Potential investors should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with an investment in our Shares. You should pay particular attention to the fact that our Company is incorporated in Bermuda and we have operations conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of the Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to ownership of our Shares; (iv) risks relating to the dual primary listing; and (v) risks relating to statements made in this document.

RISKS RELATING TO OUR BUSINESS

Our profitability may not be sustainable in the future

For each of the three years ended 31 December 2010, our revenue amounted to approximately US$75.7 million, US$27.9 million and US$46.5 million respectively; and our net profit was approximately US$40.5 million, US$75,000 and US$9 million respectively.

During the year of 2009, our revenue derived from our operations was approximately US$27.9 million only, which represented a decline of approximately 63.1% from that of 2008. Due to low freight rates and reduced fleet utilization resulting from (i) the contraction of global trade finance and the global economic crisis; and (ii) a drop in China's coal exports, as well as certain expenditures being fixed costs which were incurred regardless of our decrease in revenue, we recorded a gross loss of approximately US$1.1 million in 2009. As our other income in 2009 derived mainly from the payment in respect of insurance claims and gains on disposals of vessels and trading investment, we were able to maintain a net profit of US$75,000 despite the gross loss.

In 2010, our revenue and net profit increased to approximately US$46.5 million and US$9 million respectively.

However, our revenue decreased by approximately 55.0% from approximately US$12.9 million in the three months ended 31 March 2010 to approximately US$5.8 million in the three months ended 31 March 2011. The decrease in revenue during such period was mainly due to the over-supply of vessels within the Asian region caused by cutting of cargo shipment to and from Japan as a result of the Japanese earthquake, tsunami and nuclear pollution breakout.

The cost of bunkers are generally borne by charterers under time charters, and are generally borne by us (as shipowners) under voyage charters. The cost of bunkers can be influenced by various economic and/or political factors which are beyond our control.

The political instability in the Middle East led to concerns about global oil supply resulted in a substantial increase in bunker price, which is one of our major variable cost, and discouraged us from taking orders negotiated at lower freight rates. The above led to a decrease in the overall utilization rate of our vessels from approximately 94.5% to approximately 44.1%. Together with the effect of the decrease in our freight rates, our revenue, together with our net profit, experienced a significant decrease in the three months ended 31 March 2011, resulting in a net loss of approximately US$3.7 million for the three months ended 31 March 2011. There is no assurance that such net losses will not recur or that we will be able to generate and sustain revenue growth and profitability in the future.

Our profitability is dependent upon, among other factors, levels of demand and supply for vessels with different capacities, global and regional economic and market conditions, level of international and regional trades, market competition, and volatility of operational and other costs. In late 2008, the global economy suffered a recession and downturn. It resulted in a decrease in both the demand for vessel chartering services (including ours) as well as the international freight rate for the services. Subsequently, freight rates and the demands for vessel chartering services were subject to wide fluctuation. Such fluctuations may sometimes be not favourable to our business and may materially and adversely affect our financial performance.

We rely on a few major customers during the Track Record Period and our trade receivables are mainly due from these customers

During the Track Record Period, we derived most of our revenues from a few major customers. For each of the three years during the Track Record Period, our top five customers accounted for approximately 56.7%, 72.4% and 57.7% of our total revenues respectively, while our top single customer accounted for approximately 18.1%, 52.2% and 23.9% of our total revenues respectively. All the top five customers are Independent Third Parties.

In the event that any of our major customers, who account for a substantial portion of our revenue, default in payment to us or otherwise default in performing any obligations under any charter contract, we may incur time and costs in recovering losses and damage. We may also suffer loss of revenue arising from the resultant off-hire period and/or any decrease in charter hire rate under the charter agreement with alternate charterers. As a result, our revenue, operating results and financial conditions may be materially and adversely affected.

Our Group's credit risk is primarily attributable to the trade receivables. Our Group has concentration of credit risk, as (i) 91.6%, 53.7% and 78.6% of the total trade receivables as at 31 December 2008, 2009 and 2010 was due from our largest customer and (ii) 99.3%, 95.0% and 100% of the total trade receivables as at 31 December 2008, 2009 and 2010 was due from our five largest customers. If any of these customers deviate from its settlement track records or credit quality, our financial position and performance may be adversely affected.

We rely on spot charter contracts

Our business model has a significant reliance on revenue derived from spot charter contracts, and the significant drop in revenue derived from spot charter contracts in 2009 indicates our exposure to the risk of fluctuations in freight rates. For each of the years ended 31 December 2008 and 2010, approximately 81.8% and 75.5% of our revenue was attributable to spot charter contracts respectively, while approximately 18.0% and 23.9% was attributable to CoA respectively. Our revenue derived from spot charter contracts for the year ended 31 December 2009 decreased from approximately US$62 million in 2008 to approximately US$13.4 million in 2009 due to low freight rates and low utilization rates as a result of (i) the contraction of global trade finance and the global economic crisis; and (ii) a drop in China's coal exports. For the year of 2009, approximately 46.5% and 52.2% of our revenue was attributable to spot charter contracts and CoA respectively. In the event that the market freight rates and/or demand for vessel chartering services decrease and/or we are unable to secure any CoA which provides us with a relatively stable income, we may not be able to maintain our profitability and our financial performance may be materially and adversely affected.

We currently own nine vessels only

As at the Latest Practicable Date, we owned nine dry bulk vessels with a total tonnage of approximately 577,000 dwt. See "Our business – Fleet composition" for further details.

As the number of vessels which we own and operate is limited, each of these vessels had, significantly contributed to our results during the Track Record Period. Any disruption or cessation of the operation of any one of our vessels (whether caused by retirement, ship arrests, inspection, repair or maintenance, marine accidents, mechanical failure, labour strikes, human errors, adverse weather conditions, terrorist attacks, piracy or other reasons) or any loss or damage suffered by us in respect of the vessel (such as default in payment of charter hire by any particular charterer of the vessel) could have material and adverse impact on our business, profitability and operating results.

There is no assurance that any additional vessels that we plan to acquire in the future will be sufficient for us to minimise the impact on us as a result of any disruption or cessation of, or loss or damage suffered in respect of, our other vessel(s).

The revenue from the China Coal CoA, the 2011 First CoA and the 2011 Second CoA may not be evenly distributed during the contract periods

During the Track Record Period and up to the Latest Practicable Date, our CoAs, by commodity nature, could be categorised into two types:

(i) CoA regarding transportation of sea sand: we entered into the 2011 First CoA and the 2011 Second CoA with two Singapore construction companies in May 2011. Pursuant to these two CoAs, we have agreed to transport a certain agreed volume of sea sand for the customers at a pre-determined fixed rate during the agreed periods. The credit period given to these two Singapore construction companies is 30 days.

(ii) CoA regarding transportation of steam coal: we entered into China Coal CoA with China Coal in May 2011. Pursuant to the China Coal CoA, we have agreed to transport a certain agreed volume of steam coal for the customer at a pre-determined fixed rate during the agreed period. The credit period given to China Coal is also 30 days.

Pursuant to the three CoAs, we are obligated to transport an agreed volume of sea sand or steam coal for the customers within the respective contract periods, but the volume to be transported may not be evenly distributed during such periods. Accordingly, there is no assurance that the revenue derived from the CoAs could be evenly distributed as well, which may materially and adversely affect our financial performance during the material periods.

We may incur substantial maintenance and repair costs or replacement costs of vessels

Each of our vessels is required to be certified by a Classification Society. In order to maintain such certification, they have to undergo and pass various surveys and inspections, including annual surveys, intermediate surveys (which is usually carried out every two and a half years) and class renewal or special surveys (which is usually carried out every four to five years).

The cost of acquiring vessels of relatively older age is generally lower. It has been our preference to acquire such categories of vessels to save acquisition costs. As at the Latest Practicable Date, the average age of our vessels was approximately 26 years, which is significantly longer than the average age of other vessels in the industry. Accordingly, the remaining useful life and the residual value of our vessels are lower than those of other vessels in the industry. The repair and maintenance costs of our vessels may also be higher than younger vessels in the industry, which may increase our cost of services and thus lower our profitability.

If the economic life of our vessels cannot be continuously maintained at reasonable costs, there may be significant costs incurred in acquiring replacement vessels, which may adversely affect our financial performance. There is also no assurance that our ownership and operation of second-hand vessels will not result in higher operating expenditures than originally anticipated (including repair costs), which may materially and adversely affect our financial performance.

We face counterparty risks

As we operate in a highly fragmented market, our customer base is diverse. Although our top five customers (who together accounted for over 50% of our revenues during the Track Record Period) have over five years of business relationship with us and are reputable with good credit records, we provide vessel chartering services to new customers from time to time. As there may be limited information about our potential customers available in the market, and we do not have any past business relationship with such potential customers, we may not be able to obtain all necessary background information for assessment of the creditworthiness of such potential customers. Generally we would conduct internet search and also consult local port agents and our other contacts to understand the background of these potential customers in assessing any counterparty risk. There is no assurance that such assessments may be correct or our customers (whether new or existing ones) can or will always meet their obligations under the relevant charter contracts. If any customer defaults, apart from non-payment of charter hire, we may incur additional costs in handling any cargo which are on board the vessels at the time of default, and may also incur costs on port expenses and stevedoring costs. Our financial performance may accordingly be adversely affected.

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 sinking, collision and other marine disasters, environmental pollution, 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.

We have effected insurance and also P&I against some of these risks. However, there can be no assurance that all risks are insured or adequately insured against. The insurance policies that we have currently obtained do not cover, for instance, the following risks: (i) cancellation of contracts; (ii) loss of hire; (iii) loss or damage from terrorism, radioactive and chemical contamination, or cyber attack on any software programme or electronic system; (iv) nuclear risks or blockade. 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 in excess of a prescribed amount may not be claimed from the insurance companies, but must be borne by us. 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. See "Business – Insurance" for further information on our insurance coverage.

We may be requested to make additional contributions by P&I Associations to which we belong

We have effected P&I for our fleet from The American Club, a P&I Association. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective 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, although members remain subject to calls 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 Association to which we belong will call for additional funding from its members and such funding calls might adversely affect our financial performance.

Our financial performance may be materially and adversely affected when our vessels are under detention

During the Track Record Period, our Directors confirm that four of our vessels were detained by the relevant authorities of ports or courts ranging from approximately 0.5 days to 49 days. Such detentions resulted from, *inter alia*, shipping accident claims or alleged non-compliance of the relevant rules of different ports. If our vessels are detained in the future, the duration of the detentions would be out of our control but decided by the relevant authorities. When our vessels are under detention, they will not be able to provide chartering services for charterers and our financial performance could be adversely affected. In the event that our vessels are under a relatively long period of detention, our financial performance could be materially and adversely affected.

For further details regarding the detention cases of our vessels during the Track Record Period, see "Business – Legal proceedings".

Income derived from our operations may be subject to taxation of local jurisdictions

We are incorporated in Bermuda and are principally engaged in regional vessel chartering services with subsidiaries incorporated in various jurisdictions, including Hong Kong, Taiwan, BVI and Panama.

Our fleet is deployed mainly in the waters around the Greater China region as well as Indonesia, Singapore, Korea, Vietnam, Cambodia, the Philippines, Russia, and elsewhere in Asia. It is possible that any local tax laws and regulations of any particular jurisdiction or port in the world, to which our vessels may from time to time travel, may impose any income tax, profits tax, withholding tax or other special taxes or levies on our income derived from the relevant vessels. There is no assurance that we have the right to claim against or to seek recovery from the relevant customers for reimbursement of such taxes or levies. If such risk materialises, our profitability may be adversely affected.

Depreciation expenses in respect of our vessels may affect our profitability

In line with our established accounting policy, depreciation is charged so as to write off the costs of our vessels over their remaining estimated useful lives (generally of 30 (for first-hand vessel)/usually ranging from 5 to 10 years (for second-hand vessels)) from the date of their acquisition, after allowing for residual values estimated by the Directors, using the straight-line method. Each vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate. For each of the three years in the Track Record Period, our depreciation expenses in respect of our vessels, being fixed costs, amounted to approximately US$6.6 million, US$10.5 million and US$8.8 million respectively, representing approximately 18.7%, 36.4% and 25.8% of our total cost of services respectively.

It is one of our business strategies to expand and optimise our fleet structure by acquisition of larger second-hand vessels to meet demands for our services. Such further acquisition may increase our depreciation expenses, especially in respect of younger and larger vessels with relatively higher acquisition costs. If our future revenue declines for whatever reasons (including without limitation, market volatility or a decline in the world's hire rate for vessel chartering services), our depreciation expenses may outweigh our revenue, and our profitability may thereby be materially and adversely affected.

We face risks associated with acquisition or ownership of second-hand vessels

At present, our fleet comprised second-hand vessels only. It is also our current plan to expand our fleet by purchasing second-hand vessels. However, sellers of second-hand vessels typically provide very limited warranties with respect to the physical or operating conditions or other state of the vessel. Our inspection of such second-hand vessels prior to purchase will not normally provide us with the same knowledge about the conditions of the vessel that we would have if the vessel had been built for or exclusively operated by us. Furthermore, there is no assurance that any second-hand vessel to be acquired by us will meet our requirements. Any defect in the vessels may result in significant repair costs and expenses or even disruption to our operations, which may materially and adversely affect our financial performance.

It may be difficult for us to acquire more vessels which completely meet our requirements

Our business strategy and future plans are based substantially upon the size and capacity of our fleet. In the event we need to acquire vessels for expansion or replacement. There is no assurance that vessels meeting our size and quality requirements will be available at prices or delivery times acceptable to us.

In such event, our ability to increase or maintain our revenue may be adversely affected. If our costs of acquisition of vessels increase, our capital and/or operating costs may increase accordingly, thereby materially and adversely affecting our profitability.

Major litigation may affect our business

We are exposed to risk of being involved in major legal proceedings, as the shipping business carries inherent risks of marine accidents, which could result in loss or damage of property or even death or injury to persons.

If we fail to claim or defend any legal proceedings from time to time 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 the 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 management's time and efforts could also be diverted from the operation of our core business, in order to pursue or defend the legal proceedings which we are involved. The insurers may also increase our insurance premium. These may materially and adversely affect our operations and financial performance.

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

A principal focus of our strategy is to grow by expanding our existing customer relationships, developing new customer relationships and by capitalising on opportunities arising from the changing market conditions. We plan to achieve this goal by, among other means, expanding or changing the composition of our Fleet or our geographic focus, entering into new strategic alliances or transporting other bulk commodities. Our future growth will depend upon a number of factors, some of which are beyond our control. These factors include, but are not limited to, our ability to maintain, expand or develop our customer relationships, identify suitable second-hand vessels to be acquired, hire, train 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 manage growth factors that are beyond our control. For instance, to preserve our customers, we may in response to market conditions be compelled to reduce the pricing for our services. 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.

We depend on key management personnel and the loss of such personnel may adversely affect our operations

Our future performance depends largely on our ability to retain our key management personnel. Our executive Directors and management team are collectively responsible for our daily operations. They play instrumental roles in charting the business direction, establishing and maintaining business relations and spearheading our growth. Most of our executive Directors and senior management are aged 60 or over, and may retire in a few years' time. We cannot assure that we will be able to retain and/or find suitable replacement for our key management personnel. The loss of their services without suitable replacements may have a material adverse effect on our business, financial condition, results of operations and prospects.

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. Older vessels generally tend to emit more pollutants than younger vessels. As at the Latest Practicable Date, the average age of our vessels was approximately 26 years, which is significantly higher than the average age of other vessels in the industry. In the event that there are more stringent environmental regulations on emission requirements, we may have to incur additional costs to fulfill such requirements or replace our older vessels, which may materially and adversely affect our business operations and financial performance.

We expect to incur significant capital expenditure in connection with our future plans and therefore may require funding and new capital in the future

To grow our business, we intend to increase our fleet capacity as well as increase our operations size generally. The acquisition of new vessels and, to a smaller extent, the increase in our operations size will require capital expenditure. Such expenditure may be made in advance of increased revenue. However, we cannot assure that our revenue will increase as planned after incurring such capital expenditures. Our failure to increase our revenue after incurring such capital expenditures could materially reduce our profitability.

In addition, we may need to obtain additional debt or equity financing to fund our capital expenditure. Additional equity financing may result in dilution to our Shareholders. Additional debt financing may result in all or any of the following:

- limit our ability to pay dividends or require us to seek consent from certain creditors for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to servicing of our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital and other requirements; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot assure that we will be able to obtain additional debt or equity financing on terms that are acceptable to us or at all. An inability to secure additional debt or equity financing may adversely affect our business, implementation of our business strategy and future plans and results of operations. For more information on our capital expenditure, see “Financial information”.

Most of our subsidiaries, operations and assets are located outside Hong Kong. Accordingly, it could be difficult to enforce a Hong Kong judgment against our subsidiaries, Directors and senior management who are non-Hong Kong residents

Most of our subsidiaries, assets and operations are located outside Hong Kong. Most of our subsidiaries therefore are not subject to Hong Kong laws. In addition, most of our Directors and senior management are non-Hong Kong residents, and substantially all the assets of these persons are located outside Hong Kong. As a result, it could be difficult for investors to effect service of process in Hong Kong, or to enforce a judgment obtained in Hong Kong against most of our subsidiaries or any of our Directors or senior management who are non-Hong Kong residents.

The recent natural disasters in Japan may affect our operations and financial performance

In March 2011, Sendai, Japan suffered from a severe earthquake with a magnitude of approximately 9 on the Richter scale, which triggered a tsunami causing extensive and severe damage in northeast Japan. As a result, there was heavy damage to roads and railways as well as fires in many areas. Many electrical generators were taken down and several nuclear reactors suffered explosions resulting in leakage of radiation.

During the Track Record Period, we rarely deployed our vessels in the waters around Japan and our vessels rarely sailed to or from ports of Japan. However, the recent natural disasters in Japan may increase the price of oil and thus increase our costs of operation, and may adversely affect our financial performance if we are not able to pass on such increased costs to our customers. In the event that the radiation leakage worsens and affect other regions in Asia, we may have to re-designate some of our shipping routes. The Asian economic activities may be adversely affected and may result in a decrease in the demand for our vessel chartering services, hense adversely affecting our operation and financial performance.

Dividends declared by the Company in the past may not be indicative of the Company's dividend policy in the future

Any proposal by our Directors for the declaration of dividends and the amount of any dividends to be paid will depend on various factors, including, but not limited to, our results of operations, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and any other factors that our Directors may consider relevant from time to time. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis for predicting future dividends.

RISKS RELATING TO THE INDUSTRY

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

Our business depends substantially on the global and regional economic and market conditions, and level of international and regional trade. Slowing economic growth or a recession could adversely affect the demand for import and export, and could thereby lead to a decline in the demand for our services or otherwise lower our charter hire rates. International trade or political disputes and trade protectionism, which may result in imposition of trade barriers or restrictions, 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.

Certain recent adverse financial developments have impacted the global financial markets. These developments include a general economic slowdown both in the US, Europe and globally and volatility and tightening of liquidity in credit markets. Economic downturn has also affected the international and regional trade volume and therefore demand for our services. It is difficult to predict how long these conditions will last and which markets and businesses may be affected. These developments will continue to present risks for an extended period for us, including a potential decline in the vessel chartering volume and/or charter hire rates. If this economic downturn continues, our business, financial condition and results of operations may be adversely affected.

We may be adversely affected by the recent political unrest in Egypt and other countries in Africa and the Middle East

Since early 2011, there have been political unrest in Egypt and some countries in Africa and the Middle East. As the Suez Canal (which allows transportation between Europe and Asia without navigation around Africa) is located in Egypt while some ports are located in many African countries, it is possible that the shipping companies that focus on Asian waters may generally be affected by such political instability given the resultant over-supply of vessels in Asian waters. The political instability may also cause concerns about global oil supply and then substantial increase in bunker price. Should the global economic conditions weaken as a result of such events, or if any increasing bunker or other costs cannot be passed on to our customers, our performance and profitability may be adversely affected.

The cyclical nature of vessel chartering industry and dry bulk shipping industry may have an adverse effect on our business

Our business is to own and operate dry bulk carriers principally in the Capesize, Panamax, Handymax and Handysize dry bulk carrier sector. The dry bulk shipping industry has traditionally been highly cyclical and is subject to fairly volatile fluctuations in charter-hire and freight rates, capacity utilization, demand and supply of shipping capacity and changes in shipping routes. These factors will contribute to volatility in our revenues, profitability and vessel values.

The demand for shipping capacity and freight and charter-hire rates are influenced by, *inter alia*, global and regional economic conditions, developments in international trade, changes in seaborne and other transportation patterns, weather conditions, port locations, the impact of port congestion, trade sanctions, embargoes, strikes, armed conflicts, riots, social unrest and other political situations in the various countries within the shipping routes normally plied by our vessels. In the event that there are any developments which adversely impact any of these factors such that the markets in which we operate experience reduced demand for the number of voyages from our customers, the demand for our vessels will decline and this may adversely affect our financial performance.

Since May 2010, the Baltic Dry Index, which is an indicator of demand for dry bulk shipping, had fallen from 4,209 to 1,773 as at 24 December 2010. The outlook for the dry bulk shipping industry may be negatively affected in the event that there is a prolonged period of weak demand for shipping capacity. This may be further aggravated by any significant addition to global capacity from newbuilds coming onstream at the same time.

The supply of shipping capacity for dry bulk carriers is a function of, *inter alia*, the size of the existing global fleet, its operational efficiency, the impact of port congestion, the delivery of new vessels and the number of older vessels scrapped, converted to other uses, decommissioned or lost. Such supply may be affected by international conventions, national, state or local laws and regulations (or changes in such conventions, laws or regulations) or maritime transportation practices implemented by governmental and international authorities. Furthermore, there can be no assurance that there will not be an unexpected increase in the delivery of new vessels which operate in the dry bulk shipping market. These factors are out of our control and may have a material adverse effect on our financial performance.

We operate in a highly competitive industry

The dry bulk shipping industry is highly competitive and fragmented with many vessels owners and operators. 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 may have more opportunities to gain market share than we do.

We also face competitions from international shipping companies which can offer wider ports or route coverage and larger fleet size that may keep their market presence at major ports from time to time. With the increasing global supply of vessel chartering capacity, our Directors believe that the competition in our industry will intensify in the future.

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 contracts, this will result in us having a lower profit margin. Furthermore, we may not be able to secure charter contracts 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, and our operations are affected by various international conventions (including SOLAS, MARPOL, ISM Code), national, state and local laws and regulations relating to, *inter alia*, ship safety, management and operation, pollution control and prevention, environmental protection, crew requirements and security measures.

In addition, our vessels may be subject to other applicable codes, guidelines and standards which may be recommended, adopted or implemented from time to time by maritime industry organisations and agencies, including the IMO, the flag state of our vessels, the Classification Societies that certify our vessels to be "in class", and insurance companies and P&I Associations which provide insurance coverage for our vessels.

See "Regulatory overview" for more details on the foregoing regulations.

Compliance with such regulations may entail expenses for ship improvements or modifications, maintenance and inspection and may also entail changes in operating procedures that may increase our cost of operations.

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.

Enforcement measures are in place to ensure compliance by the vessels and shipowners of various regulations in our industry. In the event of non-compliance with any of these existing regulations or any changes to such regulations, or any new regulations which require our compliance, we may be liable for or subject to penalties and sanctions and our operations may be adversely affected as our vessels may be prevented from operating for a period of time due to the lack of certification, or may be prevented by the relevant port authorities from leaving the port for a period of time. This may adversely affect our operations and our financial position.

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 contracts, 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.

During the Track Record Period, we were involved in 11 settled and one unsettled or pending shipping incidents. See ''Business – Legal proceedings'' of this document for further information in connection with our legal proceedings.

The seaborne operation of vessels for vessel chartering industry is vulnerable to pirates attacks and certain recent adverse global financial developments may have aggravated the piracy problems worldwide, particularly in the East African Coast region and near the Somali area which had repeatedly reported on piracy incidents recently. 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 our property (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.

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

Our cost of engaging Tianjin Cross-Ocean to supply us vessel crew members constituted 10.6%, 12.5% and 13.3% of our total cost of services respectively for each of the three years during the Track Record Period.

As at the Latest Practicable Date, our crew members supplied by Tianjin Cross-Ocean were mainly from the PRC. As the PRC economy is rapidly growing, we may in the future face higher rates for hiring such crew from the PRC. If so, our labour costs will rise and this may materially and adversely affect our profitability.

As mentioned above, we do not directly employ any crew for operating our vessels. Instead, we have an agreement with a crewing agency company, Tianjin Cross-Ocean, whereby they undertake to supply us with all the crew, including the captain, the officers and seamen, required for operating our vessels.

Since we rely solely on one crewing agency to supply all our crew requirements, in the event of a disruption in the supply of crew from such crewing agency, whether by reason of regulatory changes in the countries where the crew is sourced, or health quarantine imposed as a result of disease outbreaks, we may have to seek alternate sources of crew, sometimes at short notice. In the event that we are not successful in obtaining an alternate supply of crew, or if we sustain higher costs as a result, our operations may be disrupted or our costs may increase, and therefore our financial performance may be adversely affected.

We depend in part on the crewing agency to ensure that the crew they supply to us are properly qualified and certified in accordance with all applicable requirements under relevant international conventions, national, state, local laws and regulations, rules, codes, guidelines and standards recommended or adopted by maritime industry organisations and agencies.

Under the ISM Code, we are responsible for ensuring that each of our vessels is manned with qualified, certified and medically fit crew in accordance with all applicable national and international laws, regulations and requirements. In particular, we have to ensure that the crew is fully conversant with the safety management system ("**Safety Management System**") implemented by us both on board and on shore, and other relevant rules, regulations, codes and guidelines (as updated from time to time) applicable to the vessel operation. We also have to establish and maintain procedures for identifying any training of our crew which may be required in support of the Safety Management System and ensure that such training is provided for all the personnel concerned or involved with the Safety Management System.

In the event any of our crew is found to be not duly qualified or certified or there is any other non-compliance, breach or contravention in relation to crewing requirements as prescribed under the relevant regulations, we may be exposed to or liable for penalties or sanctions for such non-compliance, breach or contravention, and we may suffer from a disruption in our operations as a result.

In addition, if our vessels get involved in accidents or collisions as a result of the incompetence of our crew, as ship owners, we may be liable for or exposed to sanctions, penalties or damages for oil spills, pollution, third party claims, loss or damage to cargo of our customers and other possible claims arising from such accidents or collisions.

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

Vessels may be requisitioned or seized by governments for use during wartime or other emergency situations. Vessels owners, however, may not be able to receive any compensation from the government, or may be hired 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.

Our business may be affected by outbreaks and recurrence of epidemics, natural disasters, acts of war, terrorist acts, piracy, political unrest and other events beyond our control

Certain countries have experienced epidemics such as the severe acute respiratory syndrome, avian influenza and natural disasters such as fire, floods, droughts, blizzards and earthquakes, which have had an adverse impact on the economies of the affected countries.

Where there is an outbreak or a recurrence of epidemics or natural disaster, acts of war, terrorist acts, piracy, political unrest and other events which are beyond our control in any country in which our vessels operate, this could result in a decline in the demand for our vessel chartering services resulting from the consequential decrease in the volume of international or regional trade, which could in turn adversely affect our operations and profitability. Outbreak of epidemics may also result in disruption to our business if the local health or governmental authorities impose quarantine or other inspection measures on our vessels, or impose restrictions against import or export of cargo from or to the affected countries.

Vessels can also be targets of terrorist attacks and piracy. Any further terrorist attacks or piracy on merchant vessels may result in increase of insurance premium and security costs and inability to transport cargo to and from the affected countries or areas.

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

In the event of any extensive servicing or repair, there will be a prolonged and significant downtime of our vessels or equipment resulting in major disruptions to our operations.

In the event we are affected by such prolonged and significant downtime of our vessels or equipment, our operations and financial performance may be adversely affected.

We are exposed to fluctuations in charter-hire and freight rates

We offer our vessels on a variety of charter terms to our customers. For the year ended 31 December 2010, spot charters accounted for approximately 75.5% of our total revenue and we expect that charters based on spot rates will continue to account for a major component of our revenue. In spot charters, our customers will typically approach us to provide vessel chartering services on an immediate or ad hoc basis, and such charters will be based on the prevailing market rates and are usually for a short duration. While spot charters allow us greater flexibility in managing our fleet utilization and in negotiating rates as compared to CoA, this may expose us to possible fluctuations in charter-hire and freight rates which are affected by factors such as general global shortage of shipping capacity, vessel availability and variation in shipping demands especially in the Greater China region. If charter-hire or freight rates decline, this may adversely affect our financial performance.

We are subject to foreign exchange rate fluctuations

Presently, our revenue is denominated and received mainly in US$, although a portion of our revenue is received in RMB, NT$ and HK$. The majority of our purchases are denominated in US$ and to a smaller extent in NT$. To the extent that our sales and purchases are not exactly matched in the same currency or to the extent that there are timing differences between invoicing and collection/ payment, we will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than our functional currency and reporting currency, US$. 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. See "Financial Information" for further information.

We are subject to fluctuation of freight rates

In 2009, we recorded revenue of approximately US$27.9 million, reflecting a decline of approximately 63.1% from 2008. Accordingly, we recorded a gross loss in 2009 and our net profit was significantly reduced to approximately US$75,000 mainly due to low freight rates.

Freight rates are generally reflected by the Baltic Dry Index ("**BDI**"). In 2009, after falling under 900 points at the beginning of the year, it fluctuated before hitting a year-high of 4,635 points in November 2009. Although the fluctuations were less tumultuous compared to its unpredictability in late 2008, it affected the freight rates and demand for dry bulk shipping, posing numerous challenges for us throughout 2009.

At the start of the year 2009, the BDI clearly mirrored the bleak state of the economy as markets worldwide continued to suffer from the after-effects of the financial crisis. After showing subtle signs of recovery, the BDI rose substantially in June 2009 to hit its 10-month high since October 2008, at a level of 4,291 points. This was due to the increasing demand from China's steelmakers for iron ore and coal – raw materials necessary in the production of steel.

This surge however, was not sustained and in October 2009, another sizeable fall of the BDI was witnessed – this time down to a level of 2,100 points. The volatility continued as BDI levels subsequently ascended to its 2009-high of 4,635 points in November, concluding a year of erratic highs and lows. In 2010, the BDI dropped back to a level of 2,500 points and then hit the year high at 4,187 points in May 2010. It experienced a significant decline afterwards and reached the year low at 1,700 points in July 2010. It then rose back to a level of 2,900 points in September 2010 and decreased to a level of 1,773 points in the end of 2010. These factors negatively affected the operating environment for the shipping industry, thereby lowering the freight rates. There is no assurance that the BDI can rebound to its peak and will not drop further. If the BDI continues to fall or to recover slowly, our operating results and financial performance may be materially and adversely affected.

The utilization rate of our vessels is determined by the market demand and supply of vessel chartering, which is subject to the global economic condition

During the Track Record Period, our fleet utilization rate was approximately 76.5%, 71.2% and 85.1% respectively. Due to the global financial crisis and economic downturn in 2009, the demand for vessel chartering services declined significantly causing us to have a relatively low fleet utilization rate in the same year. Since the utilization rate of our vessels is determined by the market demand and supply of vessel chartering, which is subject to the global economic condition, in the event that the global economic economy fails to improve or further suffers a recession, the demand for vessel chartering services would decrease accordingly. This would lower our fleet utilization 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 marine 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 OWNERSHIP OF OUR SHARES

The market price of our Shares may be volatile.

The trading price of our Shares on the SGX-ST may not be indicative of the expected market price for our Shares on the Stock Exchange following the Introduction. Further, the trading price of our Shares on the SGX-ST has been, and may continue to be subject to large fluctuations. The trading price of our Shares may increase or decrease in response to a number of events and factors, including:

- valuations of properties held by us;
- changes in estimates and recommendations by securities analysts;
- developments affecting us or our competitors; and
- changes in general economic conditions.

The volatility may adversely affect the trading price of our Shares regardless of our operating performance. Also for these reasons amongst others, our Shares may trade at prices that are higher or lower than the attributable net asset value of our Shares. In addition, there is no guarantee that investors can regain the amount invested. It is possible that investors may lose all or a part of their investment in our Shares.

The interests of the Controlling Shareholders may not be aligned with those of our other Shareholders.

The Controlling Shareholders hold approximately 62.6% of our issued Shares. The Controlling Shareholders will be able to significantly influence most matters requiring our Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have an effective veto with respect to certain shareholder actions or approvals requiring a majority vote except where it is required to abstain from voting by the rules of the Listing Manual, or the Listing Rules after our Shares are listed on the Stock Exchange. Such concentration of ownership could have the effect of delaying or preventing a change in control of our Company or otherwise discouraging a potential acquirer from attempting to obtain control of us through corporate actions such as merger or takeover, which could in turn reduce the market price of our Shares and the voting and other rights of our other Shareholders. In view of the concentration of share ownership, there is a possibility that a sale of our Company or some or all of our assets may not maximise value for some Shareholders. There can be no assurance that the Controlling Shareholders will exercise their influence over our Company in ways that are in the best interests of our other Shareholders.

Future sales of our Shares by us or our existing Shareholders may affect our Share price.

Any future sale or offering of our Shares in the public market may exert a downward pressure on our Share price. The sale of a significant amount of Shares in the public market or the perception that such sale may occur, could materially and adversely affect the market price of our Shares. These factors could also affect our ability to issue additional equity securities in the future. There are no restrictions on existing Shareholders to dispose of their Shares under Singapore laws and regulations nor on existing Members to dispose of their Shares under Bermuda laws and regulations. Under Hong Kong law and regulations, apart from the restrictions under Rules 10.07 (1)(a) and 9.09(b) of the Listing Rules of which waivers have been sought from the Stock Exchange, there are no other restrictions on existing Shareholders in relation to the disposal of Shares. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this document for more details.

The liquidity of our Shares on the Stock Exchange may be limited and the effectiveness of the bridging arrangements is subject to limitations.

Our Shares have not been traded on the Stock Exchange before the Introduction and there may be limited liquidity in our Shares on the Stock Exchange. Although Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and *vice versa*, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This may adversely affect investors' ability to purchase or liquidate Shares on the Stock Exchange. Accordingly, there is no guarantee that the price at which Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which Shares are traded on the SGX-ST or that any particular volume of Shares will trade on the Stock Exchange.

Throughout the Bridging Period (being the 30-day period from and including the Listing Date), the Bridging Dealer intends to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in the section headed "Listings, registration, dealings and settlement – Bridging arrangements" of this document). Such arbitrage activities are intended to contribute to the liquidity of our Shares on the Hong Kong market by facilitating the migration of Shares to the Hong Kong Share Register to develop an open market in our Shares in Hong Kong following the Introduction. One should be aware, however, that the bridging arrangements are subject to the Bridging Dealer's ability to sell our Shares or obtain sufficient number of Shares for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets.

There is no guarantee that the bridging arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will also terminate and cease to continue beyond the Bridging Period (being the 30-day period from and including the Listing Date).

There is also no guarantee that the price at which our Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the SGX-ST or that any particular volume of our Shares will trade on the Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilisation activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in our Shares on the Stock Exchange.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Bermuda, and the laws of the Bermuda for minority shareholders protection may be different from those under the laws of Hong Kong and other jurisdictions.

We are a company incorporated in the Bermuda with limited liability, and the laws of the Bermuda differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Bye-laws, the Bermuda Companies Act and the common law of Bermuda. The laws of Bermuda relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in other jurisdictions. 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.

RISKS RELATING TO OUR DUAL PRIMARY LISTING

There are different characteristics between the Singapore stock market and the Hong Kong stock market

Our Shares have been listed and traded with on the SGX-ST since 13 October 2005. Following the Listing, it is our current intention that our Shares will continue to be traded on the SGX-ST. Our Shares traded on the Stock Exchange will be registered by the Hong Kong Branch Share Registrar. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the time required to transfer shares between the Bermuda Share Registrar and the Hong Kong Branch Share Registrar may vary and there is no certainty when transferred Shares will be available for trading or settlement.

The SGX-ST and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the SGX-ST and the Stock Exchange may not be the same.

Further, fluctuations in the price of our Shares on the SGX-ST could materially and adversely affect the price of our Shares on the Stock Exchange, and *vice versa*. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars can also materially and adversely affect the trading prices of our Shares on the SGX-ST and the Stock Exchange. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of our Shares on the SGX-ST may not be indicative of the performance of our Shares on the Stock Exchange after the Listing. You should therefore not place undue reliance on the prior trading history of our Shares on the SGX-ST when evaluating an investment in our Shares through the Stock Exchange.

We will be concurrently subject to Hong Kong and Singapore listing and regulatory requirements

As we are listed on the SGX-ST and will be listed on the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

The time lag of the transfer of Shares between the Hong Kong and Singapore markets may be longer than expected, and Shareholders may not be able to settle or effect any share sale during this period

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the transfer of Shares between the two stock exchanges, our Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, our Shareholders can expect a normal transfer to complete within 15 Business Days from the principal register of members in Bermuda ("Principal Register") to the Hong Kong Share Register and 15 Business Days from the Hong Kong Share Register to the Principal Register depending on whether our Shares are registered under CCASS, CDP or in the name of our Shareholders. However, there is no assurance that the transfer of Shares will be completed in accordance with this timeline. There may be unforeseen market circumstances or other factors which may delay the transfer, thereby preventing our Shareholders from settling or effecting the sale of their Shares.

RISK RELATING TO STATEMENTS MADE IN THIS DOCUMENT

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

This document 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 document should not be regarded as our representations that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

One should not rely on any information contained in press articles or other media regarding our Company and the Introduction

You should not rely on any information contained in press articles or other media regarding our Company and the Introduction. Prior to the publication of this document, there may be certain press and media coverage regarding our Company and the Introduction which may include certain financial information, industry comparisons, profit forecasts and other information about our Company that does not appear in this document. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this document in making any decision as to whether to invest in the Shares.