“The best way to predict the future is to create it.” Abraham Lincoln

THE RESULTS reviewed by EY Office Limited, show you the latest financial position of the Company. The net loss for Q3 was USD 24.75 million from an average of 39 ships in the quarter. The earnings per day per ship during Q3 came in at USD 6,955. In this quarter, average daily operating costs per ship were USD 4,455, which is lower than our target of USD 4,600. The loss in Thai Baht for Q3 was Baht 0.55 per share.

THE HARD FACTS	Q3, 2015	Q3, 2016
Highest Earnings per day per ship in USD	15,000	15,000
Average Earnings per day per ship in USD	7,282	6,955
Average Earnings per day per ship in USD (Handy Size)	7,009	7,325
Average Earnings per day per ship in USD (Supramax)	7,601	6,636
Operating cost per day per ship in USD	4,628	4,455
EBITDA in million USD	7.71	6.30
Net Profit (Loss) in million USD (excluding Exchange gain and Non-recurring items)	(5.04)	(7.16)
Net Profit (Loss) in million USD	(4.90)	(24.75)
Earnings (Loss) Per Share in Thai Baht (excluding Exchange gain and Non-recurring items)	(0.12)	(0.16)
Earnings (Loss) Per Share in Thai Baht	(0.11)	(0.55)

The Fleet Rejuvenation Plan has progressed well with 36 ships in the water at the end of this quarter. Two more Ultras from Sanfu Shipyard will join our fleet by the end of Q1 2018. We plan to dispose of two older ships from our fleet in the near future. That will complete our fleet renewal plan.

Update on disputes with Sainty Marine Shipyard: As of date, all 12 ships were delayed and not delivered within the maximum period allowed under the relevant Shipbuilding Contracts with Sainty Marine. Therefore, the Company exercised its contractual right and cancelled all the 12 relevant shipbuilding contracts. We received the refunds of the instalments paid along with the interest thereon from the refund guarantor for 3 out of the 12 cancelled shipbuilding contracts. There are no more outstanding orders with Sainty Marine now. Arbitration proceedings have been commenced for 11 shipbuilding contracts including the 2 ships delivered to us in 2014 in respect of which, we have initiated arbitration to recover our Warranty claims.

Market Segmentation: During Q3, the Baltic Handy Size Index (BHSI) averaged 399 points derived from the average Time Charter (TC) rate of USD 5,792. Compared to that, our Handies earned USD 7,325 and beat the BHSI TC rate by 26.47%. During Q3, the Baltic Supramax Index (BSI) averaged 676 points derived from the average Time Charter (TC) rate of USD 7,064. Compared to that, our Supramaxes earned USD 6,636 and underperformed the BSI TC rate by 6.06%. Our target has been to outperform both the indexes.

The next SET Opportunity Day will be held at the SET building at 10.10 hours on the 8th November where we will be presenting and discussing our Q3 results. For those of you who cannot attend physically, the SET webcasts the Opportunity Day presentation live, giving you a chance to be present via the web.

Long Term versus short term Charters: The long term charters already booked as of 30th September are shown in the chart below. As can be seen, our current and forward four year rolling book is currently at the 16.2% level with a visible revenue stream of USD 162.05 million.

Year	**2016**	**2017**	**2018**	**2019**	**2020**
Total Available Days	14,819	13,870	14,226	14,235	14,274
Fixed T/C Days	2,562	2,555	2,240	2,190	2,196
%age Fixed T/C Days	17%	18%	16%	15%	15%
Av. T/C Rate/Day in USD	13,713	13,713	13,849	13,875	13,875
Contract value in million USD	35.13	35.04	31.02	30.39	30.47

It is our intention to continue to charter out our ships on long term period contracts whenever practical and economically viable.

BDI Developments:

The Baltic Dry Index has continued its recovery peaking at 941 points on the 23rd September before falling to 860 points by 4th October and then staging a smart recovery to 922 points on the 10th October. On the demand side, things have been better than what anyone had expected at the start of this year. Iron ore into China up to the end of Q3 was up 9.1%, coal into china was up 15.2%, steel exports from China was up 2.7% and steel production was down just 0.3% having been up for the last 7 straight months in a row on a year-on-year basis. At the start of the year the forecast for iron ore in to China was for flat to negative growth, coal was to drop by 10% and steel exports were to remain flat to marginally negative. The demand side, therefore, has not let us down when compared to the gloomy forecasts at the start of this year! So, despite the sterling performance of the demand side we still have a very poor market which can only be explained by the other side of the equation i.e. by the changes in the Supply side.

Key Supply Side Developments:

Supply Side developments: We started 2016 with 771.90 MDWT and have increased to 785.78 MDWT by the end of Q3 for a 1.77% net fleet growth. A further 4.8% (36.94 MDWT) is scheduled for delivery in the balance of 2016 and another 4.92% (37.99 MDWT) scheduled for delivery in 2017. If we were to apply a slippage factor of 55% (was 46.03% in 2015) to these scheduled deliveries and further assume that scrapping reaches 34.70 MDWT per annum (annualised from the 25.98 MDWT scrapped until Q3 of 2016) we would be left with a net fleet growth of 2.82% to 793.68 MDWT in 2016 and another -1.07% to 785.22 MDWT in 2017.

Things, therefore, have not gone as well as one had expected on the supply side. The forecast for the year was for a flat to negative growth rate for the world fleet i.e. scrapping would be equal to or slightly greater than the expected new supply for the year based on the record 14.09 MDWT scrapping in Q1. Scrapping in Q2 at 8.65 MDWT was good but a much slower rate as compared to Q1; however Q3 at 3.24 MDWT is a truly disappointing number. As a result of the slowdown in scrapping, quarter over quarter, there has been a positive increase in the net supply side of the equation of 1.77% or 13.88 MDWT in the first 9 months of this year as against an expected negative fleet growth forecast based on Q1 scrapping numbers. New orders are hovering near zero levels. All existing orders are being delayed due to financial pressure either on the buyers or at the ship yard level. Many orders for 2016/17 have been converted into Tankers and/or Container ships. All of this has helped reduce the pressure from the Supply side of the equation, but if scrapping doesn't pick up in Q4 we think that you may see the market dipping back sharply in Q1 2017 due to the January impact on the supply side (when more ships are delivered in this one month than any other month in the year) and the expected slowdown in demand due to the approaching Chinese New Year. This is not good news for the market.

The Ballast Water Management (BWM) convention comes into force on the 8th of September 2017. All existing ships will have to retrofit a BWM system by their next dry-docks after the 8th September 2017. Any ship that is older than 15 years of age would then become a Scrapping candidate when it's dry-docking becomes due after the effective date. It will make the 'to scrap' decision much easier. Currently there are 130.97 MDWT or 16.67% of the existing dry bulk fleet that would be over 15 years of age and facing their next dry-docking after 8th September 2017 and become likely scrapping candidates.

The main reason why ship-owners would be **buying second hand ships instead of new builds** is the discount compared to new build prices and all the associated angst of ordering new ships with the attendant increase in overall supply. So long as the gap between the depreciated price of a new build as compared to the actual market price of a second hand 5 year old is materially positive i.e. the purchase price of a 5 year old second hand ship is below the depreciated current price of a brand new ship at 5 years of age, then it is better to buy a secondhand ship rather than place an order for a brand new ship. As long as this equation holds, no new build orders will be placed at the empty shipyards.

The **shipyards will become the next victim** of the deteriorating conditions in the dry bulk, container and offshore markets as 2016 looks to set the record for the lowest newbuilding contracts in more than 20 years. A low level of contracting is exactly what the shipping industry needs in order to eventually restore the fundamental balance between supply and demand. (BIMCO)

Key Demand Developments:

PROSPECTS: China's GDP growth numbers have been steady at 6.7% in the first 9 months of this year. **Chinese Iron Ore imports** reached 762.98 MMT by end September for an annualized total import of 1,017.30 MMT or 6.7% higher than the 953.37 MMT in 2015. **Chinese Steel production** reached 604.66 MMT by end September for an annualized total of 806.21 MMT or a marginal increase of 0.7% compared to the 800.53 MMT in

2015. **Chinese Steel exports** reached 85.37 MMT by end September for an annualized total of 113.83 MMT or an increase of 1.3% compared to the 112.41 MMT in 2015. **Coal imports into China** reached 180.27 MMT by end September for an annualized total of 240.36 MMT or an increase of 17.7% over the 204.18 MMT imported in 2015. In a country that currently produces and consumes just under 4.0 BMT of Coal per annum even a small change in their Coal requirements via imports could have a dramatic impact on the Dry Bulk freight markets.

The geopolitical 'tensions' in the South China Sea are being stirred by big-power politics but have had zero impact on commercial shipping. To date, there has been no slowdown in the movement of cargoes because of this so called 'tension' in the South China Seas. If there was any form of real 'tension' concerning the safety of merchant ships in the South China Seas, the underwriters sitting at Lloyds in London would have demanded an extra war risk premium. That hasn't happened because there is no real 'tension' for shipping cargoes safely via the South China Seas at the moment.

One Belt, One Road (OBOR) and its geopolitical implications:

- OBOR will hold back the stream of refugees clamouring to enter the EU by bringing peace, economic development and job creation with its infrastructure projects.
- The jobs created by the China Pakistan Economic Corridor would employ Pakistani youth, and the economic activity generated would bring stability to terrorism hit areas.
- China has experienced Uighur violence in the western region of Xinjiang. With OBOR providing jobs, generating and increasing economic activity, it will bring peace and prosperity to the troubled regions in China.
- The Jihadists from China (Uighur), Bangladesh, Somalia, Syria, Libya, Iraq, Afghanistan, Turkey, Chechnya, to the Caucuses would get employment, stability, peace and prosperity and help reduce the various wars/skirmishes all around the Middle-East specifically and the World in general.
- OBORs many infrastructure projects would benefit China's poor inland regions, integrating them with the global economy and helping to mitigate China's rapidly growing wealth gap.
- OBOR ports in Asia, Africa and Europe reduce dependence of Chinese trade passing through the choke point of the Malacca Straits.
- USA has been conducting 'Regime Change' wars, declared or covert, in 20 countries, and Economic and other sanctions, where wars don't work, in Russia and Iran. USA's pivot towards Asia is frightening especially when it increases tensions in countries from ASEAN to Taiwan, South Korea & Japan, all of them involving China and the South China Sea. China is removing this threat with a win-win, peaceful, OBOR solution involving 65 countries, 3 continents and 4.4b people, whilst securing free passage for its raw materials/finished goods!

Brazil's share of **Chinese iron ore imports** has now advanced to 21% y-o-y whilst Australia's total share of imports stands at 62% down from 64% in 2015. Strong figures for Chinese iron ore imports in July-August undoubtedly contributed to the improvement in the Capesize market. (Howe Robinson Research)

Inner Mongolia, China's biggest coal producing region cut its output of the commodity by just over 10 percent in the first seven months of the year. By the end of August, the region had shut seven coal mines. The region plans to close a total of 65 mines by 2020 to curb crippling overcapacity in the sector. Inner Mongolia's first-half production dropped 10.4%, said the Coal Industrial Bureau, bringing down the raw coal production to 407 million tonnes, or 25% of the nation's total. Even so, China has been struggling to meet its November deadline to complete this year's capacity reduction target of 250 million tonnes with provinces worrying about hurting jobs. (Reuters)

Since the Chinese authorities issued new regulations in April reducing coal mining companies' allowed working days from 330 to 276 with the aim of reducing overcapacity, **Chinese coal output** reported by the National Bureau of Statistics have declined. Using data for April–September 2015 versus April–September 2016, we calculate that Chinese coal output has shrunk12.2% YTD, or by 457 MMT/year from the reported production of 3,747 MMT in 2015. This would be by far the strongest decline on record (BP statistics going back to 1981). Lower domestic Chinese output has meant higher imports, but only 15% higher YOY or c30 MMT/year on an annualised basis; still positive for dry bulk and Chinese imports may very well continue to grow from here. As the output reduction has been caused by new regulations, it is not hard to imagine that a reversal of the regulations could also reverse the positive impact on shipping and the global energy market. (DNB Markets)

China has ordered major coal mines to raise thermal coal output by another 500,000 tonnes per day, the latest concerted effort by the government to boost supplies to its electric utilities ahead of the winter. The latest change doubles the output increases the government has approved in recent days to 30 million tonnes, equivalent to 1.5 times China's average monthly imports of coal this year. (Reuters)

China is planning additional public-private partnerships worth USD150b to spur growth. The third round of investment projects backed by the government focuses mostly on provincial infrastructure projects. The Finance Ministry has a list to 516 projects across China, with Inner Mongolia benefitting the most. Projects will rely on a range of infrastructure-related projects such as highways, pipelines, industrial parks, sewers and other environmental endeavors. The new batch of projects builds on two earlier rounds of projects worth about USD125b. However it's unclear how much of the funding the government will provide within the PPP structures. So far this year China's infrastructure investments are up 20% YoY. (Maersk Brokers)

Malaysia extended its bauxite mining ban (introduced in early 2016) to end 2016. China is the largest importer of Bauxite accounting for ~60% of global bauxite imports with Malaysia contributing 43% of total Chinese imports in 2015. Post the ban, the share of Malaysia has come down to only 4% in July, 2016. However, Chinese imports have still risen 5% y/y YTD (Jan-Jul) as lost share from Malaysia has been replaced by higher share from Australia, Guinea and Brazil which is positive for ton-mile demand as the distance is much larger compared to Malaysia. Key beneficiary is the Handysize segment which ships minor bulks. (Clarksons and Bloomberg)

Chinese bauxite imports from Brazil and Guinea have taken off in 2016; in the first 7 months of 2016 Guinea has totalled 5.5mt and Brazil 1.9mt compared to a meagre 0.4mt from both countries in 2015. Other suppliers are broadly neutral apart from Malaysian bauxite exports which have fallen 4.7mt this year as a consequence of its government's continued illegal mining ban. (Howe Robinson Research)

China's ongoing rebalancing has seen a successful economic turnaround so far this year. Its economic development rose above expectations, so despite uncertainty the concerns over the Chinese economy have not been realised. This gives an indication that market-driven activity was somewhat stronger than expected. This is also quietly reflecting the execution of monetary and fiscal stimulus undertaken by the Chinese Government to ensure that the annual GDP growth target is met. IMF has increased their 2016 projection for China by 0.1 percentage point to a 6.6% growth rate. Europe's industrial production growth rate is proving to be better than both the US and Japan, showing a positive development in demand. (BIMCO)

Exports of steel products from China over the first eight months were up 6.3% from a year ago at 76.35 MMT. (Reuters)

We continue to believe that the **risk of dry bulk demand entering a structural decline is overrated**. Our proprietary coal and iron ore survey, covering ~90% of the global trade in these commodities, shows continued expansion of low-cost coal and iron ore export projects, and domestic mining in China is now, finally, contracting. Perhaps the most positive development on the demand side for dry bulk is not about volume, but prices. YTD the prices of all the major commodities have increased (Chinese coal prices are up ~40%, European coal prices are up ~30%, Chinese iron ore prices are up ~50% and in the grain segment prices are also improving as IGC's soybean index is up ~20% YTD), which we believe imply: 1) healthier import demand (probably mostly due to downsizing of Chinese production in the coal and iron ore markets); but also 2) a greater willingness to pay for transportation services as the geographical arbitrages are widening again. The above along with better than expected supply and demand trends YTD, lead us to expect the dry bulk market to show clear signs of life in the coming months, which should lift asset prices further. (DNB Markets)

Indonesia's 2016 half year wheat imports increased by 58% y-o-y to just below 6MMT. According to official statistics, Australian wheat accounted for just above a third of imports while Ukrainian and Canadian cargoes accounted for just below 15% each. (Maersk Broker)

So, while the **'Brexit'** result in June 2016 fuelled concerns of economic uncertainty in the EU, seaborne dry bulk trade in the region has already been under pressure for some time. Total seaborne EU dry bulk imports fell 4% in 2015 and at the same rate in January-May 2016, due to a range of market pressures. Overall, given potential additional pressures from 'Brexit', the outlook for the region's dry bulk trade growth appears challenging. (Clarksons)

Japan is the fourth largest consumer of coal in the world, accounting for approximately 3 percent of global consumption. The primary use of coal in Japan is for power generation, accounting for a third of total power generation. The use of coal for power generation was reinforced following the post-Fukushima nuclear shutdown. In April 2016, the government decided to open up its retail electricity market. The liberalization of the market is expected to lead to the construction of as many as 41 new coal fired power plants over the next decade.

Having fallen in 2014, imports are estimated to have risen 1 percent in 2015, to 190.7 million. In 2016, imports of coking coal are expected to remain steady, whilst imports of thermal coal are expected to fall as a number of nuclear power plants are restarted relieving some of the pressure on coal fired power plants operating at capacity. (Banchero Costa)

A symptom of the above challenges is that companies are currently struggling. Just to name a few that have been in the shipping press recently:

Owners and their woes:

- A Chinese court has declared state-run dry bulk carrier **Zhejiang Ocean Shipping** (Zosco) insolvent on 25 October after Zosco's parent, Zhejiang Transportation Investment Group, applied to liquidate the indebted shipping company. (IHS Maritime)
- **Wenzhou Shipping**, a subsidiary of state run Zhejiang Shipping Group, has been declared bankrupt at Wenzhou Intermediate People's Court. (Splash247.com)
- Dutch multipurpose and short-sea operator **Flinter Group** was forced to file for court receivership in the middle of October following the breakdown of refinancing talks with ING Bank. (IHS Maritime)
- **Hanjin Shipping** became the most high profile casualty of the container shipping downturn with management opting for court receivership after its creditors had decided to end support for the ailing line. (Splash247.com)
- **Hanjin's collapse** stands to hurt everyone from truckers to bankers and all points in between. Many ports are refusing Hanjin vessels entry, for fear of not being paid port fees. A number of Hanjin ships are also reported arrested. Additionally, goods due to be loaded onto Hanjin vessels barred from entry have begun to build up in ports. Owners that have ships chartered to Hanjin are likely to terminate charterparties and retake possession, and face a reduction in income when they do find a new charterer, or, failing that, be forced to have the vessels laid up and suffer a complete loss of earnings. Terminals and ports may need to protect their own financial position, to ensure that they are covered for port fees and tug and pilot services. Ships owned by Hanjin, subject to mortgages from banks, would be seized. Freight forwarders could find themselves over a barrel if they have taken goods into their care, or contractually agreed to do so, as contracts may impose financial penalties if goods are not delivered to the right place at the right time. All this could lead to ports becoming rapidly inundated with containers that cannot be shipped quickly. This could mean knock-on effects for truckers, rail freight companies and hauliers, as those refused entry to ports will have to find somewhere to park a backlog of boxes. Crews are at risk of not being paid, or receiving reduced pay, or being left stranded at various ports around the world. Hanjin's port agents stand to see loss of income if their agency fees are unpaid. Bunker, food and equipment suppliers may also be in the firing line. (Lloyd's List)
- **Scorpio Bulkers,** the New York Stock Exchange-listed dry bulk carrier, lost $24.7m in Q2 of 2016. (Lloyd's List)
- Oslo-listed **Olympic Ship** first entered into the standstill agreement with secured lenders on July 5, and then extended the agreement through to September 30, has

again extended its standstill agreement, this time through to October 14. Olympic will continue discussions with lenders, and the company will continue to pay interest to its finance providers during the period, while secured lenders will postpone all amortisation and maturities until the period is up. (Splash247.com)

- **Chang Myung Shipping**, a Korean dry bulk owner, filed for court protection in April weighed down by debts in excess of $1 billion. Chang Myung has sold off many vessels over the past year or so and recently sold two seven year old Cape size ships for region $19m each that were reportedly ordered for $88m each. (Compass)
- **Star Bulk** revealed a net loss of USD32.9 million during 2Q16, which follows a loss of USD48.8 million in 1Q16. (HIS Maritime)
- **Golden Ocean's** second-quarter net loss widened to $39.2m compared with $33.5m in the same period a year earlier. (Lloyd’s List)
- **Eagle Bulk,** owner of 41 supramax vessels, reported a net loss in the second quarter of $22.5m, lower than the $27.5m loss it made a year earlier. (Lloyd’s List)
- **J. Lauritzen** the privately owned Danish dry bulk carrier and small gas tanker owner's first-half net loss narrowed to USD22.4 million, down from a USD117.6 million shortfall in the same period last year, when an impairment charge of USD92.7 million hurt the company. (Lloyd’s List)
- **Jinhui Shipping**, the Oslo- and Hong Kong Stock Exchange-listed owner of bulk carriers incurred a loss of $39.1m in the first six months of 2016, wider than the year-earlier $7.9m. Jinhui reported a 40.8% year-on-year drop in the average daily time charter earnings to $3,841 a day due to its large spot market exposure. (Lloyd’s List)
- **Western Bulk Chartering** this week reported a net loss of $11.4m for the second quarter, overturning a profit of $1.7m a year earlier. (TradeWinds)
- **DryShips** reported a second quarter net loss of $9.1m as the company’s fleet of 20 panamaxes time charter equivalent (TCE) earnings were $3,392 per day, compared to $10,813 per day a year ago. (TradeWinds)
- In the first half, **Pioneer Marine** reported a net loss of $20.63m, widening from the deficit of $10.83m in the same period of 2015, due mainly to a $11.65m write-off of capitalised expenses and fees arising from newbuilding contract termination. (SeaTrade)

Shipyards and their woes:

- Debt-ridden Chinese shipbuilder **JES International** Holdings has disclosed a CNY1.47 billion (USD225.8 million) loss for 2015 after a lengthy delay in announcing its earnings for last year. (HIS Maritime)
- **Qingdao Yangfan Shipbuilding** is on the verge of applying for court receivership, a source close to the shipyard told *Splash*. (Splash247.com)
- **Huatai Heavy Industry**, the Nantong-based shipyard, where workers have started a strike, protesting over unpaid salaries, claiming they haven’t been paid for several months. Local police had to be deployed to the shipyard to maintain order. (Splash247.com)
- Chinese shipbuilder, **Wuhan Guoyu Logistics** Industry Group Co. based in the central province of Hubei, failed to make a bond payment, becoming the second such

company to default in the onshore bond market in 2016. The firm issued the 400 million Yuan ($60 million) of one-year bonds at 7% in 2015. (Bloomberg)

- **Daewoo Shipbuilding** and Marine Engineering posted the worst second quarter results of any of the Big Three South Korean shipbuilders, a net loss of $1.1 billion. (Maritime Executive)
- The prolonged downturn in the shipbuilding market has driven another Chinese player, privately owned **Sinopacific Offshore & Engineering**, into bankruptcy. (Lloyd's List)

Sincerely,

Khalid Hashim