OVERVIEW

The Group is principally engaged in chartering of the Group's own vessels. Among the four vessels registered under the Group's name, two panamax dry bulk vessels and one capesize dry bulk vessel, namely GH FORTUNE, GH POWER and GH RESOURCES, respectively, with an aggregate carrying capacity of about 275,138 dwt, are owned by the Group without subject to any finance lease arrangement, while the Group's remaining panamax dry bulk vessel, namely, GREAT HARVEST, with a carrying capacity of about 68,192 dwt, is currently under a finance lease arrangement as more particularly described in the paragraph headed "Business of the Group — Fleet composition" below and is expected to be delivered to the Independent Third Party purchaser in December 2013. The Group offers worldwide marine transportation services to its customers through chartering out its vessels for transportation of dry bulk cargoes. With its headquarters based in Hong Kong, all vessels of its fleet are registered under the laws and flag of Hong Kong.

All of the Group's vessels are hired out under time charters. Under the Group's time charter agreements, the Group's vessels are chartered out to the charterers for a contractual period of time, during which the Group is generally required to provide and pay for all provisions and fees of the crew, insurance of the vessels and repair and maintenance costs while the charterers shall bear the costs that are directly related to the voyages, such as bunker fees except as otherwise agreed, port charges and pilotages on charterers' businesses and other usual expenses.

The Group has been establishing its market presence in the marine transportation market as ship owner since it purchased its first vessel in 2004. The Group then purchased three additional vessels over the past five years, resulting in the aggregate carrying capacity of its fleet growing fivefold from 68,192 dwt to about 343,330 dwt, to cope with the increasing demand from its customers in the charter market. For the years ended 31 March 2008, 2009 and 2010, the total revenue of the Group was about US$34.6 million, US$52.2 million and US$41.8 million respectively and the profit and total comprehensive income of the Group was about US$13.5 million, US$23.6 million and US$19.4 million respectively. The growth in its total revenue and net profit demonstrates the Group's success in establishing a foothold in the marine transportation industry.

The business of the Group depends on, among other factors, the global and regional economic and market conditions as well as the demand of seaborne international and regional trade. In the past decades, the world seaborne dry bulk trade increased from about 1.5 billion tonnes in 1985 to about 3.1 billion tonnes in 2008, representing a CAGR of about 3.3%, and estimated to have decreased to about 3.0 billion tonnes in 2009, representing a year-to-year decrease of about 3.0%. Seaborne dry bulk imports and exports of the PRC, in particular, increased from about 420.7 million tonnes in 2002 to about 1,085.7 million tonnes in 2009, representing a CAGR of about 14.5%. Driven by the rapid growth in the PRC economy in recent years, significance of seaborne trade of iron ore, coal and other dry bulk cargoes in the PRC to the world's seaborne trade has been increasing, with the PRC seaborne dry bulk trade in 2009 represented about 36.5% of the world's seaborne dry bulk trade amount in that year.

Through Union Apex, a wholly-owned subsidiary of the Company incorporated in Hong Kong in December 2009, the Group handles all the administrative works for the operation and commercial activities of the Group. Before Union Apex assumed the role as the ship owner's agent for the Group in June 2010, Million Miles handled all such administrative works for, and acts on behalf of, the four Operating Subsidiaries.

As part of the Reorganisation to streamline the operation of the Group and to eliminate all unnecessary connected transaction between Million Miles and the Group and to ensure that the Group can operate independently, the Group terminated all the agency agreements entered into between Million Miles and each of Greater Shipping, Joy Ocean, Great Ocean and Bryance Group on 9 June 2010. Four new agency agreements were entered into between Union Apex and each of Greater Shipping, Joy Ocean, Great Ocean and Bryance Group on 10 June 2010. Union Apex started to assume the works of Million Miles for the Group from June 2010. Further, the employment contracts of the then existing employees of Million Miles, including Mr. Cao Jiancheng, being one of the executive Directors, and other key employees (including Mr. Sung Lik Man, a member of the senior management of the Group) with Million Miles were terminated on 10 June 2010. New employment contracts were entered into between the then employees of Million Miles with Union Apex on 10 June 2010.

As Union Apex is managed and operated by the same management of Million Miles, the Directors believe that the Group has the capability and experience to take up the roles and responsibilities of a ship owner's agent since 10 June 2010. After such Reorganisation, Million Miles ceased carrying on any business operations for the Group and there is now a clear delineation of the businesses between Million Miles and that of the Group.

COMPETITIVE STRENGTHS

The Group attributes its success to the following key competitive strengths:

Experienced management team with a proven track record

The Group's experienced and professional management team is led by its founders, Mr. Yan and Ms. Lam, who have been engaged in the import of iron ores from overseas to China and have started their own marine transportation business since 2000s. Their extensive experience and insight in the ship chartering and the iron ores trading industries, being one of the principal industries that uses marine transportation, strengthen the Group's ability in optimising its short-term and long-term business strategies for controlling its business risks and maximising its profitability in this highly competitive and volatile marine transportation industry. Their active participation in the marine transportation and the iron ore trading industries also afforded them the opportunity to establish close business relationship and extensive contacts with different market players in the marine transportation and iron ore trading industries. The Directors also believe that the management's sound experience and business network in the marine transportation and iron ore industries in the PRC place the Group in a better position to capture business opportunities arising from the growing PRC economy, and to keep abreast of the latest global and regional market information and developments. Mr. Cao Jiancheng, an executive

Director, possesses over 28 years' experience in the marine transportation industry. In addition, Mr. Sung Lik Man has experience of over 10 years in the marine transportation industry in different aspects ranging from vessel chartering, operation, and marine insurance. The Directors believe that the knowledge, skill and experience of the Group's senior management team also enable the Group to provide high quality services, consistent and reliable technical management and performance of the Group's vessels, which are crucial to the future development of the Group.

Relatively young fleet to meet customers' needs

Other than one of its vessels, namely GREAT HARVEST which is currently under finance lease and will be delivered to the purchaser in 2013, the average age of the Group's vessels was about 12 years as at 31 March 2010. In particular, two of the Group's vessels, namely GH FORTUNE and GH POWER which were purchased in 2005 and 2008 respectively, were aged eight years only since their respective year of build as at 31 March 2010. The Directors believe that the Group's customers can be assured of quality and reliable marine transportation services through using its modern fleet. The Directors also believe that the fleet utilisation rate of the Group can be maximised with fewer needs for repair. The Group plans to further expand the Group's fleet by acquisition of secondhand, modern vessels so as to meet the transportation requirements of its customers.

High standard of maintenance to offer safe and reliable fleet

The Group implements stringent vessel maintenance policy. The Group's vessels have been classed by the two international reputable classification societies. GREAT HARVEST has been classed by American Bureau of Shipping of the United States and GH FORTUNE, GH RESOURCES and GH POWER have been classed by the Lloyd's Register of Shipping of the United Kingdom. The Group has been able to maintain the classification status of its vessels. The Directors believe that the Group's vessel maintenance policy can ensure that its fleet lives up to the international standards, and thus provide safe and efficient seaborne operations for its customers.

BUSINESS STRATEGIES

With the Group's proven track record, the Directors believe that the Group is well-positioned to further develop its marine transportation business and to capture new business opportunities. To maintain its established market presence in the industry, the Group plans to continue to capitalise on opportunities to leverage its competitive strengths and implement its business strategies:

Expand and optimise the Group's fleet structure

The Group plans to expand the size of the Group's fleet by acquiring secondhand vessels in accordance with the demand of the Group's marine transportation services from time to time in the future. The Directors intend to acquire more modern secondhand panamax dry bulk vessels, as newer vessels tend to be quicker, more efficient and cheaper to maintain, and the Group can secure immediate shipping capacity through acquisition of the secondhand vessels immediately available in the market. The Directors believe that as compared with capesize dry bulk vessels, the ship size of panamax dry bulk vessels allows them to navigate on and coming into major canals and ports in the world and their transportation capacity is therefore suitable for most of the customers of dry bulk cargoes, resulting in a relatively more stable market demand and lower volatility of time charter rates in the recent years. The investment cost for acquiring capesize size vessels is relatively higher and, as it is expected that there will be significant increase in the supply of capesize dry bulk vessels capacity in the coming years (with the capacity of capesize dry bulk vessels on order book as at 1 March 2010 for delivery in 2010 and onwards represents about 86.9% of the existing world capesize fleet as at 31 December 2009, as compared with that percentage for panamax dry bulk vessels on order book for delivery in 2010 and onwards of about 53.9% only), the Directors believe that the Group will be subject to relatively lower risk of over-supply of shipping capacity and volatility of time charter rates by investing in panamax dry bulk vessels. The Group may also from time to time optimise the size and composition of its fleet by way of acquisition and disposal of vessels in order to cope with the changing market needs. The Directors consider that the Group will be able to maintain and consolidate its customer base, enhance its overall competitiveness, secure more stable charter hire income, and achieve a better cost-efficiency as a result of the economies of scale by expanding its fleet size and optimising its fleet composition.

Strengthen ability to adapt to the market changes

The maritime transport sector in which the Group operates is dynamic and is subject to general industry cyclicality affected by a number of factors, such as the balance between demand and supply of the shipping capacity and the global economic climate. To strengthen its ability to adapt to market changes, the Group tends to diversify its portfolio of charter contracts by offering its customers both long term and short term contracts. The Group is constantly monitoring the changes in charter hire rates in the global dry bulk shipping market. As the entering into of long term charters can shelter it from the price fluctuation and ensure it with a stable source of income during the charter period, the Group seeks to enter into charters with charterers for a longer contractual term if it believes the charter hire rates in the world market are projected to decline. The Group also tends to enter into long term charters in respect of aged vessels as they are relatively less competitive in the market in terms of charter hire rates, which will tend to decline as the vessels get older. Shorter term charters are preferred when the dry bulk shipping market is expected to grow such that the Group can increase its revenue through concluding contracts with charterers which can offer the best available charter hire rates.

Enhance profitability through high quality services and stringent cost-efficient policy

The operation, management and maintenance of the Group's vessels are delegated to experienced and professional ship manager under the close supervision of the Group's management. The Group has also adopted stringent vessel maintenance policy to ensure the seaworthiness and safe operation of the Group's vessels during their service life, and has been able to maintain classification status of its vessels with two of the internationally reputable classification societies. The Directors believe that by engaging experienced and professional ship manager to operate and manage the Group's vessels and implementing the vessels' stringent maintenance policy, the Group will be able to maintain the standard of the vessels' operation safety, seaworthiness, conditions, maintenance and compliance of other technical requirements, and thereby assure the quality of the Group's marine transportation services. The engagement of ship manager can also help the Group to reduce the cost of managing its fleet, such as training costs for crew and seafarers, without compromising the quality of its marine transportation services. The Group seeks to improve its financial results through enhancing the safety of its vessels and the quality of its marine transportation services, and controlling efficiently the cost of managing vessels.

BUSINESS OF THE GROUP

General

The Group is principally engaged in chartering of the Group's own vessels. It is the registered owner of four vessels, among which, two panamax dry bulk vessels and one capesize dry bulk vessel, namely GH FORTUNE, GH POWER and GH RESOURCES, are owned by the Group without any finance lease arrangement with a total carrying capacity of about 275,138 dwt, while the Group's remaining panamax dry bulk vessel, namely GREAT HARVEST, with a carrying capacity of about 68,192 dwt, is currently under a finance lease arrangement as more particularly described in the paragraph headed "Fleet composition" below and is expected to be delivered to the Independent Third Party purchaser in December 2013. It offers worldwide marine transportation services to its customers through chartering out its vessels for transportation of dry bulk cargoes.

During the Track Record Period, the Group's dry bulk carriers carried a range of commodities including coal, iron ore and grains. All of the Group's vessels are hired out on a time charter basis and hence its revenue is substantially derived from the charter hire it receives from operation of time charters. As at the Latest Practicable Date, the Group has entered into three charter agreements with a contractual period ranging from five months to six months and one charter agreement with a contractual period of about 60 months ending in 2013. Set out below are the general terms of the time charter agreements entered into by the Group during the Track Record Period (including the time charter agreement entered into between the Group and the charterer of GREAT HARVEST under the finance lease arrangement):

- the Group is generally required to provide and pay for all provisions and fees of the crew, insurance of the vessels and repair and maintenance costs

- the Group shall maintain the classification status of the vessels with two internationally reputable classification societies and keep them in a thoroughly efficient state which is essential to the marine transportation services with necessary certificates in due compliance with all current requirements at all ports of call for and during the services

- the charterers shall pay the charter hire calculated on a per day basis for the charter period. In general, the Group's time charter agreements require the charterers to pay the charter hire 15 days in advance on a rolling basis

- the charterers shall bear the costs that are directly related to the voyages, such as bunker fees except as otherwise agreed, port charges and pilotages on charterers' businesses and other usual expenses

- the charterer shall generally be entitled to deduct the value of bunker left on vessels on redelivery to the Group from the last sufficient hire payment upon end of the charter period

- the Group as ship owner shall be responsible for any breakdown of machinery, collision, stranding, fire or any other accident or damage to the vessel, or sickness or accident to the crews or any person on board the vessel other than persons travelling by the charterer's request (Risks related to physical damage to the Group's vessels and vessel equipment as well as liabilities arising from accidents involved in the course of normal business operations of the Group are covered under the insurance policies of the Group, details of which are set out under the paragraph headed "Insurance" below)

- the charterers are responsible for damage of hull of the Group's vessels that may be caused by extra fillings, and for removal or disposal of the dunnage, dunnage materials and extra fillings, and also for stevedore damages

- the charterers are generally allowed to sublet its vessels for such period of time covered by the time charter, subject to the charterers remaining responsible for the fulfillment of the charter agreements

During the Track Record Period, the Group has offered to its customers both long term contracts generally lasting for one year or more and shorter term contracts generally lasting for less than one year. Depending primarily on, inter alia, the shipping requirements and sailing schedule of the charterers and the prevailing market conditions, the charterers may either enter into longer term contracts or renew charter contracts with shorter contractual term upon expiry of the original charter contracts. The Directors believe that long term contracts help the Group to secure stable income in midst of cyclical market downturns whereas shorter term contracts allow it greater flexibility in deploying the Group's vessels according to the nature of time charters and setting prices.

During the Track Record Period, the Group's fleet maintained a relatively high utilisation rate from about 83.3% to 100%. The following table sets forth the utilisation rate of each of its vessels for the years ended 31 March 2008, 2009 and 2010:

	Utilisation rate *(Note)*		
	Year ended 31 March		
Vessel name	**2008**	**2009**	**2010**
GREAT HARVEST	99.3%	87.8%	100.0%
GH FORTUNE	100.0%	99.9%	99.9%
GH POWER	100.0%	100.0%	100.0%
GH RESOURCES	83.3%	100.0%	87.5%

Note: The utilisation rate for each vessel is calculated based on the total number of days during which the vessel was operated by the Group, less such estimated number of off-hire days due to dry-docking or other repair and maintenance and the off-hire period in between two charter periods, divided by the total number of days of the vessels operated by the Group for the year. The relatively lower utilisation rates of GH RESOURCES in the year ended 31 March 2008 and that of GREAT HARVEST in the year ended 31 March 2009 were due to dry-docking of the vessels for intermediate surveys during the relevant year, and that of GH RESOURCES in the year ended 31 March 2010 was due to dry-docking of the vessel for special survey during the year.

The following table sets out the number of days during which each of the Group's vessels was operated by the Group less the number of off-hire days due to repair and maintenance and otherwise days without charterhire for reasons other than repair and maintenance; and the days for calculating the average Daily TCE of each vessel during the Track Record Period:

	For year ended 31 March 2008				
Vessel Name	**Total number of days for which vessel was operated by the Group (A)**	**Number of days without charter hire due to repair and maintenance and between two charter periods (B)**	**Number of days without charter hire for reasons other than repair and maintenance (C)**	**Number of days for calculating the average Daily TCE (A)–(B)–(C)**	**Utilisation Rate ((A)–(B)) ÷ (A)**
GREAT HARVEST	366.0	2.5	0.5	363.0	99.3%
GH FORTUNE	366.0	0.0	0.0	366.0	100.0%
GH POWER	49.3	0.0	1.7	47.6	100.0%
GH RESOURCES	366.0	61.0	0.0	305.0	83.3%
The Group's overall	**1,147.3**	**63.5**	**2.2**	**1,081.6**	**94.5%**

For year ended 31 March 2009

Vessel Name	Total number of days for which vessel was operated by the Group (A)	Number of days without charter hire due to repair and maintenance and between two charter periods (B)	Number of days without charter hire for reasons other than repair and maintenance (C)	Number of days for calculating the average Daily TCE (A)–(B)–(C)	Utilisation Rate ((A)–(B)) ÷ (A)
GREAT HARVEST	365.0	44.6	0.0	320.4	87.8%
GH FORTUNE	365.0	0.1	2.9	362.0	99.9%
GH POWER	365.0	0.0	0.0	365.0	100.0%
GH RESOURCES	365.0	0.0	0.0	365.0	100.0%
The Group's overall	**1,460.0**	**44.7**	**2.9**	**1,412.4**	**96.9%**

For year ended 31 March 2010

Vessel Name	Total number of days for which vessel was operated by the Group (A)	Number of days without charter hire due to repair and maintenance and between two charter periods (B)	Number of days without charter hire for reasons other than repair and maintenance (C)	Number of days for calculating the average Daily TCE (A)–(B)–(C)	Utilisation Rate ((A)–(B)) ÷ (A)
GREAT HARVEST	365.0	0.0	0.0	365	100%
GH FORTUNE	365.0	0.5	13.1	351.4	99.9%
GH POWER	365.0	0.0	0.0	365.0	100.0%
GH RESOURCES	365.0	45.5	0.0	319.5	87.5%
The Group's overall	**1,460.0**	**46.0**	**13.1**	**1,400.9**	**96.8%**

During the Track Record Period, the Group's vessels were chartered out under time charters for charter periods ranging from 39 days to about 5 years, and in particular, in relation to GREAT HARVEST, the charter periods range from about 10 months to about 5 years; for GH FORTUNE, the charter periods range from about 39 days to about 12 months; for GH RESOURCES, the charter periods range from about 2 months to about 13 months; and for GH POWER, which was chartered out continuously during the Track Record Period under a charter agreement which was assigned to the Group at the time when GH POWER was purchased, the charter period was about 3 years.

As of the Latest Practicable Date, the remaining duration, commencement date and expected end date of the existing time charters in respect of the Group's vessels are as follows:

Vessel Name	Approximate remaining duration of the existing time charter	Commencement date of the existing time charter	Expected end date of the existing time charter	Daily time charter hire
GREAT HARVEST	39 months	6 December 2008	December 2013	US$18,630
GH FORTUNE	2 months	16 May 2010	November 2010	US$30,000
GH POWER	4 months	23 August 2010	January 2011	US$28,000
GH RESOURCES	2 months	22 June 2010	November 2010	US$20,000

In respect of the existing time charters of GH FORTUNE and GH RESOURCES which are expected to expire within two months from the Latest Practicable Date, the Directors will consider the chartering arrangement, including renewal of the existing time charter with the current charterer or entering into new time charter after identifying suitable new charterers, in respect of these two vessels prior to the expiry of the existing time charters.

Fleet composition

The Group's fleet consists of three panamax dry bulk vessels and one capesize dry bulk vessel, among which, two panamax dry bulk vessels and one capesize dry bulk vessel, namely GH FORTUNE, GH POWER and GH RESOURCES, are owned by the Group without any finance lease arrangement with a total carrying capacity of about 275,138 dwt, and one panamax dry bulk vessel, namely GREAT HARVEST, with a carrying capacity of about 68,192 dwt, is currently subject to the finance lease arrangement as more particularly described below. All of the vessels are wholly-owned by the Group and registered under the laws and flag of Hong Kong.

The following table sets forth the general information of GH FORTUNE, GH POWER and GH RESOURCES as at the Latest Practicable Date:

Vessel name	Type	Year built	Purchase year	Age	Classification society	Approximate carrying capacity
				(years)		*(dwt)*
GH FORTUNE	Panamax	2002	2005	8	Lloyd's Register of Shipping of the United Kingdom	75,214
GH POWER	Panamax	2002	2008	8	Lloyd's Register of Shipping of the United Kingdom	76,421
GH RESOURCES	Capesize	1990	2007	20	Lloyd's Register of Shipping of the United Kingdom	123,503

In respect of GREAT HARVEST, the oldest vessel with the lowest carrying capacity, the Group entered into agreements with a Korean ship charterer, an Independent Third Party, in December 2008, pursuant to which the charterer agreed to hire and purchase GREAT HARVEST on the following terms: (i) the charterer paid to the Group an aggregate of US$8.16 million on or before 31 March 2009 by two instalments as non-refundable upfront payments; (ii) the charterer hired GREAT HARVEST on a time charter basis from the Group for a charter period of 60 months from the date of delivery under the time charter agreement on 6 December 2008 at an aggregate charter hire of US$31.3 million; (iii) following expiry of the time charter agreement mentioned in (ii) above in December 2013 and upon redelivery of GREAT HARVEST by the charterer to the Group under the said time charter, the charterer shall purchase and take delivery of GREAT HARVEST from the Group at a consideration of US$2.0 million. Under the relevant agreement, if GREAT HARVEST suffers a total loss for whatsoever reason before the delivery thereof by the Group in December 2013, the charterer shall not have further obligation to complete the purchase, but it will not have any claim or right of action against the Group in respect of the charterer's loss, costs, liability and damages arising out of or in connection with such total loss of the vessel.

The above upfront payments and the balance of purchase consideration have been presented as finance lease receivable, and the above charter hire has been presented as service income in the accountants' report as set out in Appendix I to this prospectus for the provision of the operating services in respect of GREAT HARVEST by the Group on the terms as set out in the relevant time charter agreement, the general terms for which are more particularly described in the paragraph headed "Business of the Group — General" in this section. Despite that GREAT HARVEST has been derecognised as assets of the Group in the financial statements of the Group as set out in Appendix I to this prospectus since December 2008 in accordance with the accounting policies of the Group and the HKFRSs, the Group has been and remains as the registered owner of GREAT HARVEST throughout the Track Record Period and up to the date of this prospectus. Nevertheless, as the Group is under a time charter agreement with the charterer for the chartering of GREAT HARVEST until December 2013, which contains the general terms for time charter agreements as more particularly described in the said paragraph, the Group has been and will continue to assume its obligations and responsibilities under the applicable international conventions, laws and regulations and the charter agreement until completion of the sale of GREAT HARVEST in December 2013.

Set out below is the general information of GREAT HARVEST as at the Latest Practicable Date:

Vessel name	**Type**	**Year built**	**Purchase year**	**Age** *(years)*	**Classification society**	**Approximate carrying capacity** *(dwt)*
GREAT HARVEST	Panamax	1986	2004	24	American Bureau of Shipping of the United States	68,192

The Group also plans to expand the size of the Group's fleet by acquiring secondhand vessels, preferably modern secondhand panamax dry bulk vessels, in accordance with the demand of the Group's marine transportation services from time to time in the future. Prior to the acquisition of the secondhand vessels, the Group will evaluate and assess the information of the potential vessels available for sale in the market based on the market information provided by the shipbrokers. Upon identification of potentially suitable vessel and subject to the consent of the relevant ship owner, the Group will appoint professional surveyor to conduct record searches at the relevant classification society and to attend physical inspection of the vessel. Should any contract for acquisition of vessel be concluded, underwater inspection will also be conducted by a diver approved by the relevant classification society on the vessel prior to the delivery of vessel.

The Directors consider that by expanding the Group's fleet size and optimising its fleet composition, the Group will be able to maintain and consolidate its customer base, enhance its overall competitiveness, secure more stable charter hire income, and achieve a better cost-efficiency as a result of the economies of scale.

Chartering process

The Group's vessels are generally chartered out through shipbrokers. During the Track Record Period, the Group had chartered out its vessels through nine shipbrokers, all of which are Independent Third Parties. These shipbrokers provide the Group with information relating to potential customers at different locations in the world, identify and introduce suitable potential charterers to the Group based on primarily the availability and specification of the vessels and the shipping requirements of the potential charterers. The Group tends to select customers which are reputable with good credit records and can offer favourable charter hire rate.

The determination of the rate of chartering vessels is mainly tied to a number of factors, such as the nature of cargo being transported, the duration of charter period, the prevailing market circumstances and business relationship with the charterer in the past. The Group also decides the rate of charter hire by reviewing the indicative price index available in the ship chartering market, such as Baltic Dry Index, on a daily basis, and market research reports published by international market practitioners on a regular basis.

Having identified suitable potential customers, the Group will negotiate and conclude the terms of the time charters with the potential customers through shipbrokers. The shipbrokers generally charge the Group a certain percentage of the charter hire earned and paid under the time charters and also upon continuation or extension thereof as brokerage commission, ranging from 0.75% to 2.5% during the Track Record Period, and in particular, for GREAT HARVEST, from 1.25% to 2%; for GH FORTUNE, from 0.75% to 1.25%; for GH POWER which was chartered out continuously under a time charter agreement, an aggregate brokerage commission of 2.5%; and for GH RESOURCES is 1.25%. Under the time charters and in accordance with market practice, the Group is also generally required to pay address commission to the charterers, which is agreed among the charterers, the shipbrokers and the Group as shipowner, and which ranged from 3.75% to 4.25% of the charter hire under the relevant time charters during the Track Record Period.

During the Track Record Period, the address commission paid by the Group for GREAT HARVEST was 3.75%; for GH FORTUNE, from 3.75% to 4.25%; for GH POWER which was chartered out continuously under a time charter agreement, 3.75%; and for GH RESOURCES, 3.75% for all the time charters. For each of the three years ended 31 March 2010, the total brokerage and address commission paid by the Group to the shipbrokers and charterers amounted to about US$1,778,000, US$2,668,000 and US$2,001,000, representing about 10.0%, 11.2% and 9.5% of its total cost of services respectively.

Shipbrokers also provide other market information such as market researches and analysis, databases of vessels and ship owners, market charter hire rates, which keeps the Group abreast of the latest market developments so that the Group may adopt different short term and long term business strategies to cope with these developments.

During the Track Record Period, the chartering process was handled by the Group through its shipping agent, Million Miles, which is indirectly owned by Mr. Yan and Ms. Lam. During the Track Record Period, pursuant to the agency agreements entered into between Million Miles and each of the Operating Subsidiaries, as consideration for the agency services provided by Million Miles to the Operating Subsidiaries, Million Miles had charged to the Operating Subsidiaries a commission of 0.5% of all the incomes received by the Operating Subsidiaries and a commission of 1% of the aggregate of the management fees charged by ship manager to each of the Operating Subsidiaries and the expenditures reimbursed by the Operating Subsidiaries to ship manager.

As part of the Reorganisation and to streamline the Group's operation and eliminate all unnecessary connected transaction between Million Miles and the Group, the Group has (1) established its own shipping department through Union Apex to assume the role of a shipping agent in June 2010; and (2) entered into the employment contracts with senior management (Mr. Cao Jiancheng and Mr. Sung Lik Man) and other key employees of Million Miles to operate Union Apex. As Union Apex is managed and operated by the same management of Million Miles, the Directors believe that the Group has the capability and experience to take up the roles and responsibilities of a ship owner's agent on its own. The Group's newly set up shipping department performs the following key functions:

- to appoint, instruct, liaise with, supervise and co-ordinate all activities of the ship managers, surveyors and any other sub-agents and sub-contractors in order to ensure the proper performance of all customary requirements for the best possible operation of the vessels

- to provide marketing and sales activities, to obtain business for the vessels, to canvass and book cargo, to publicise the services of the vessels

- to liaise with and maintain contract with charterers, shippers, consignees, port, other authorities, trade organisations and any other companies or individuals to ensure the best operation of the vessels

- to negotiate, prepare, sign and issue all documentations on behalf of the Group including any fixtures, charter parties, bills of lading, hire statements and such other documents

- to supervise the ship managers and/or port agents and/or sub-agents and/or other companies and individuals if and where required in arranging for such matters such as repairs, crew changes, ship's stores, spare parts, technical, nautical, medical assistance and consular requirements

- to supervise the ship manager in handling claims, protection and indemnity matters and/or insurance, and the appointment of surveyors

- to collect charter hire, freight and related accounts

Fleet management

The Directors believe that due to the high availability of reputable ship management services companies in the market at reasonable costs and the high costs for ship owners to maintain their own in-house vessel technical management teams for maintaining the standard of the vessels' operation safety, seaworthiness, conditions, maintenance and compliance of other technical requirements, it has been a common industry practice for shipping companies of various sizes to outsource the management of the operations of their vessels to external parties. To facilitate efficient operation and management of its vessels, the Group has outsourced the operational activities such as technical management and crew management services to Wallem for all of its vessels since 2004. Under this arrangement, the Group's operational and commercial activities, including the supervision of Wallem as the ship manager and the liaison with the charterers and shippers, was performed by Million Miles, which was managed by the executive Directors. Wallem, with over 35 years in ship management industry managing more than 350 vessels over the world, having over 6,000 seafarers sailing on its managed vessels, and with crew training centres in Mumbai and Qingdao and manning agencies in Manila and Sri Lanka, is a ship management company offering a variety of ship-care services, including technical management, crew management, ship insurance and claims handling and accounting services on ships. Each of the Operating Subsidiaries has entered into a ship management agreement appointing Wallem as the ship manager for its vessel. Under the ship management agreements, Wallem shall assume the responsibility for operation of the vessels and provide the following services which are typically offered by a ship manager:

- arranging payroll, insurance and training for the crew

- managing the operation, repair and maintenance, dry dockings, general efficiency and the upkeep of the Group's vessels

- ensuring that the vessels shall comply with the law 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

- developing, implementing and maintaining a safety management system in accordance with the ISM Code

- appointing surveyors and technical consultants on behalf of the Group as and when necessary

- maintaining the records of all costs and expenditures incurred as well as data necessary for the settlement of accounts between the parties
- handling accidents, insurance and other claims in relation to the vessels

Pursuant to the ship management contracts with Wallem, Wallem shall provide to the Group crew management services which include but not limited to, as agent on behalf of the Group, (i) selecting and engaging the vessel's crew taking into account the manning levels required, rank, qualification and certification in accordance with the applicable laws and regulations of flag of the vessels; (ii) arranging payroll and pension administration for the crew; (iii) arranging transportation of the crew, including repatriation; (iv) arranging training of the crew and supervising their efficiency; and (v) conducting union negotiations. Members of the crew are employed by the Group on definite periods of services and therefore are responsible for their conduct and safety on board the vessels. Pursuant to the employment contracts entered into with the crew members and Wallem as agent for and on behalf of the Group, the Group shall be entitled to terminate the employment of a seafarer for any misconduct which gives rise to a lawful entitlement of dismissal, and such right of termination of the employment of a seafarer may be exercised by Wallem, as agent for and on behalf of the Group, without the Group's consent. Also, the Group has maintained P&I insurance policy which provides covers for claims relating to injury, illness and death of the crew members. Please refer to the section headed "Business — insurance" in this prospectus for further information.

In practice, the ship manager will generally consult with and give recommendations to the Group regarding the engagement of ship captain, chief officer, chief engineer and second engineer of each vessel, the taking out of insurance policies and the incurrence of any substantial expenditure, and shall seek the Group's approval in respect thereof.

The ship management agreements with Wallem are on-going with no fixed contractual terms unless terminated by the parties by giving at least two-month notice in writing in the manner specified in the agreements. Wallem shall present to the Group annually a budget in respect of the estimate of the working capital requirements for the vessels for each calendar year during the term of the ship management agreements. Such annual budget shall generally be presented to the Group about one month before the end of each calendar year. Upon acceptance and approval of the annual budgets, Wallem shall each month request the Group in writing for the funds required to run the vessels for the following month based on the endorsed debit notes. During the Track Record Period, there were no significant discrepancies between the annual budgets prepared by Wallem and the actual expenditures incurred by the Group for operation of its vessels.

The Directors take the view that given the market standing and bargaining power of Wallem with a large fleet under its management, Wallem is able to have a higher bargaining power in sourcing services or products from third party suppliers than the Group in respect of the costs, the time of delivery and other material terms for provision of the services or products required. The Directors believe that the delegation of operation and management of the Group's vessels to an experienced ship manager can maintain the standard of the vessels' operation safety, seaworthiness, conditions, maintenance and compliance of other technical requirements, so as to ensure the quality of the Group's marine transportation services, and can help to reduce the Group's administrative and operating costs and ensure that its vessels can be run cost-efficiently. While the Directors believe that it is beneficial for the Group to maintain its long term cooperation relationship with Wallem, there are a number of reputable ship managers offering similar ship management services of comparable qualities both in Hong Kong and internationally. Therefore, the Directors believe that any termination of the existing ship management agreements or change of ship managers will not result in significant disruption to the operation of the vessels or otherwise adversely affect the Group's marine transportation services, and the Group has not placed any undue reliance on Wallem. For the year ended 31 March 2008, 2009 and 2010, the total ship management fees charged by Wallem to the Group (excluding the reimbursement of expenses incurred by Wallem on behalf of the Group) amounted to about US$289,000, US$370,000 and US$370,000 respectively, representing about 1.6%, 1.6% and 1.7% of the Group's cost of services for the years, respectively.

Financing arrangements for the fleet

The Group's vessels are wholly-owned by the Operating Subsidiaries respectively. The Group either uses its internal resources or bank loans to finance the acquisition of vessels. Among which, three of its vessels, namely, GH FORTUNE, GH POWER and GH RESOURCES, are financed by debt finance provided by the banks. As at 31 March 2010, the Group had outstanding bank borrowings for the principal amount of about US$46.5 million.

Among the bank borrowings granted to the Group that were subsisting and outstanding as at the Latest Practicable Date, a term loan for the aggregate principal amount of US$65 million (the "**First Loan**") had been granted to the Group for the purpose of refinancing the former bank borrowings for the acquisitions of GH FORTUNE and GH RESOURCES, and for working capital purpose. US$35 million of the principal amount of such term loan shall be repaid by 36 quarterly instalments, and US$30 million thereof shall be repaid by 16 quarterly instalments, commencing 3 months from 9 January 2008. The acquisition of GH POWER was financed by another term loan for the principal amount of US$39 million (the "**Second Loan**") which shall be repaid by 40 quarterly instalments commencing 3 months from 11 February 2008. To secure the performance of the repayment obligations and liabilities of the Group, the First Loan and/or Second Loan are currently secured by, inter alia, (i) the first ship mortgages over GH FORTUNE, GH RESOURCES and GH POWER; (ii) the charge over shares in Joy Ocean, Great Ocean and Bryance Group by the Company; (iii) the corporate guarantee given by the Group member; (iv) the personal guarantee given by Mr. Yan and Ms. Lam; and (v) the assignment of charter hire income and insurance in respect of GH FORTUNE, GH RESOURCES and GH POWER. The Group has executed the relevant agreements with the banks to the effect that the personal guarantees mentioned in (iv) above will be released and replaced by corporate guarantees to be given by the Company upon the Listing.

CUSTOMERS

For the years ended 31 March 2008, 2009 and 2010, the Group's total revenue amounted to about US$34.6 million, US$52.2 million, US$41.8 million respectively, representing a CAGR of about 9.9% from 2008 to 2010. For the years ended 31 March 2008, 2009 and 2010, the Group's five largest customers together accounted for about 100.0%, 98.2% and 92.4% of its total revenue respectively and during the same period, the largest customer accounted for about 45.3%, 50.1% and 31.6% respectively. The relatively high concentration of revenue attributable to a few customers during the Track Record Period was due to the relatively small fleet size of the Group and that some of the vessels were chartered to the customers for charter terms of one year or more during the period.

The Group's five largest customers during the Track Record Period included shipping companies in Korea and Switzerland, logistic services provider based in China, major trader of farm raw materials in Geneva, a company engaged in the distribution of raw materials based in Switzerland and a shipping company incorporated in the Cayman Islands.

As at the Latest Practicable Date, none of the Directors or their respective associates, and none of the existing Shareholders who (to the best knowledge of the Directors) own more than 5% of the issued share capital of the Company, had any interest in any of the five largest customers during the Track Record Period.

Payment terms

In general, the Group's time charter agreements require the charterers to pay the charter hire on a per day basis for the charter period, and the charter hire shall be payable 15 days in advance on a rolling basis. The Group's revenue is denominated in U.S. dollars and settled by telegraphic transfer. Under the Group's time charter agreements, the charterers are entitled to deduct from the charter hires for any loss of time and the costs of any extra fuel consumed by the vessels due to any under-performance in the operation of the vessels such as breakdown of machinery or reduced speed. However, as confirmed by the Directors, such deduction may be subject to agreements between the Group and the charterers concerned, and any disagreement or any failure or delay in repayment of such withheld charter hires may lead to trade receivables and doubtful debts despite that charter hires are payable in advance.

To ensure timely settlement of charter hires by its customers, the Group has designated staff to closely follow up with the relevant customers for payments by due dates and to demand and negotiate with them in the event that the charter hires become overdue. Under the time charter agreements, if the charterer fails to punctually pay the charter hires, the Group shall be at liberty to withdraw the relevant vessel from its services without prejudice to the Group's rights of claim under the time charter agreements. The Group shall also have a lien over all cargoes and all sub-freight for any amount due under the time charter agreements. During the Track Record Period, the Group had not exercised its right to withdraw any vessels from service.

An amount of US$177,000 has been provided for as allowance for doubtful debts in the combined results of the Group for the year ended 31 March 2010, which represented individually impaired trade receivables with an aggregate balance of US$177,000 which have either been placed under liquidation or are unsettled due to the speed and other under-performance disputes between the Group and certain customers. The Group does not hold any collateral over these balances. Save as aforesaid, during the Track Record Period, the Group did not have any other bad debts or doubtful debts provided for.

SUPPLIERS

For the years ended 31 March 2008, 2009 and 2010, the Group's five largest suppliers together accounted for about 24.0%, 13.8% and 14.0% of its costs of services, respectively and during the same period, the largest supplier accounted for about 18.5%, 5.7% and 7.8%, respectively.

The Group's key suppliers include insurance underwriters, ship manager, shipbrokers, bunker fuel providers and shipyards. Fees payable to the suppliers are generally agreed by or on behalf of the Group with the suppliers after arm's length negotiation and with reference to, among other factors, the market rates, the extent of insurance coverage and past claim records, the reputation of the suppliers, the quality of ship management services, repair and maintenance services by shipyards, and the chartering and other related services by shipbrokers.

As at the Latest Practicable Date, none of the Directors or their respective associates, and, to the best knowledge of the Directors, none of the existing Shareholders who own more than 5% of the issued share capital of the Company, had any interest in any of the five largest suppliers during the Track Record Period.

Payment terms

The insurance premium payable by the Group to its insurance underwriters are generally payable in 3 to 4 installments during the insurance coverage period, with the first instalment payable at the commencement of the insurance coverage period, while the ship management fees are payable to ship manager in advance before the commencement of each month. The brokerage commission payable by the Group to its shipbrokers are generally payable at sight after the Group receives invoices from the shipbrokers or otherwise shall be paid by charterers directly by deducting such amount from the charter hire payable to the Group. Bunker fees payable to bunker providers are generally payable within 30 days after the delivery of bunker. Payments to shipyards for repair and maintenance are generally made by instalments, part of which shall be payable during the dry-docking, and the balance of which shall be payable in one lump sum or two instalments within 30 days to 60 days after completion of the dry-docking. The fees and costs payable to the suppliers are mainly settled in U.S. dollars and by way of telegraphic transfers.

During the Track Record Period, the Group did not experience any material dispute with its suppliers.

QUALITY AND RELIABILITY OF THE FLEET

To ensure the seaworthiness and safe operation of the Group's vessels during their service life, the Group has been closely monitoring the conditions of its vessels. All of the Group's vessels are classed by international reputable classification societies, namely the American Bureau of Shipping of the United States and the Lloyd's Register of Shipping of the United Kingdom. In order to maintain the classification status with these classification societies, the Group's vessels undergo regular and ad-hoc surveys by the qualified surveyors of the relevant classification society. These surveys include special surveys (also known as class renewal surveys) every five years, intermediate surveys about every two and a half years, annual surveys each year and ad-hoc surveys following an accident or whenever necessary. For maintenance of the classification status of the vessel upon expiry of the five-year class period, the special survey required for class renewal as prescribed for the vessel has to be satisfactorily completed. As a special survey involves thorough examination of the vessel and is time-consuming, it may be split to be carried out over the entire five-year class period. Normally, a special 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 ship owner 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 loading and unloading of the vessel's cargoes.

The due date of the next regular survey, being either an annual survey, intermediate survey or special survey, in respect of each of the Group's vessels as at the Latest Practicable Date are as follows:

Vessel name	Due date of the next regular survey	Nature of survey
GREAT HARVEST	30 November 2010	Special survey
GH FORTUNE	27 March 2011	Annual survey
GH POWER	31 January 2011	Annual survey
GH RESOURCES	20 February 2011	Annual survey

During the Track Record Period, pursuant to the surveys conducted on the Group's vessels as required by the class rules and regulations of the American Bureau of Shipping (for GREAT HARVEST) and the Lloyd's Register of Shipping (for GH FORTUNE, GH POWER and GH RESOURCES), various performance tests, maintenance items and/or repair works were carried out on the 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 the Group in compliance with the recommendations of the relevant classification society following the survey.

During voyages, crew members are also required to carry out regular onboard precautionary inspection of the vessels and maintenance, and to carry out emergency repairs of the vessels to maintain smooth operation of the vessels. In addition, whenever necessary or in compliance with the applicable requirements of classification societies, vessels may also be dry docked for a thorough inspection and repairing any damage or defect to ensure that the vessels are maintained in good and efficient condition from time to time.

During the Track Record Period and up to the Latest Practicable Date, all of the Group's vessels have successfully renewed and maintained their classification certificates with American Bureau of Shipping (for GREAT HARVEST) and the Lloyd's Register of Shipping (for GH FORTUNE, GH POWER and GH RESOURCES).

The Directors believe that the maintenance of the Group's vessels' classification status with these international reputable classification societies as well as implementation of its maintenance policy can ensure that its fleet lives up to the international standards and is fit for shipping. For the years ended 31 March 2008, 2009 and 2010, the Group's repairs and maintenance expenses amounted to about US$2.1 million, US$1.2 million, US$1.5 million respectively, representing about 12.0%, 4.9% and 7.0% of the Group's cost of services for the years, respectively.

None of the Group's vessels had been subject to attacks by pirates during the Track Record Period. Further, Wallem, the ship manager of each of the Group's vessels and which is responsible for, among other things, the development, implementation and the maintenance of a safety management system in accordance with the ISM Code, has adopted and implemented anti-pirate attacks policies and procedures such that the ship captains of each of the Group's vessels are required to obtain Wallem's prior approval before setting their sailing routes into or near what Wallem regards as "pirates danger zone".

INSURANCE

The Group seeks to maintain comprehensive insurance coverage to protect it against risks related to physical damage to its vessels and vessel equipment as well as liabilities arising from accidents involved in the course of normal business operations of the Group. The following are the typical types of insurance policies maintained by the Group:

Hull and machinery insurance and war risk insurance

The Group has maintained hull and machinery insurance and war risk insurance for each of its vessels whereby its vessels are insured against, inter alia, physical damage to the vessel's hull and machinery, maritime perils and war-related risks. These policies have a term of 12 months and are subject to renewal annually. The vessels are generally covered up to their respective market value, which will be reviewed as and when the insurance policies come to a renewal. The Group also purchases additional insurance under an "increased value" policy to meet additional expenses arising from the total loss of vessels, such that the Group is entitled to recover the amounts which are not covered under the hull and machinery insurance policy.

Protection and indemnity insurance and Freight, Demurrage and Defence Insurance

The Group's P&I insurance and freight, demurrage and defence insurance are provided by SKULD, which is a member of the International Group of P&I Associations. SKULD is an independent, non-profit making mutual insurance association which provides cover for its ship owner and charterer members against third party liabilities relating to the use and operation of ships.

The Group's P&I insurance provides covers for claims relating to members' liabilities arising from, among others, the operation of its vessels; injury, illness or death to crew or other third parties, carriage of cargoes on the vessels, the collision between the vessels or the vessel with a fixed or moveable 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. The P&I insurance is a mutual insurance which implies that should SKULD face special circumstances with unexpected losses, the Group, as a ship owner member with the P&I insurance cover, may be exposed to premium obligations beyond the agreed total call. On the other hand, the Group is assured of access to the reinsurance arrangement as arranged by the International Group of P&I Associations. The Group did not receive any additional funding calls from SKULD during the Track Record Period.

The Group's freight, demurrage and defence insurance covers for reasonable costs for necessary legal assistance in relation to disputes which are directly connected with the operation of its vessels.

For the years ended 31 March 2008, 2009 and 2010, the Group paid an aggregate of about US$767,000, US$1,103,000 and US$1,233,000 as insurance premium and provision payment for its various insurance policies respectively, representing about 4.3% 4.6% and 5.8% of the Group's costs of services for the years. In December 2009, Million Miles has filed a notice on behalf of the ship owner of GH FORTUNE to its insurer in respect of the possible claim arising from an incident of collision with various barges. Under the relevant insurance policies, the Group has to bear an estimated maximum aggregate sum of US$195,000 as deductible thereunder. A provision for the sum of US$195,000 has been accrued in the combined results of the Group for the year ended 31 March 2010 to cover the estimated amount of deductibles that the Group may be liable to pay in respect of the possible claim pursuant to the relevant insurance policies. For further information in respect of this incident, please refer to the section headed "Business — Legal proceedings" of this prospectus. Save as disclosed above and in the section headed "Business — Legal proceedings" in this prospectus, the Group did not have any other outstanding material insurance claims as at Latest Practicable Date.

EMPLOYEES

The Group had 91 full-time employees as at 31 March 2010, all of which were crews of the vessels of the Group. During the Track Record Period, the key senior management (including Mr. Cao Jiancheng and Mr. Sung Lik Man) were employees of Million Miles, whose employment contracts were terminated with Million Miles on 10 June 2010 and new employment contracts were entered into with Union Apex on 10 June 2010. Since then, they are considered as full-time employees of the Group. Further, although Mr. Yan and Ms. Lam had been the directors of each of the Operating Subsidiaries during the Track Record Period, they were not the Group's full-time employees as they did not enter into employment contracts with the Group during the same period. They were in charge of the overall management of the Group and development of its business at the board level of the Group during the Track Record Period. Each of Mr. Yan and Ms. Lam entered into employment contract with Union Apex on 1 August 2010 and they have been considered as full-time employees of the Group since then.

As at 31 August 2010, the Group had 101 full-time employees. The following table shows a breakdown of its employees by division or function as at 31 August 2010:

Function	**Number of employees**
Management	5
Finance	2
Administration	2
Operation	4
Crews of the vessels	88
Total	101

All of the Group's vessels are manned by seafarers engaged by Wallem on behalf of the Group in accordance with the requirements of the ship management agreements with Wallem. By delegating the crew management and training functions to professional and experienced ship manager, the Group has managed to maintain well-trained and qualified crews with a comparatively low level of cost of crew and deploy its resources to other areas of its operations.

The Group recognises the importance of a good relationship with its employees. The Directors believe that the working environment and benefits offered to the Group's employees have contributed to building good staff relations and retention. The Group continues to provide on-the-job training for its staff and arrange for seminars organised by insurers and other third parties to enhance the employees' technical knowledge and to update them with the latest development of legal and compliance requirements from time to time. The Directors believe such initiatives have contributed to the increased employee productivity.

As at the Latest Practicable Date, the Group had not experienced any significant problems with its employees or disruption to its operation due to labour disputes, nor had the Group experienced any difficulties in the recruitment and retention of experienced staff.

REGULATORY COMPLIANCE

The ship owning and managing industry is highly regulated and the Group's vessels must operate within the rules, international conventions and regulations adopted by the IMO, such as:

- the SOLAS Convention
- the International Convention for the Prevention of Pollution from Ships
- the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers
- the ISM Code
- the International Ship and Port Facility Securities 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 prefer to the section headed "Regulatory Overview" of this prospectus.

The ISM Code requires that every ship should carry (i) a copy of the DOC issued to the ship owner or ship manager which assumes the responsibility for operation of the vessel from the ship owner; and (ii) the SMC issued to the vessel. The SOLAS Convention makes mandatory the ISM Code, which regulars a safety management system to be established by ship owner or any person who has assumed responsibility for the ship. Wallem, the ship manager of all of the Group's vessels, possesses the DOC issued by Det Norske Veritas which has a term expiring on 17 April 2012. The validity of a DOC should be subject to annual verification within three months before or after the anniversary date of the certificate. Each of the Group's vessels is issued with the SMC which verifies that the ship owner/ship manager and its shipboard management operate in accordance with the approved safety management system. Each SMC issued to the vessel of the Group has a term of five years. The validity of a SMC should be subject to at least one intermediate verification to be carried during the period of validity of the SMC.

The Group's vessels are also subject to the laws, regulations and rules of each country and port they visit.

The Group has entered into ship management agreements with Wallem and pursuant to the ship management agreements, Wallem is responsible for the ongoing compliance with the laws, regulations and conventions of each country and port the Group's vessels visit and the rules and recommendations of the relevant classification society. The Directors consider that Wallem, an experienced ship management company and which possess a valid DOC issued by Det Norske Veritas that is subject to annual verification, is competent and qualified to ensure the ongoing legal and regulatory compliance of each of the Group's vessels.

The shipboard operations of the Group's vessels are handled by the captain and other crew members on board the vessels who should comply with the system, operation manuals, staff handbooks and other policies and procedures guidelines maintained and updated by Wallem from time to time in accordance with various international conventions, laws and regulations. In particular, in order to maintain the SMC in respect of each of the Group's vessels, the Group has in place a set of established policies and procedures in respect of the shipboard operations of each of the Group's vessels, 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 shipboard 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. The crews of the Group's vessels are engaged based on their qualification and certification and that they are properly qualified and trained in compliance with the relevant conventions and regulations, and the Group has maintained and updated the requisite policies, procedures, systems, manuals and guidelines regarding the day-to-day operations in various aspects of the shipboard operations of the Group's vessels from time to time in compliance with the applicable international conventions, laws and regulations through its ship manager, which is qualified and experienced in handling the technical aspect of the shipboard operations. During the Track Record Period, each of the Group's vessels had been issued with the SMC, which signifies that the shipboard management in respect of each of the Group's vessels complies with the requirements under the ISM Code.

The Group has not incurred any other annual costs regarding the compliance with applicable rules and regulations other than the ship management fees charged by Wallem to the Group during the Track Record Period. The Group expects that Wallem will charge similar ship management fees as the ship manager of the Group's vessels in the near future.

The Company has been advised by its Hong Kong legal advisers that based on the disclosure of the business of the Group as set out in this prospectus and the information and documents provided by the Company, the Group has obtained all the relevant licenses and permits as generally required for its type of business under the applicable laws and regulations in Hong Kong. The Directors believe that the shipping industry that the Group operates in is highly regulated in nature and based on the engagement of Wallem, an experienced ship management company, for the ongoing compliance with the laws, regulations and conventions of each country and port the Group's vessels visit and the maintenance of documents such as SMC and the classification status of all of the Group's vessels, they confirm that the Group has complied with all relevant laws, rules and regulations in relation to the operation of its business in all material respects during the Track Record Period.

ENVIRONMENTAL PROTECTION

As discussed above, the Group's safety and environmental policies are implemented through its safety management system in place in compliance with the requirements of the ISM Code. Each of the Group's vessels has been issued and has maintained the relevant certificates issued by the American Bureau of Shipping (for GREAT HARVEST) and Lloyd's Register of Shipping (for GH FORTUNE, GH POWER and GH RESOURCES) pursuant to (among other conventions, laws and regulations in relation to environmental protection) the ISM Code and MARPOL for compliance with various requirements relating to prevention of air pollution, oil pollution and other kinds of marine pollution. The Directors confirm that the Group has not committed any material breaches of the relevant laws, rules and regulations concerning environmental protection during the Track Record Period.

PROPERTIES

As of the Latest Practicable Date, the Group leased its headquarters at 12th Floor, 200 Gloucester Road, Wanchai, Hong Kong, with an exclusive office floor area of about 2,260 square feet, and a non-exclusive right to use the common area and ancillary facilities which include a conference room, machine rooms, a pantry, a reception, lavatories and other common areas. The Group does not own any real property.

For further information on the Group's leased property, please refer to Appendix III to this prospectus.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Group had applied for registration of a number of trademarks with the Hong Kong Trademark Office in Hong Kong. The Group was also the registered owner of the domain name **www.greatharvestmg.com**.

For further information on these intellectual property rights, please refer to the paragraph headed "Further information about the business of the Group — 2. Intellectual property" in Appendix V to this prospectus.

LEGAL PROCEEDINGS

The Group may be exposed to liabilities and litigations in connection with the operation of its vessels. On 4 December 2009, one of the Group's vessels, GH FORTUNE, was involved in a collision which occurred during the course of chartering and resulted in injury and loss of a number of individuals and losses and damages to barges. At the material time, GH FORTUNE was sailing on Yangtse River under pilotage by pilots assigned by local pilot station as required by local maritime regulations, and the collision took place when GH FORTUNE was overtaking a barge train, causing the break-up of the barge train and further collisions or contacts among the barges in the barge train. One seafarer of the barges died, one seafarer of the barges was missing and five seafarers of the barges were injured during the incident. Upon application from the PRC barge owner, an Independent Third Party, Wuhan Maritime Court arrested GH FORTUNE. On 7 December 2009, Wuhan Maritime Court of the PRC granted orders for (1) property preservation pending filing of lawsuit by the barges owner; (2) ship arrest order against GH FORTUNE; (3) the Group to provide counter-security to the court; and (4) the barges owner to file a lawsuit or arbitration application within 30 days after the date of the order, failing which the attachment to the property shall be released by the court. In order to lift the order granted by Wuhan Maritime Court of the PRC sought by the barges owner, pursuant to which GH FORTUNE was detained by Wuhan Maritime Court of the PRC for about three days, the Group provided, among others, guarantees from a ship owner's mutual assurance association as arranged by SKULD and an insurer of GH FORTUNE in favour of the barges owner and the concerned parties pursuant to which each of the association and the insurer has agreed to guarantee the payment obligations of the owner of GH FORTUNE under any settlement agreement reached and/or arbitration or judgment given in relation thereto up to a maximum liability of RMB1,700,000 and RMB8,000,000, respectively. In addition, without admission of any liability, the Group has reached an agreement on 9 December 2009 with the owner of the barges pursuant to which the Group prepaid a sum of RMB300,000, which shall be claimable under the Group's insurance, to cover the medical fees for the injured and compensation for the then missing seafarers. Subsequently, the ship arrest order was lifted. While GH FORTUNE had not suffered any significant physical damage as a result of the collision and therefore no repair and maintenance cost had been incurred by the Group, it had suffered a loss of revenue of about US$101,000 plus bunker charges of about US$9,600.

The Group had entered into (a) a settlement agreement dated 13 July 2010 with the counterparties for finalising the claim against the Group for a final amount of about RMB5,450,000 as full and final settlement in respect of property loss, death and personal injury incidental to this incident; and (b) a settlement agreement dated 4 August 2010 with the salvage company for finalising a sum of about RMB1,010,000 in relation to the costs of salvage operations incidental to the accident and payable by the Group. The settlement amounts set out above were covered under the hull and machinery and P&I insurance and paid by insurer thereunder, subject to the payment of an estimated maximum aggregate of US$195,000 by the Group as policy deductible borne by the Group under the insurance policies. A provision for the sum of US$195,000 has been accrued in the combined results of the Group for the year ended 31 March 2010 to cover the estimated amount of deductibles that the Group may be liable to pay in respect of the possible claim pursuant to the relevant insurance policies. In light of this, the Directors are of the opinion that the Group's insurance coverage is adequate to cover the final claim settled under the above dispute and provision made by the Group is sufficient to cover the deductibles that the Group is liable to pay in respect of the above dispute.

As advised by the Company's PRC legal advisers, having considered (i) the nature and gravity of the incident, including the fact that the incident did not cause serious damage or risk of damage to the environment; and (ii) that a full and final settlement has been achieved in respect of the property loss, death and personal injuries incidental to the incident through the execution and full performance of a settlement agreement dated 13 July 2010 and the execution and full performance of a settlement agreement dated 4 August 2010 with the salvage company for finalising the costs of salvage operations incidental to the incident, the due performance of which would result in a full and final settlement of such claims, the

Marine Safety Authority of Taizhou ("MSA") may impose on the Group administrative actions as a result of the breach of the Law of Traffic Safety at Sea of the PRC, including the issuing of a warning statement to the owner of the vessel, GH FORTUNE, and imposition of an administrative fine on the Group which in practice is of no more than RMB100,000. As advised by the Company's PRC legal advisers, there is no time limit under the Law of Traffic Safety at Sea of the PRC for the MSA to impose an administrative fine on the Group. As at the Latest Practicable Date, no such administrative actions or any other regulatory actions had been taken by the MSA. As advised by the Company's PRC legal advisers, in accordance with the practice of the MSA, as the claims in relation to such incident have all been settled, and as such penalty should be imposed very shortly after completion of the incident investigation, it is unlikely that any administrative actions will be taken by the MSA. Saved as disclosed above, the Company has been advised by its PRC legal advisers that it has not breached any other relevant marine rules and regulations in the PRC as a result of such incident.

In respect of the incident's impact on the marine environment, since (i) there was no oil spilling after the collision as the sunken barges which GH FORTUNE collided with had no bunker on board and were towed by tug boat, and (ii) the salvage operations for the collision had been completed, the Directors are of view that the collision had no material impact on the marine environment.

The Group's vessel, GH FORTUNE, was also subject to an attachment by an order of the New Orleans Court in December 2008 arising from disputes not involving the Group, details of which are set forth in the section headed "Risks factors — Risks relating to the industry — The Group's vessels could be arrested by maritime claimants, which could adversely affect the business and results of the Group" in this prospectus, but the Group had not been subject to any regulatory action in respect thereof. As confirmed by the Controlling Shareholders, there is no outstanding security provided by the Controlling Shareholders by using the Group's vessels and/or other assets as security to guarantee or secure the obligations or liabilities of the Controlling Shareholders or any third parties which may potentially adversely affect the Group's operations and results. Each of the Controlling Shareholders has also entered into the Deed of Indemnity pursuant to which, inter alia, they will indemnify and keep the Group fully indemnified against any future loss or damage to the Group arising from or in relation to the disputes leading to the attachment order against GH FORTUNE in December 2008, details of which are set out in the paragraph headed "Other information — 1. Deed of Indemnity" in Appendix V to this prospectus.

Save as disclosed above, none of the Group's vessels had been involved in any other material maritime accident during the Track Record Period, and no member of the Group is engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

In response to the collision incident involving GH FORTUNE set out above, the Group had requested Wallem and Wallem had arranged its qualified trainers to attend GH FORTUNE after the collision to specifically discuss the incident with the crew members.

The captains of each of the Group's vessels have been specifically reminded of their responsibilities even during pilotage and shall be assertive with the pilots when necessary. Going forward, the Group will strengthen its effort to avoid future collision or other maritime accidents by ensuring that crews engaged are sufficiently qualified and by enhancing crew training through Wallem.

COMPETITION

The marine transportation industry is highly competitive. Although the industry is capital intensive, investments in vessels can be financed by commercial banks against ship mortgages, and there is a comprehensive network of supporting services in the market so that new investors may sub-contract most of the business functions and operations of the vessels to these service providers, such as ship managers, chartering brokers, classification societies and shipping agencies. These financing and other supporting services make it easier for newcomers to enter into the industry, and for existing players to expand their shipping capacities. The Group competes with its competitors in terms of, among others, charter hire, charter terms, quality of the vessels, customer services, vessel availability, service reliability, inland operations, port coverage, value added services and other customer requirements, and has been facing strong competitions in the international market.

Given the nature of business in the industry, the Group faces competitions only at or around the short period of time when the respective terms of the existing charters are about to expire, where the Group needs to solicit for the potential customers or negotiate with the existing charterers for renewal of the existing time charter agreements. The then demand of marine transportation capacity at the port or in the area that the Group's vessels are to be redelivered to the Group, the availability of other alternative vessels, the charter hire, charter terms, quality of the vessels and other ancillary services offered by the other ship owners or other charter operators at the spot market will have a direct impact on the Group's competitiveness in securing new time charter agreements or renewing the existing time charter agreements on favourable terms. The Group also faces competitions from international shipping companies which can offer wider ports or routes coverage and larger fleet size that may keep their market presence at major ports from time to time. With the increasing global supply of marine transportation capacity, the Directors believe that the intense competition in the marine transportation industry will intensify in the future.

The Directors believe that the Group has its strengths to maintain its competitiveness in the industry. The Group has an experienced management team so as to adopt suitable long term and short term strategies to cater for market challenges and risks, and young and stringently maintained and managed vessels to offer high standard, safe and reliable marine transportation services to its existing and potential customers. Please refer to the sections headed "Risk factors — The Group operates in a highly competitive industry" and "Industry overview" of this prospectus for further information relating to the competitive environment in the industry.