The adoption of HKFRS 9 does not have significant impact to the classification and measurement of financial assets of the Group. The classification and measurement policy of financial assets under HKFRS 9 had been disclosed in Note 4(g). The main effects resulting from this reclassification are as follows:

	Measurement category		Carrying amounts as at 31 December 2017
	Original (HKAS 39)	New (HKFRS 9)	Reclassified
			<i>US\$'000</i>
Current financial assets			
Trade receivables*	Amortised cost	Amortised cost	1,101
Other receivables and deposits*	Amortised cost	Amortised cost	470
Due from ultimate parent*	Amortised cost	Amortised cost	10
Cash and cash equivalents*	Amortised cost	Amortised cost	3,860
Non-current financial liabilities			
Bank loans	Amortised cost	Amortised cost	52,811
Finance lease payables	Amortised cost	Amortised cost	10,978
Current financial liabilities			
Derivative financial instruments	Fair value through profit or loss ("FVPL")	FVPL	350
Trade payables	Amortised cost	Amortised cost	1,050
Other payables and accruals	Amortised cost	Amortised cost	9,912
Advance from related companies	Amortised cost	Amortised cost	590
Bank loans	Amortised cost	Amortised cost	10,880
Finance lease payables	Amortised cost	Amortised cost	2,499

* Financial assets originally classified as loans and receivables under HKAS 39.

(b) **Impairment**

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model does not result in earlier recognition of credit losses at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has adopted the standard using the modified retrospective approach and does not restate the comparative information.

The Group has identified the following areas which are affected:

(a) Timing of revenue recognition

Before adoption of HKFRS 15, revenue from voyage charter and contract of affreightment (“CoA”) is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or service is regarded as being transferred over time:

- a) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- b) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- c) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

HKFRS 15 does not have impact on how the Group recognises revenue from voyage charter and CoA. However, the adoption of HKFRS 15 would affect the recognition and presentation of trade receivables, contract assets and liabilities. The accounting policies and presentation of contract assets and liabilities are further disclosed in Note 4(o) and Note 20 respectively.

The following table summarise the impacts of adopting HKFRS 15 on the Group's consolidated financial statements for the four months ended 30 April 2018.

At 30 April 2018	Impact of changes in accounting policies		
	As reported	Adjustments	Balances without adoption of HKFRS 15
	US\$'000	US\$'000	US\$'000
Contract assets	96	(96)	—
Trade receivables	1,399	(285)	1,114
Contract liabilities	(381)	381	—

(b) **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the Track Record Period. These new and revised HKFRSs include the following.

	Effective for accounting periods beginning on or after
HKFRS 1 (Revised) First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2019
HKFRS 16 Leases	1 January 2019
HKFRS 17 Insurance Contracts	1 January 2021
Hong Kong (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in Note 34, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to approximately US\$50,000, US\$312,000 and US\$284,000 as at 31 December 2016 and 2017 and 30 April 2018 respectively. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group. The adoption of HKFRS 16 does not have significant impact to the financial position and performance of the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group has assessed that the new interpretation is not likely to have significant impact on the results and financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information include the financial statements of the Company and its subsidiaries made up to 31 December/30 April. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statements of financial position and consolidated statements of changes in equity within equity. Non-controlling interests are presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in United States dollars ("USD"), which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) **Property, plant and equipment**

(i) *Vessels*

Vessels are stated at cost less accumulated depreciation and impairment losses.

Vessels (other than the dry-docking component) are depreciated on a straight-line basis over the estimated useful lives of 25 years, after taking into account the estimated residual values. The estimated useful lives are reviewed annually.

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

Vessels under construction are stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

(ii) *Other property, plant and equipment*

Other property, plant and equipment are stated in the Historical Financial Information at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of other property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	20%-33%
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The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) **Leases**

The Group as lessee

(i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) **Inventories**

Inventories comprise bunker and lubricant oil for vessels remaining on board at the end of the reporting period. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the expected amount to be realised from use as estimated by the directors/management.

(f) **Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) **Financial assets**

Applied prior to 1 January 2018

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

Applied from 1 January 2018

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, financial asset is classified as measured at amortised cost or measured at fair value (either through other comprehensive income or through profit or loss). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(h) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Derivative financial instruments

All derivatives are initially recognised and subsequently measured at fair value. Changes in the fair value of derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

(o) Revenue recognition***Applied prior to 1 January 2018***

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from voyage charter and CoA is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

Revenue from time charter is recognised on a straight-line basis over the period of each charter.

Interest income is recognised on a time-proportion basis using the effective interest method.

Applied from 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable for provision of asphalt tanker chartering services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) *Revenue from voyage charter and CoA*

Revenue is recognised when or as the control of services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of services may be transferred over time or at a point in time. Control of the services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer control as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

The progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of the value of individual service transferred by the Group to customer, by reference to the time proportion of each individual voyage.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

(ii) *Revenue from time charter*

Revenue from time charter is recognised on a straight-line basis over the period of each charter.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

(p) **Employee benefits**

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset / cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

Applied prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

Applied from 1 January 2018

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 6(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. Particularly, the Group will review the residual value of each vessel by reference to scrap steel price at the end of each reporting period.

The carrying amount of property, plant and equipment as at 31 December 2015, 2016 and 2017 and 30 April 2018 was approximately US\$54,860,000, US\$101,063,000, US\$157,547,000 and US\$178,081,000 respectively.

(b) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax was made since the Group had no assessable profit for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. No impairment loss was made during the Track Record Period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as Singapore dollars ("SGD") and Renminbi ("RMB"). During the Track Record Period, the Group entered into foreign currency forward contracts to hedge the foreign currency risk in respect of bank loans denominated in SGD. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2015, 2016, 2017 and 30 April 2018, if USD had strengthened 5 per cent against SGD with all other variables held constant, consolidated profit after tax for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 would have been approximately US\$1,000, US\$355,000, US\$1,223,000 and US\$1,167,000 lower, higher, higher and higher respectively, arising mainly as a result of the foreign exchange gain on bank loans denominated in SGD. If USD had weakened 5 per cent against SGD with all other variables held constant, consolidated profit after tax for the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2018 would have been approximately US\$1,000, US\$355,000, US\$1,223,000 and US\$1,167,000 higher, lower, lower and lower respectively, arising mainly as a result of the foreign exchange loss on bank loans denominated in SGD.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash and bank balances.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significant reduced.

Amounts due from related companies are closely monitored by the directors. The directors are of the opinion that the risk of default by counterparties is low.

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected loss rate of current trade receivables and contract assets are assessed to be 0%. No loss allowance provision was recognised during the Track Record Period.

(ii) Other receivables

The Group has assessed that the expected credit losses for other receivables are not material under the 12-month expected losses method. Thus no loss allowance provision was recognised during the Track Record Period.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 31 December 2015					
Trade and other payables	19,010	—	—	—	19,010
Advance from related companies	4,280	—	—	—	4,280
Advance from non-controlling shareholders	2,160	—	—	—	2,160
Bank loans	4,531	4,377	12,209	8,410	29,527
Finance lease payables	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2016					
Trade and other payables	22,966	—	—	—	22,966
Advance from related companies	14,635	—	—	—	14,635
Advance from non-controlling shareholders	6,480	—	—	—	6,480
Bank loans	6,294	6,655	20,090	7,890	40,929
Finance lease payables	3,163	3,050	11,755	—	17,968
	<u>3,163</u>	<u>3,050</u>	<u>11,755</u>	<u>—</u>	<u>17,968</u>
At 31 December 2017					
Trade and other payables	10,962	—	—	—	10,962
Advance from related companies	590	—	—	—	590
Bank loans	13,385	12,900	39,185	5,549	71,019
Finance lease payables	3,108	2,983	8,854	—	14,945
	<u>3,108</u>	<u>2,983</u>	<u>8,854</u>	<u>—</u>	<u>14,945</u>
At 30 April 2018					
Trade and other payables	10,751	—	—	—	10,751
Advance from related companies	576	—	—	—	576
Bank loans	13,563	13,005	38,875	4,274	69,717
Finance lease payables	8,167	7,809	28,315	—	44,291
	<u>8,167</u>	<u>7,809</u>	<u>28,315</u>	<u>—</u>	<u>44,291</u>

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank loans and finance lease payables. Bank loans and finance lease payables bear interests at variable rates varied with the then prevailing market condition.

During the Track Record Period, the Group used interest rate swaps in order mitigate its exposure associated with fluctuations relating to interest cash flows. The critical terms of these interest rate swaps are similar to those of the hedged loans.

At 31 December 2015, 2016 and 2017 and 30 April 2018, if interest rates had been 100 basis points lower/higher with all other variables held constant, consolidated profit after tax for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 would have been approximately US\$256,000, US\$521,000, US\$772,000 and US\$973,000 higher/lower respectively, arising mainly as a result of lower/higher interest expenses.

(e) **Categories of financial instruments**

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Financial assets:			
Loans and receivables (including cash and cash equivalents)	<u>7,917</u>	<u>6,628</u>	<u>5,441</u>
Financial liabilities:			
Derivative financial instruments — held for trading	—	162	350
Financial liabilities at amortised cost	<u>51,059</u>	<u>96,182</u>	<u>88,720</u>
			As at
			30 April
			<u>2018</u>
			<i>US\$'000</i>
Financial assets:			
Assets at fair value through profit or loss — derivative financial instrument			93
Assets at amortised cost			<u>7,675</u>
Financial liabilities:			
Liabilities at amortised cost			<u>108,675</u>

(f) **Fair values**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			At
	Level 1	Level 2	Level 3	31 December
	US\$'000	US\$'000	US\$'000	2015
	US\$'000	US\$'000	US\$'000	US\$'000

Recurring fair value measurement:

Financial assets/(liabilities)

Foreign currency forward contracts	—	—	—	—
Interest rate swap contracts	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Fair value measurements using:			At
	Level 1	Level 2	Level 3	31 December
	US\$'000	US\$'000	US\$'000	2016
	US\$'000	US\$'000	US\$'000	US\$'000

Recurring fair value measurement:

Financial assets/(liabilities)

Foreign currency forward contracts	—	(162)	—	(162)
Interest rate swap contracts	—	—	—	—
	<u>—</u>	<u>(162)</u>	<u>—</u>	<u>(162)</u>

8. REVENUE

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Provision of asphalt tanker chartering services					
- Time charter	10,760	14,117	20,061	5,271	7,987
- Voyage charter and CoA	—	1,340	13,666	4,524	5,361
	<u>10,760</u>	<u>15,457</u>	<u>33,727</u>	<u>9,795</u>	<u>13,348</u>

Further analysis of the Group's revenue for the four months ended 30 April 2018 is as follows:

	<i>US\$'000</i>
Revenue from voyage charter and CoA - recognised over time	5,361
Revenue from other source - time charter	<u>7,987</u>
	<u>13,348</u>

9. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Bank interest income	1	3	11	2	7
Compensation income	141	27	258	114	286
Fair value gain on derivative financial instrument	—	—	—	—	443
Gain on disposals of derivative financial instruments	—	516	—	—	—
Sundry income	108	120	63	5	4
	<u>250</u>	<u>666</u>	<u>332</u>	<u>121</u>	<u>740</u>

10. SEGMENT INFORMATION

Operating segment information:

The Group has one single reportable segment which was managed as a single strategic business unit that engaged in provision of asphalt tanker chartering services with similar marketing strategy. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and assessment performance is focused on the operating results of the Group as a whole as the Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Geographical information:**Revenue**

The Group's business is managed on a worldwide basis. The revenue generated from provision of asphalt tanker chartering services, which is carried out internationally, and the way in which costs are allocated, preclude a meaningful presentation of geographical information.

Non-current assets

As at 31 December 2015, 2016 and 2017 and 30 April 2018, over 99% of the Group's non-current assets are vessels, vessels under construction and deposits paid for construction of vessels.

The vessels are primarily utilised across geographical markets for shipment of liquid asphalt throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus no segment analysis is presented.

Revenue from major customers:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Customer A	10,760	10,229	10,009	3,779	3,403
Customer B	—	4,488	6,365	1,886	1,956
Customer C (Note)	—	n/a	5,618	1,571	4,205
Customer D (Note)	—	—	5,093	1,775	n/a
Customer E	—	—	4,188	—	2,916

Note:

Revenue from Customer C represented less than 10% of the Group's revenue for the year ended 31 December 2016.

Revenue from Customer D represented less than 10% of the Group's revenue for the four months ended 30 April 2018.

11. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Bank charges	170	—	—	—	—
Finance leases charges	—	710	712	239	395
Interest rate swap expenses	—	—	211	12	91
Interest on bank and other borrowings	930	1,323	2,690	767	976
	1,100	2,033	3,613	1,018	1,462
Less: amount capitalised	(451)	(121)	(32)	(32)	—
	649	1,912	3,581	986	1,462

During the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018, the weighted average capitalisation rate on funds borrowed generally was at a rate of 4.28%, Nil%, Nil%, Nil% and Nil% per annum respectively.

12. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Current tax	—	—	—	—	—

During the Track Record Period, the Group mainly operated in Hong Kong and Singapore. However, no provision for Hong Kong Profits Tax and Singapore Corporate Income Tax was made since the Group had no assessable profit for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Profit before tax	3,376	4,522	6,032	1,099	3,412
Tax at Hong Kong Profits Tax rate of 16.5%	557	746	995	181	563
Tax effect of income that is not taxable (Note 1)	(1,881)	(2,714)	(5,642)	(1,592)	(2,392)
Tax effect of expenses that are not deductible (Note 2)	1,324	1,933	4,563	1,381	1,753
Tax effect of tax losses not recognised	—	33	79	33	96
Effect of different tax rates of subsidiaries	—	2	5	(3)	(20)
Income tax expense	—	—	—	—	—

Note:

- (1) "Tax effect of income that is not taxable" for the years ended 31 December 2015, 2016 and 2017 and 4 months ended 30 April 2018 mainly represented the exempted / non-taxable chartering income of the Group.
- (2) "Tax effect of expenses that are not deductible" for the years ended 31 December 2015, 2016 and 2017 and 4 months ended 30 April 2018 mainly represented the expenses incurred by the Group in generating the exempted / non-taxable income.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group has unused tax losses of approximately US\$Nil, US\$194,000, US\$638,000 and US\$1,045,000 respectively available for offset against future profits. No deferred tax assets have been recognised due to the unpredictability of future profit streams from those loss making subsidiaries. The aforesaid unused tax losses of the Group have not yet been agreed by respective tax authorities. The expiry date of unrecognised tax losses are summarised as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	US\$'000	US\$'000	US\$'000	2018
On 31 December 2022	—	—	45	46
On 31 December 2023	—	—	—	341
Carried forward indefinitely	—	194	593	658
	<u>—</u>	<u>194</u>	<u>638</u>	<u>1,045</u>

13. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the Track Record Period is stated after charging/(crediting) the following:

	Year ended 31 December			Four months ended	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				(Unaudited)	
Auditors' remuneration	66	85	77	17	59
Depreciation	2,472	3,205	5,545	1,663	2,180
Exchange (gain)/loss, net	(14)	(299)	1,543	473	261
Gain on disposals of derivative financial instruments	—	(516)	—	—	—
Fair value (gain)/loss on derivative financial instruments	—	162	350	206	(443)
Listing expenses	—	—	374	—	223
Operating lease charges — land and buildings	38	63	171	58	62
Staff costs (including directors' emoluments)					
- Salaries, bonuses and allowances	200	177	679	175	263
- Retirement benefits scheme contributions	34	63	115	35	41
- Other benefits	83	77	120	44	40
	<u>317</u>	<u>317</u>	<u>914</u>	<u>254</u>	<u>344</u>

Note:

Staff costs include fee reimbursement of approximately US\$317,000, US\$278,000, US\$640,000, US\$211,000 and US\$Nil to a related company for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018 respectively.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments of each director were as follows:

	Fees	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Year ended 31 December 2015					
Mr. Ding Xiao Li	—	—	—	—	—
Mr. Xu Wen Jun	—	40	—	3	43
Mr. Ding Yu Zhao	—	—	—	—	—
	<u>—</u>	<u>40</u>	<u>—</u>	<u>3</u>	<u>43</u>
Year ended 31 December 2016					
Mr. Ding Xiao Li	—	—	—	—	—
Mr. Xu Wen Jun	—	59	—	3	62
Mr. Ding Yu Zhao	—	—	—	—	—
	<u>—</u>	<u>59</u>	<u>—</u>	<u>3</u>	<u>62</u>
Year ended 31 December 2017					
Mr. Ding Xiao Li	—	—	—	—	—
Mr. Xu Wen Jun	—	84	—	5	89
Mr. Ding Yu Zhao	—	—	—	—	—
	<u>—</u>	<u>84</u>	<u>—</u>	<u>5</u>	<u>89</u>
Four months ended 30 April 2017 (Unaudited)					
Mr. Ding Xiao Li	—	—	—	—	—
Mr. Xu Wen Jun	—	28	—	1	29
Mr. Ding Yu Zhao	—	—	—	—	—
	<u>—</u>	<u>28</u>	<u>—</u>	<u>1</u>	<u>29</u>
Four months ended 30 April 2018					
Mr. Ding Xiao Li	—	—	—	—	—
Mr. Xu Wen Jun	—	31	—	2	33
Mr. Ding Yu Zhao	—	—	—	—	—
	<u>—</u>	<u>31</u>	<u>—</u>	<u>2</u>	<u>33</u>

There were no arrangements under which a director waived or agreed waive any emoluments during the Track Record Period.

The above analysis includes reimbursement of directors' emoluments paid to a related company.

(b) Five highest paid individuals

The five highest paid individuals in the Group included 1 director for the Track Record Period whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Salaries and allowances	159	174	222	71	88
Discretionary bonuses	—	—	—	—	—
Retirement benefits scheme contributions	12	12	19	4	8
	<u>171</u>	<u>186</u>	<u>241</u>	<u>75</u>	<u>96</u>

The emoluments fell within the following band:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The above analysis includes reimbursement of staff costs paid to a related company.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of each reporting date or at any time during the Track Record Period.

15. DIVIDEND

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
				<i>(Unaudited)</i>	
Dividend paid by Xin Yuan Ocean	—	9,310	—	—	—

No dividend has been paid or declared by the Company since its date of incorporation.

16. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this financial information, is not considered meaningful due to the Group Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as further explained in Note 2 to the Historical Financial Information.

17. PROPERTY, PLANT AND EQUIPMENT

	Vessels & dry-docking	Office equipment	Vessels under construction	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost				
At 1 January 2015	48,219	—	—	48,219
Additions	<u>727</u>	<u>—</u>	<u>14,790</u>	<u>15,517</u>
At 31 December 2015 and 1 January 2016	48,946	—	14,790	63,736
Additions	261	2	49,145	49,408
Transfer	<u>26,786</u>	<u>—</u>	<u>(26,786)</u>	<u>—</u>
At 31 December 2016 and 1 January 2017	75,993	2	37,149	113,144
Additions	1,078	45	60,906	62,029
Transfer	<u>74,446</u>	<u>—</u>	<u>(74,446)</u>	<u>—</u>
At 31 December 2017 and 1 January 2018	151,517	47	23,609	175,173
Additions	—	12	22,702	22,714
Transfer	<u>37,226</u>	<u>—</u>	<u>(37,226)</u>	<u>—</u>
At 30 April 2018	<u>188,743</u>	<u>59</u>	<u>9,085</u>	<u>197,887</u>
Accumulated depreciation				
At 1 January 2015	6,404	—	—	6,404
Charge for the year	<u>2,472</u>	<u>—</u>	<u>—</u>	<u>2,472</u>
At 31 December 2015 and 1 January 2016	8,876	—	—	8,876
Charge for the year	<u>3,204</u>	<u>1</u>	<u>—</u>	<u>3,205</u>
At 31 December 2016 and 1 January 2017	12,080	1	—	12,081
Charge for the year	<u>5,535</u>	<u>10</u>	<u>—</u>	<u>5,545</u>
At 31 December 2017 and 1 January 2018	17,615	11	—	17,626
Charge for the period	<u>2,176</u>	<u>4</u>	<u>—</u>	<u>2,180</u>
At 30 April 2018	<u>19,791</u>	<u>15</u>	<u>—</u>	<u>19,806</u>
Carrying amount				
At 31 December 2015	<u>40,070</u>	<u>—</u>	<u>14,790</u>	<u>54,860</u>
At 31 December 2016	<u>63,913</u>	<u>1</u>	<u>37,149</u>	<u>101,063</u>
At 31 December 2017	<u>133,902</u>	<u>36</u>	<u>23,609</u>	<u>157,547</u>
At 30 April 2018	<u>168,952</u>	<u>44</u>	<u>9,085</u>	<u>178,081</u>

At 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amount of vessels including vessels under construction pledged as securities for the Group's bank loans amounted to approximately US\$40,070,000, US\$75,304,000, US\$109,147,000 and US\$107,421,000 respectively.

At 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amount of vessels held by the Group under finance leases amounted to approximately US\$Nil, US\$25,758,000, US\$24,755,000 and US\$61,531,000 respectively.

During the year ended 31 December 2016, the Group changed the estimated useful lives of vessels from 20 years to 25 years. As a result of this change in accounting estimate, the depreciation charge decreased by approximately US\$541,000, US\$557,000 and US\$199,000 for the years ended 31 December 2016 and 2017 and four months ended 30 April 2018 respectively.

18. DEPOSITS

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group paid deposits of approximately US\$7,459,000, US\$2,500,000, US\$Nil and US\$Nil for construction of vessels respectively.

19. INVENTORIES

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Bunker and lubricant oil for vessels	—	—	633	1,011

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Details of contract assets are as follows:

	As at 30 April 2018 US\$'000
Contract assets related to voyage charter and CoA	96

Contract assets related to voyage charter and CoA consist of unbilled amount resulting from provision of charter services when revenue recognised over time exceeds the amounts billed to the customer. Contract assets had been increased during the Track Record Period, which was primarily due to more vessels operated under voyage charter and CoA.

(b) The Group has recognised the following revenue-related contract liabilities:

	As at 30 April 2018
	<u>US\$'000</u>
Contract liabilities related to voyage charter and CoA	<u>381</u>

Contract liabilities of the Group arise from the advance payments made by the customer or billing involved to the customer (whichever is earlier) while underlying services are yet to be provided. Such liabilities increased as a result of more vessels operated under voyage charter and CoA.

The following table shows the revenue recognised during the four months ended 30 April 2018 related to carried-forward contract liabilities:

	<i>US\$'000</i>
Revenue recognised that was included in the balance of contract liabilities at 1 January 2018	—
Revenue from voyage charter and CoA	<u>—</u>

(c) Unsatisfied contracts related to voyage charter and CoA:

	As at 30 April 2018
	<u>US\$'000</u>
Expected to be recognised within one year	<u>946</u>

As the asphalt tanker chartering services are rendered in short period of time, management expects the unsatisfied performance obligations will be recognised as revenue within one year.

21. TRADE RECEIVABLES

For time charter, the Group generally receives monthly prepayment from customers. For voyage charter, the Group generally receives full payment within five business days after completion of cargo loading. For CoA, the Group generally receives full payment within three business days after completion of cargo discharging. For demurrage claims, the balance is normally paid within 30 days after the finalisation.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0 to 30 days	—	—	1,101	1,269
Over 30 days	—	—	—	130
	<u>—</u>	<u>—</u>	<u>1,101</u>	<u>1,399</u>

As at 31 December 2015, 2016 and 2017 and 30 April 2018, no allowance for estimated irrecoverable trade receivables was made.

As of 31 December 2015, 2016 and 2017 and 30 April 2018, trade receivables of approximately US\$Nil, US\$Nil, US\$Nil and US\$130,000 respectively were past due but not impaired.

These relate to an independent customer for whom there is no recent listing of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Overdue by up to 3 months	<u>—</u>	<u>—</u>	<u>—</u>	<u>130</u>

The carrying amounts of the Group's trade receivables are denominated in USD.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Other receivables	54	93	82	457
Deposits and prepayments	209	1,664	800	1,183
Due from related companies (Note)	6,599	1,735	—	—
Due from the Controlling Shareholders (Note)	2	—	—	—
Due from ultimate parent (Note)	<u>—</u>	<u>12</u>	<u>10</u>	<u>10</u>
	<u>6,864</u>	<u>3,504</u>	<u>892</u>	<u>1,650</u>

Note:

The amounts due are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group's pledged bank deposits included deposits pledged to a bank of approximately US\$Nil, US\$452,000, US\$1,324,000 and US\$1,329,000 as securities for the Group's bank loans (Note 26) respectively. The deposits were in SGD and bore fixed interest rate of Nil%, 0.6%, 1.1% and 2.2% per annum at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively, and therefore were subject to fair value interest rate risk.

At 31 December 2015, 2016 and 2017 and 30 April 2018, bank balances of approximately US\$754,000, US\$1,638,000, US\$1,164,000 and US\$1,198,000 were restricted from being used and charged over the Group's bank loans (Note 26) respectively.

At 31 December 2015, 2016 and 2017 and 30 April 2018, bank balances of approximately US\$Nil, US\$512,000, US\$509,000 and US\$446,000 were restricted from being used and charged over the Group's financial lease payables (Note 27) respectively.

At 31 December 2015, 2016 and 2017 and 30 April 2018, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately US\$Nil, US\$Nil, US\$57,000 and US\$201,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. SHARE CAPITAL**(a) The Group**

For the purpose of this financial information, the share capital as presented in the consolidated statements of financial position as at 31 December 2015 represented the issued and fully paid share capital of Brilliant Star, Phoenix Shipping, Shun Yuen HK and Xin Yuan Ocean.

For the purpose of this financial information, the share capital as presented in the consolidated statements of financial position as at 31 December 2016 and 2017 and 30 April 2018 represented the issued and fully paid share capital of the Company.

(b) The Company

		Number of shares	Amount
			<i>US\$'000</i>
Authorised:			
On incorporation and at 31 December 2016 (US\$1 each)	(i)	50,000	50
Increase in authorised capital	(ii)	52,936,244	52,936
Subdivision of shares	(iii)	<u>5,245,638,156</u>	—
At 31 December 2017 and 30 April 2018 (US\$0.01 each)		<u>5,298,624,400</u>	<u>52,986</u>
Issued and fully paid:			
On incorporation and at 31 December 2016 (US\$1 each)	(i)	10,000	10
Subdivision of shares	(iii)	990,000	—
Shares issued to Golden Boomer and Gigantic Path	(iv)	1,566,322	16
Shares issued to Centennial Best	(v)	45,651,160	456
Shares issued to Bilsea International	(vi)	<u>4,768,762</u>	<u>48</u>
At 31 December 2017 and 30 April 2018 (US\$0.01 each)		<u>52,986,244</u>	<u>530</u>

- (i) The Company was incorporated as an exempted company in the Cayman Islands on 28 June 2016 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. Upon incorporation, one share was allotted as fully paid at par value to a subscriber, and was then transferred to Mr. Ding Xiao Li. On the same date, 9,999 shares were issued and allotted at par value to the Controlling Shareholders. On 22 September 2016, these 10,000 shares were transferred to Centennial Best, the ultimate parent.
- (ii) On 15 December 2017, a written resolution in lieu of an extraordinary general meeting was passed to increase the authorised capital of the Company from US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1 each to US\$52,986,244 divided into 52,986,244 ordinary shares with a par value of US\$1 each by the creation of US\$52,936,244 divided into 52,936,244 ordinary shares with a par value of US\$1 each.
- (iii) On 16 December 2017, a written resolution in lieu of an extraordinary general meeting was passed to subdivide the authorised capital of the Company from 52,986,244 ordinary shares with a par value of US\$1 each into 5,298,624,400 ordinary shares with a par value of US\$0.01 each, and subdivide the issued capital owned by Centennial Best from 10,000 ordinary shares with a par value of US\$1 each into 1,000,000 ordinary shares with a par value of US\$0.01 each.
- (iv) On 19 December 2017, the Company issued and allotted 97,894 shares to Golden Boomer Limited (“Golden Boomer”) (controlled by Mr. Ding Xiao Li) in exchange for 357,140 shares in Xin Yuan Ocean, representing approximately 0.51% of the entire issued share capital of Xin Yuan Ocean.

On the same date, the Company further issued and allotted 1,468,428 shares to Gigantic Path Limited (“Gigantic Path”) (controlled by Mr. Ding Yu Zhao) in exchange for 5,357,170 shares in Xin Yuan Ocean, representing approximately 7.65% of the entire issued share capital of Xin Yuan Ocean.

- (v) On 19 December 2017, the Company issued and allotted 45,651,160 shares to Centennial Best which was used to settle the debts owing to Centennial Best amounted to US\$46,641,160.
- (vi) On 19 December 2017, the Company issued and allotted 4,768,762 shares to Bilsea International Pte. Ltd. (“Bilsea International”), the non-controlling shareholder of Bilxin Shipping, in exchange for transfer of 300,000 shares in Bilxin Shipping, representing 30% of the entire issued share capital of Bilxin Shipping to Shun Yuen HK on 22 December 2017. In consideration of the Company agreeing to allot and issue the said 4,768,762 shares, Bilsea International assigned to Shun Yuen HK the debt of the amount of US\$7,471,220 (including advance to Bilsea International of US\$6,480,000 and the amount due to Bilsea International of US\$991,220) owed by Bilxin Shipping to Bilsea International on 18 December 2017.

(c) Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group currently does not have any specific policies and processes for managing capital.

The Group is not subject to any externally imposed capital requirements.

25. RESERVES

(a) The Group

The amounts of the Group’s reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) **The Company**

	Share premium	Accumulated losses	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Loss for the period and at 31 December 2016	—	(7)	(7)
At 1 January 2017	—	(7)	(7)
Loss for the year	—	(449)	(449)
Shares issued to Shares issued to Centennial Best (Note 24(b)(v))	46,185	—	46,185
Shares issued to Bilsea International (Note 24(b)(vi))	8,888	—	8,888
At 31 December 2017	<u>55,073</u>	<u>(456)</u>	<u>54,617</u>
At 1 January 2018	55,073	(456)	54,617
Loss for the period	—	(340)	(340)
At 30 April 2018	<u>55,073</u>	<u>(796)</u>	<u>54,277</u>
At 1 January 2017	—	(7)	(7)
Loss for the period	—	(1)	(1)
At 30 April 2017 (unaudited)	<u>—</u>	<u>(8)</u>	<u>(8)</u>

(c) **Nature and purpose of reserve**(i) ***Share premium***

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall in the ordinary course of business.

(ii) ***Capital reserve***

The Capital reserve represents waiver of amount due to the Controlling Shareholders. As the waived amount is in substance equivalent to a capital contribution to the Group, hence, it has been accounted for as capital reserve.

(iii) ***Merger reserve***

The merger reserve of the Group represents the difference between the cost of investment in Xin Yuan Ocean over the nominal value of shares of Xin Yuan Ocean acquired pursuant to the reorganisation.

(iv) ***Foreign currency translation reserve***

The foreign currency translation reserve comprises all foreign exchange difference arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(b)(iii) to the Historical Financial Information.

26. BANK LOANS

The bank loans are repayable as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	3,480	4,908	10,880	10,919
More than one year, but not exceeding two years	3,480	5,494	10,880	10,919
More than two years, but not more than five years	10,440	17,935	36,518	33,595
More than five years	8,209	7,788	5,413	4,188
	<u>25,609</u>	<u>36,125</u>	<u>63,691</u>	<u>59,621</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(3,480)</u>	<u>(4,908)</u>	<u>(10,880)</u>	<u>(10,919)</u>
Amount due for settlement after 12 months	<u>22,129</u>	<u>31,217</u>	<u>52,811</u>	<u>48,702</u>

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
USD	25,609	29,228	39,279	36,238
SGD	—	6,897	24,412	23,383
	<u>25,609</u>	<u>36,125</u>	<u>63,691</u>	<u>59,621</u>

The effective interest rates were as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
Bank loans	4.42%	3.27%-4.5%	3.32%-5.5%	3.74%-6.75%

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank loans were obtained for the sole purpose of the construction of the vessels. At 31 December 2015, 2016 and 2017 and 30 April 2018, the bank loans were secured by the followings:

- i) Mortgage over the Group's vessels including vessels under construction (Note 17);
- ii) Corporate guarantees provided by related companies, Bilsea International and certain subsidiaries;
- iii) Personal guarantees provided by the Controlling Shareholders and two directors of Bilxin Shipping;
- iv) Pledged bank deposits and restricted bank balances (Note 23); and
- v) Shares of certain subsidiaries.

27. FINANCE LEASE PAYABLES

	Minimum lease payments			
	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	—	3,163	3,108	8,167
In the second to fifth years, inclusive	—	14,805	11,837	36,124
	—	17,968	14,945	44,291
Less: Future finance charges	—	(1,992)	(1,468)	(6,564)
Present value of lease obligations	—	15,976	13,477	37,727
	Present value of minimum lease payments			
	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	—	2,499	2,499	6,069
In the second to fifth years, inclusive	—	13,477	10,978	31,658
Present value of lease obligations	—	15,976	13,477	37,727
Less: Amount due for settlement within 12 months (shown under current liabilities)	—	(2,499)	(2,499)	(6,069)
Amount due for settlement after 12 months	—	13,477	10,978	31,658

It is the Group's policy to lease certain of its vessels under finance leases. The average lease term is Nil, 5 years, 5 years and 5 years for the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2018 respectively.

All finance lease payables are denominated in USD.

The effective borrowing rates were as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
Finance lease payables	Nil	4.53%	5.01%	5.39% - 6.17%

Interest rates are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the vessels would be transferred to the Group.

At 31 December 2015, 2016 and 2017 and 30 April 2018, financial lease payables were secured by the followings:

- i) Charges over the Group's vessels (Note 17);
- ii) Corporate guarantee provided by the Company or a subsidiary;
- iii) Personal guarantees provided by the Controlling Shareholders;
- iv) Restricted bank balances (Note 23); and
- v) Shares of subsidiaries.

28. TRADE PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0 to 30 days	606	815	920	874
31 to 60 days	—	—	27	11
Over 60 days	—	—	103	17
	<u>606</u>	<u>815</u>	<u>1,050</u>	<u>902</u>

The carrying amounts of the Group's trade payables are denominated in USD.

29. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Receipts in advance	118	588	528	528
Other payables and accruals	2,493	2,052	4,715	4,318
Due to related companies (Note)	12,524	16,652	5,092	5,201
Due to a director (Note)	—	—	105	90
Due to a related party (Note)	3,147	3,147	—	—
Due to non-controlling shareholders (Note)	240	300	—	240
	<u>18,522</u>	<u>22,739</u>	<u>10,440</u>	<u>10,377</u>

Note:

The amounts due are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

30. ADVANCES FROM RELATED COMPANIES/NON-CONTROLLING SHAREHOLDERS

The amounts due are unsecured, interest free and have no fixed terms of repayment.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Fair value of interest rate swap contracts	<u>—</u>	<u>—</u>	<u>—</u>	<u>93</u>
Financial liabilities				
Fair value of foreign currency forward contracts	—	162	—	—
Fair value of interest rate swap contracts	<u>—</u>	<u>—</u>	<u>350</u>	<u>—</u>
	<u>—</u>	<u>162</u>	<u>350</u>	<u>—</u>

During the Track Record Period, the Group entered into certain foreign currency forward contracts and interest rate swap contracts with banks to manage its exchange rate and interest rate exposure.

The foreign currency forward contracts are measured at fair value through profit or loss. The fair value has been estimated using discounted cash flows that are based on forward exchange rates and contract forward rates.

The interest rate swap contracts are measured at fair value through profit or loss. The fair value has been estimated using discounted cash flows that are based on interest rates and discount rates.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the years ended 31 December 2015, 2016 and 2017 and four months ended 30 April 2017 and 2018, additions of property, plant and equipment of approximately US\$Nil, US\$17,850,000, US\$Nil, US\$Nil and US\$19,066,000 respectively were financed by finance leases.
- (ii) On 19 December 2017, the Company issued and allotted 45,651,160 shares to Centennial Best which was used to settle the debts owing to Centennial Best amounted to US\$46,641,160 (Note 24(b)(v)).
- (iii) On 19 December 2017, the Company issued and allotted 4,768,762 shares to Bilsea in exchange for 300,000 shares in Bilxin Shipping and settlement of debts owing to Bilsea International amounted to US\$7,471,220 (Note 24(b)(vi)).

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Advance from related companies	Advance from non- controlling shareholders	Bank loans	Finance lease payables	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2015	—	—	17,773	—	17,773
Cash flows	4,280	2,160	7,836	—	14,276
At 31 December 2015	<u>4,280</u>	<u>2,160</u>	<u>25,609</u>	<u>—</u>	<u>32,049</u>
At 1 January 2016	4,280	2,160	25,609	—	32,049
Cash flows	10,355	4,320	10,819	(1,874)	23,620
New finance lease	—	—	—	17,850	17,850
Exchange difference	—	—	(303)	—	(303)
At 31 December 2016	<u>14,635</u>	<u>6,480</u>	<u>36,125</u>	<u>15,976</u>	<u>73,216</u>
At 1 January 2017	14,635	6,480	36,125	15,976	73,216
Cash flows	16,090	—	26,031	(2,499)	39,622
Debts assignment	(30,135)	—	—	—	(30,135)
Settlement by allotment of shares (Note 24(b)(vi))	—	(6,480)	—	—	(6,480)
Exchange difference	—	—	1,535	—	1,535
At 31 December 2017	<u>590</u>	<u>—</u>	<u>63,691</u>	<u>13,477</u>	<u>77,758</u>
At 1 January 2018	590	—	63,691	13,477	77,758
Cash flows	(14)	—	(4,324)	5,184	846
New finance lease	—	—	—	19,066	19,066
Exchange difference	—	—	254	—	254
At 30 April 2018	<u>576</u>	<u>—</u>	<u>59,621</u>	<u>37,727</u>	<u>97,924</u>
At 1 January 2017	14,635	6,480	36,125	15,976	73,216
Cash flows	—	2,400	34,010	(1,250)	35,160
Exchange difference	—	—	476	—	476
At 30 April 2017 (Unaudited)	<u>14,635</u>	<u>8,880</u>	<u>70,611</u>	<u>14,726</u>	<u>108,852</u>

33. CAPITAL COMMITMENTS

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group's capital commitments are as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Property, plant and equipment Contracted but not provided for	47,435	69,500	30,600	9,000

34. LEASE COMMITMENTS**The Group as lessee**

At 31 December 2015, 2016 and 2017 and 30 April 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	—	50	116	123
In the second to fifth years inclusive	—	—	196	161
	—	50	312	284

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms ranging from 1 year to 4 years, and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At 31 December 2015, 2016 and 2017 and 30 April 2018 the Group had future aggregate minimum charter hire income receivable under non-cancellable time charters as follows:

	At 31 December			At 30 April
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	8,967	16,389	24,205	24,049
In the second to fifth years inclusive	14,519	41,076	28,681	20,821
	23,486	57,465	52,886	44,870

35. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Reimbursement of rental charges to a related company	38	29	94	35	—
Reimbursement of staff costs to a related company	317	278	640	211	—
Interest paid to a related company	<u>75</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note:

Mr. Ding Xiao Li, Mr. Xu Wen Jun and Mr. Ding Yu Zhao, the directors of the Company have beneficial interests in the related company.

- (b) The remuneration of directors and other members of key management during the Track Record Period was as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
				<i>(Unaudited)</i>	
Short-term benefits	153	204	306	95	119
Retirement benefit scheme contributions	<u>14</u>	<u>13</u>	<u>24</u>	<u>5</u>	<u>10</u>
	<u>167</u>	<u>217</u>	<u>330</u>	<u>100</u>	<u>129</u>

36. PRINCIPAL SUBSIDIARIES

The following table shows information of subsidiaries that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before intercompany elimination.

Name Bilxin Shipping and its subsidiaries

Principal place of business/country of incorporation Singapore/Singapore

% of ownership interests/voting right held by the NCI 30%/30%

	As at 31 December			As at
	2015	2016	2017	30 April
	US\$'000	US\$'000	US\$'000	2018
				US\$'000
Non-current assets	7,459	37,150	n/a	n/a
Current assets	268	2,365	n/a	n/a
Non-current liabilities	—	(12,668)	n/a	n/a
Current liabilities	(7,529)	(25,409)	n/a	n/a
	<u>198</u>	<u>1,438</u>	<u>n/a</u>	<u>n/a</u>
Accumulated NCI	59	431	n/a	n/a
	Year ended 31 December			Four months
	2015	2016	2017	ended
	US\$'000	US\$'000	US\$'000	30 April
				2018
				US\$'000
Revenue	—	—	n/a	n/a
Profit/(loss)	(2)	440	n/a	n/a
Total comprehensive income	(2)	440	n/a	n/a
Profit/(loss) allocated to NCI	(1)	132	n/a	n/a
Dividend paid to NCI	—	—	n/a	n/a
Net cash generated from operating activities	187	686	n/a	n/a
Net cash used in investing activities	(7,459)	(30,505)	n/a	n/a
Net cash generated from financing activities	7,470	30,357	n/a	n/a
Net increase in cash and cash equivalents	<u>198</u>	<u>538</u>	<u>n/a</u>	<u>n/a</u>

Note:

As disclosed in Note 24(b)(vi) and Note 32(a)(iii), the Group acquired 30% equity interest in Bilxin Shipping in December 2017.

37. CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group did not have any significant contingent liabilities.

38. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the following significant events took place subsequent to 30 April 2018 and up to the date of this report.

- (i) In July 2018, the Group entered into two finance leases amounted to US\$25,350,000 to repay the bank loans, advance from related companies and amounts due to related companies. The aforesaid two finance leases are repayable in four years and secured by (i) charge over vessels, (ii) corporate guarantees provided by the Company and a subsidiary, (iii) personal guarantees provided by the Controlling Shareholders, (iv) charge over the bank accounts of subsidiaries, and (v) shares of subsidiaries.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted net tangible assets of the Group to illustrate the financial position of the Group after completion of the Global Offering and to illustrate the performance of the Group had the Global Offering been completed on 30 April 2018.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the net tangible assets attributable to owners of the Company had it occurred as of 30 April 2018. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited combined net tangible assets attributable to owners of our Company as of 30 April 2018 <i>(Note 1)</i> US\$'000	Estimated net proceeds from the Global Offering <i>(Note 2)</i> US\$'000	Unaudited pro forma adjusted net tangible assets US\$'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
Based on the minimum Offer Price of HK\$1.29 per Share	<u>77,857</u>	<u>14,332</u>	<u>92,189</u>	US\$0.23 (Equivalent to approximately <u>HK\$1.79</u>)
Based on the maximum Offer Price of HK\$1.76 per Share	<u>77,857</u>	<u>20,237</u>	<u>98,094</u>	US\$0.25 (Equivalent to approximately <u>HK\$1.95</u>)

Notes:

- (1) The audited combined net tangible assets attributable to owners of the Company as of 30 April 2018 is approximately US\$77,857,000, as shown in the Accountants' Report, the text of which is set out in Appendix I to the Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 100,000,000 Shares to be issued at a minimum Offer Price of HK\$1.29 per share or the maximum Offer Price of HK\$1.76 per Share, respectively, net of underwriting fee and other estimated issue expenses (taking into account the effect of listed-related expenses which have been accounted for prior to 30 April 2018) of approximately US\$2,207,000 and US\$2,327,000, respectively, and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at the basis of 400,000,000 Shares in issue, assuming that 100,000,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue has been completed on 30 April 2018. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 April 2018.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



11 September 2018

The Board of Directors
Xin Yuan Enterprises Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xin Yuan Enterprises Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2018, and related notes as set out on page II-1 to the prospectus dated 11 September 2018 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group’s financial position as at 30 April 2018 as if the Global Offering had been taken place on the same date. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the three years ended 31 December 2017 and the four months ended 30 April 2018, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 June 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 September 2018 with effect on the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum

(other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration

is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their

respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 28 June 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 18 July 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud

or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisers on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 28 June 2016.

Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 16 April 2018 and its principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Yim Lok Kwan, our company secretary, who resides at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong has been appointed as our authorised representative for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company**(a) Authorised share capital**

As at the date of incorporation of our Company on 28 June 2016, our authorised share capital was US\$50,000 divided into 50,000 Shares of par value US\$1.00 each.

On 15 December 2017, our Company's authorised share capital was increased from US\$50,000 divided into 50,000 shares of par value US\$1.00 each to US\$52,986,244 divided into 52,986,244 shares of par value US\$1.00 each. On 16 December 2017, the authorised share capital of our Company was subdivided from US\$52,986,244 divided into 52,986,244 shares of par value US\$1.00 each into US\$52,986,244 divided into 5,298,624,400 shares of par value US\$0.01 each, and the issued 10,000 shares of par value US\$1.00 each as registered in the name of Centennial Best was subdivided into 1,000,000 shares of par value US\$0.01 each.

Immediately following the completion of the Capitalisation Issue and the Global Offering but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which have been or may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed “3. Resolutions in writing of the Shareholders passed on 6 September 2018” and “4. Group reorganisation” of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 6 September 2018

Written resolutions were passed by our Shareholders on 6 September 2018 pursuant to which, among other matters:

- (a) our Company approved and adopted the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from US\$52,986,244 divided into 5,298,624,400 shares of par value US\$0.01 each to US\$100,000,000 divided into 10,000,000,000 Shares of par value US\$0.01 each;
- (c) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates or may be specified in the Underwriting Agreements;
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue of the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise US\$2,470,137.56 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 247,013,756 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on the day prior to the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate number of Shares of not exceeding the sum of (aa) 20% of the aggregate number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate number of such Shares which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Islands Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of Shares not exceeding 10% of the aggregate number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above;
- (e) our Company approved the form and substance of each of the service contracts made between each of our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company.

4. Group reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to the section headed "History, Reorganisation and Group structure — Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries as at 30 April 2018 are set out under the financial statement in the accountants' report as included in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Group structure" in this prospectus, there have not been any changes in the share capital to any of our subsidiaries within the two years preceding to the date of this prospectus.

6. Securities repurchase mandate

Restriction on share repurchase

The Listing Rules permits companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on 6 September 2018, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Islands Companies Law or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Islands Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has a present intention, in the event that the Repurchase Mandate is approved by our Shareholders, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so in the event that our Company is authorised to make purchases of Shares.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts



The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 18 December 2017 entered into between Golden Boomer, Gigantic Path, Shun Yuen HK, our Company, Mr. Ding Xiaoli and Mr. Ding Yuzhao in relation to, among other things, the transfer of 0.51% and 7.65% of the entire issued share capital of Xin Yuan Ocean from Golden Boomer and Gigantic Path, respectively, to Shun Yuen HK, in consideration of our Company agreeing to allot and issue 97,894 and 1,468,428 Shares in our Company to Golden Boomer and Gigantic Path, respectively;
- (b) the sale and purchase agreement dated 18 December 2017 entered into between Bilsea International, Shun Yuen HK, our Company, Liu Wei Peng and Yan Xiankai in relation to, among other things, the transfer from Bilsea International to Shun Yuen HK, of 30% of the entire issued share capital of Bilxin Shipping together with the loan owing by Bilxin Shipping to Bilsea International on or at any time prior to the date of completion, in consideration of our Company agreeing to allot and issue 4,768,762 Shares in our Company to Bilsea International;
- (c) the deed of confirmation in respect of transfer of accounts receivable and accounts payable and issue of shares in our Company dated 12 March 2018 entered into between Xin Yuan Ocean, Xin De Yuan, Phoenix Shipping, Jastella Shipping, Baustella Shipping, Shun Yuen HK, Golden Boomer, Perfect Bliss, Gigantic Path, Union Faith, Jincheng Hengtong, Mr. Ding Xiaosheng (丁孝生), Fujian Lian Xin, Fujian Chuan Yuan, 福建昊德元環保科技有限公司 (Fujian Hao De Yuan Recycling Technology Co., Ltd.) (formerly known as 福建昊德元投資有限公司 (Fujian Hao De Yuan Investment Co., Ltd.)), 福建遠洋船舶設備進出口有限公司 (Fujian Marine Equipment Import & Export Co. Ltd.), our Company and Centennial Best, in relation to, among other things, the assignment or novation of certain accounts payable and accounts receivable of our Group and the set-off of the net debt owed by our Company to Centennial Best (being US\$46,641,160.06) against the consideration for allotment and issue of 45,651,160 Shares by our Company to Centennial Best;
- (d) the Deed of Indemnity;
- (e) the Deed of Non-competition;
- (f) the Cornerstone Investment Agreement; and
- (g) the Hong Kong Underwriting Agreement.

8. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademark:

Trademark	Registered Owner	Place of registration	Class	Registration number	Registration date	Expiry date
	Shun Yuen HK	Hong Kong	39	304375422	2017.12.20	2027.12.19
						

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following material registered domain names:

Name of registered proprietor	Domain name	Date of registration	Expiry date
Xinlanhai	xysgroup.com	8 May 2015	8 May 2021

The contents of the website(s) do not form part of this prospectus.

Except as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to the business of our Group.

9. Connected transactions and related party transactions

Save as disclosed in the sections headed “Relationship with Our Controlling Shareholders”, “Continuing Connected Transactions” and in note 35 to the accountants’ report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors

(a) *Disclosure of interests of our Directors*

Each of Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 7 of this Appendix.

Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts and letters of appointment**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing on the Listing Date, until terminated by either party giving not less than three months' notice in writing to the other. Each of our executive Directors is entitled to their respective basic remuneration set out below.

The current basic annual remuneration payable by our Group to each of our executive Directors is as follows:

Name	Approximate annual remuneration (RMB)
Mr. Ding Xiaoli	nil
Mr. Xu Wenjun	573,000
Mr. Ding Yuzhao	nil

Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company for a term of three years commencing on Listing Date, until terminated by either party giving not less than three months' notice in writing to the other. Each of the independent non-executive Directors is entitled to a director's fee of HK\$200,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their respective offices. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors remuneration*

The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 were US\$43,000, US\$62,000, US\$89,000 and US\$33,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2018 are expected to be approximately US\$118,420.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (i) as an inducement to join or upon joining our Group or (ii) as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

(d) *Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required,

pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notify to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Our Company

Name of Director	Nature of interest	Number of Shares held⁽¹⁾	Approximate percentage of shareholding in our Company
Mr. Ding Xiaoli ⁽²⁾	Interest in a controlled corporation	264,685,985 Shares (L)	66.17%
Mr. Xu Wenjun ⁽²⁾	Interest in a controlled corporation	264,131,725 Shares (L)	66.03%
Mr. Ding Yuzhao ⁽²⁾	Interest in a controlled corporation	272,445,740 Shares (L)	68.11%

Notes:

- (1) The letter “L” denotes our Directors’ long position in the Shares.
- (2) Our Company will be held as to approximately 66.03% by Centennial Best, approximately 0.14% by Golden Boomer and approximately 2.08% by Gigantic Path immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Centennial Best is held as to approximately 43%, 42% and 15% by Golden Boomer, Perfect Bliss and Gigantic Path, which are in turn wholly owned by Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, respectively.

Associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of shareholding
Mr. Ding Xiaoli	Centennial Best	Interest in a controlled corporation	4,300 shares	43%
Mr. Xu Wenjun	Centennial Best	Interest in a controlled corporation	4,200 shares	42%
Mr. Ding Yuzhao	Centennial Best	Interest in a controlled corporation	1,500 shares	15%

11. Substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering (without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group:

Our Company

Shareholders	Capacity / Nature of interest	Number of Shares held ⁽¹⁾	Percentage of shareholding in our Company
Centennial Best	Beneficial owner	264,131,725 Shares (L)	66.03%
Golden Boomer ⁽²⁾	Beneficial owner	554,260 Shares (L)	0.14%
	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Ms. Chen Qinhui (陳欽惠女士) ⁽³⁾	Interest of spouse	264,685,985 Shares (L)	66.17%
Perfect Bliss ⁽⁴⁾	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Ms. Zhu Zhen (朱珍女士) ⁽⁵⁾	Interest of spouse	264,131,725 Shares (L)	66.03%
Gigantic Path ⁽⁶⁾	Beneficial owner	8,314,015 Shares (L)	2.08%
	Interest of controlled corporation	264,131,725 Shares (L)	66.03%
Ms. Huang Cui (黃萃女士) ⁽⁷⁾	Interest of spouse	272,445,740 Shares (L)	68.11%
Bilsea International ⁽⁸⁾	Beneficial owner	27,000,000 Shares (L)	6.75%
Ms. Liu Weipeng ⁽⁸⁾	Interest of controlled corporation and interest of spouse	27,000,000 Shares (L)	6.75%
Mr. Yan Xiankai ⁽⁸⁾	Interest of controlled corporation and interest of spouse	27,000,000 Shares (L)	6.75%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in our Shares.
- (2) Centennial Best is owned as to 43% by Golden Boomer, which is in turn wholly owned by Mr. Ding Xiaoli. As such, each of Golden Boomer and Mr. Ding Xiaoli is deemed to be interested in the 264,131,725 Shares held by Centennial Best, and Mr. Ding Xiaoli is also deemed to be interested in the 554,260 Shares directly held by Golden Boomer pursuant to the SFO.
- (3) Ms. Chen Qinhui is the spouse of Mr. Ding Xiaoli. By virtue of the SFO, Ms. Chen is deemed to be interested in the Shares held by Mr. Ding Xiaoli.
- (4) Centennial Best is owned as to 42% by Perfect Bliss, which is in turn wholly owned by Mr. Xu Wenjun. As such, each of Perfect Bliss and Mr. Xu Wenjun is deemed to be interested in the 264,131,725 Shares held by Centennial Best pursuant to the SFO.
- (5) Ms. Zhu Zhen is the spouse of Mr. Xu Wenjun. By virtue of the SFO, Ms. Zhu is deemed to be interested in the Shares held by Mr. Xu Wenjun.
- (6) Centennial Best is owned by Golden Boomer, Perfect Bliss and Gigantic Path as to 43%, 42% and 15%, which are in turn wholly owned by Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao, respectively. As the Concerted Group, Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao restrict their ability to exercise direct control over our Company by holding their interests through Centennial Best, a common investment holding company, and as a result Mr. Ding Xiaoli, Mr. Xu Wenjun and Mr. Ding Yuzhao are presumed to be a group of controlling shareholders. As such, each of Gigantic Path and Mr. Ding Yuzhao is deemed to be interested in the 264,131,725 Shares held by Centennial Best, and Mr. Ding Yuzhao is also deemed to be interested in the 8,314,015 Shares directly held by Gigantic Path pursuant to the SFO.
- (7) Ms. Huang Cui is the spouse of Mr. Ding Yuzhao. By virtue of the SFO, Ms. Huang is deemed to be interested in the Shares held by Mr. Ding Yuzhao.
- (8) Bilsea International is owned as to 65% and 35% by Ms. Liu Weipeng and Mr. Yan Xiankai, respectively. By virtue of the SFO, each of Ms. Liu and Mr. Yan is deemed to be interested in the Shares held by Bilsea International. Ms. Liu Weipeng is the spouse of Mr. Yan Xiankai.

12. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

- (a) our Directors are not aware of any other person (not being a Director or the chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests and/or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the issued voting shares of any members of our Group;
- (b) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of our Directors nor any of the parties listed in the paragraph headed “21. Consents of experts” in this section was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or were proposed to be acquired or disposed of by or leased to our Company or any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “21. Consents of experts” in this section was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Group taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed “21. Consents of experts” in this section;
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective close associates nor, to the knowledge of our Directors, any Shareholders who held more than 5% of the total Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company.

OTHER INFORMATION

13. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 6 September 2018. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (“**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his duties; and
 - (dd) length of service or contribution to our Group.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for grant of an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock

Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of shares*

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking account of any Shares which may be issued under the exercise of the Over-allotment Option), being 40,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate,

fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) *Price of shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest 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 day on which the Stock Exchange is open for the business of dealing in securities;
- (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.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
 - (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
 - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
 - (iv) the information required under Rule 2.17 of the Listing Rules.
- (h) ***Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to our Company's knowledge until such information has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) ***Rights are personal to grantee***

An option is personal to the grantee. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the share option scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the “**Adoption Date**”). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or, as appropriate, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) *Rights on compromise or arrangement between our company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of shares*

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as at attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n); or
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the share option scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) *Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) *Termination of the share option scheme*

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Conditions of the share option scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee granting the listing of and permission to deal in, on the Main Board of the Stock Exchange, our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

14. Estate duty, tax and other indemnities

On 6 September 2018, our Controlling Shareholders (the “**Indemnifiers**”) entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein), to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional;
- (d) all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date; and
- (e) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed “Business — Legal Proceedings” and “Business — Our Licences and Regulatory Compliance” in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

Each Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 April 2018;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 May 2018 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 April 2018 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any defective title relating to certain properties, and any litigation, arbitration, claims or administrative proceedings, whether of administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing.

Under the Deed of Indemnity, each Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

15. Litigation

As at the Latest Practicable Date, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

16. Preliminary expenses

Our preliminary expenses are approximately HK\$32,100. All preliminary expenses and all expenses relating to the Global Offering will be borne by our Company.

17. Promoters

We have no promoter for the purpose of the Listing Rules.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

18. Agency fees or commissions paid or payable

Save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

19. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor will also receive a fee of HK\$3,800,000 to act as the sole sponsor to our Company in connection with the Global Offering.

20. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualifications
China Industrial Securities International Capital Limited	A licensed corporation engaging in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified public accountants
Appleby	Cayman Islands legal advisers to our Company
Frost & Sullivan Limited	Independent industry consultant
AllBright Law Offices Hangzhou Offices	PRC legal advisers to our Company
Avant Law LLC	Singaporean legal advisers to our Company
Mr. Chan Chung	Barrister-at-law of Hong Kong
RSM Tax Advisory (Hong Kong) Limited	Tax adviser to tax opinion as to shipping business carried out by our Group
Hogan Lovells	International Sanctions laws legal advisers to our Company

21. Consents of experts

Each of the experts as referred to in the paragraph headed “20. Qualification of experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Company.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

23. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since 30 April 2018 up to the date of this prospectus.

24. Taxation of holders of shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

26. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) save as disclosed in this prospectus, no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
- (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2018 (being the date to which the latest combined financial statements of our Group were made up) up to the date of this prospectus.
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) There is no arrangement under which future dividends are waived or agreed to be waived.
- (e) Our Company has no outstanding convertible debt securities or debentures.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

27. **Others**

The English text of this prospectus shall prevail over the Chinese text.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE, YELLOW** and **GREEN** application forms, the written consents referred to in the paragraph headed “Other information — 21. Consents of experts” in Appendix IV to this prospectus, and certified copies of the material contracts referred to in the paragraph headed “Further Information About the Business of Our Company — 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report prepared by RSM Hong Kong in respect of the historical financial information for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018;
- (d) the report prepared by RSM Hong Kong in respect of the unaudited pro forma financial information of our Company, the text of which is set out in Appendix II to this prospectus;
- (e) the Cayman Islands Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Companies Law referred to in Appendix III to this prospectus;
- (g) the legal opinion prepared by our PRC Legal Advisers in respect of the certain aspects of our Group and the property interests of our Group in the PRC;
- (h) the legal opinion prepared by our Singaporean Legal Advisers in respect of certain aspects of our Group and relevant laws and regulations in Singapore;
- (i) the legal opinion prepared by Mr. Chan Chung in respect of certain aspects of our Group and relevant laws and regulations in Hong Kong;
- (j) the memorandum of advice prepared by our International Sanctions Legal Counsel in respect of certain aspects of our Group and relevant international sanctions laws;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (k) the material contracts referred to in the section headed “Statutory and General Information — Further Information About the Business of Our Company — 7. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the written consents referred to in the section headed “Statutory and General Information — Other Information — 21. Consents of experts” in Appendix IV to this prospectus;
- (m) the service contracts and letters of appointment referred to in the paragraph headed “Further Information About Directors and Shareholders — 10. Directors — (b) Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (n) the industry report prepared by Frost & Sullivan Limited;
- (o) the tax reports prepared by RSM Tax Advisory (Hong Kong) Limited; and
- (p) the Share Option Scheme.



XIN YUAN ENTERPRISES GROUP LIMITED
信源企業集團有限公司