Capital Link China Shipping Forum

Tuesday, May 10, 2016
Shanghai, China

CONFERENCE NOTES

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Capital Link
China Shipping Forum
Tuesday, May 10, 2016
Grand Kempinski Hotel Shanghai, China

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Capitalizing on its long established track record of organizing highly successful large scale maritime conferences in major industry centers around the world, the first **Capital Link China Shipping Forum** took place on **Tuesday, May 10, 2016** at the **Grand Kempinski Hotel in Shanghai, China with almost 300 attendees**. The Forum was organized in partnership with CM Leasing Co., Ltd, Columbia Shipmanagement and Singhai Marine Services. Capital Link intends to repeat this event on annual basis within the second week of May.

The Forum explored how Chinese ship-owners and leasing firms can benefit from the latest trends in global finance, capital markets and alternative financing. It connected Chinese owners and financiers with global maritime and finance industry players and global investors to discuss mainstream and alternative sources of capital, joint venture opportunities, how to optimize ship management during difficult market conditions, debate the benefits and pitfalls of business and financial restructuring, and how to address the requirements of global maritime industry players.

The majority of the speakers and panelists were experts and top decision makers from global organizations who came to Shanghai to address critical topics of interest to the industry and to interact with high level executives from Chinese the shipping, shipbuilding and finance communities. As such, the Forum presented a unique blend of networking among global and local industry decision makers.

The China Shipping Forum kicked off with the Opening Keynote address given by Mr. Zhang Ye, President of the Shanghai Shipping Exchange. He discussed how the fundamentals of the Chinese market are unchanged and provided a number of tips on how to open the channels to the shipping industry for China. His speech was highly welcomed by the attendees and proved extremely relevant in the shipping market today.

There were individual presentations on critical topics such as The Global Economy & World Trade – Recent Developments & Outlook and the Role of China; The Changing Landscape of Ship Finance – New Capital Provider's Strategies at the Bottom of Shipping Market; Finding Opportunities After a Lost Decade - A Shipping Investors Perspective; Does the Market Undervalue Chinese Built Vessels?; Optimizing Ship Management in Tough Market Conditions; The Dry cargo Markets – Dry Bulk and Containers – Sector Review and Outlook; China & The Global Tanker Markets.

A series of panels with senior Chinese and non-Chinese experts debated topics such as The Availability of Finance for the Chinese Shipping Industry; Shipyards, Shipbuilding & Financing; Business & Financial Restructuring: Opportunities for a New Beginning; Raising Equity & Bond Capital for Shipping in the Global Capital Markets; Private Equity & Alternative Financing for Chinese Owners and Projects; China, Chinese Shipping & Global Markets – The Shipowner Perspective.

At the end of a rich and informative conference, the **Capital Link China Shipping Leadership Award** was presented to **Mr. Yang Xian Xiang, CEO of SITC International Holdings** in recognition of his role in building SITC into a major diversified inter-Asian Chinese shipping group and contribution in internationalizing the profile of Chinese shipping.

PRESENTATION TOPICS AND PANEL DISCUSSIONS

Throughout the day, there were presentations and panels on the following:

Mr. Zhang Ye, President – Shanghai Shipping Exchange gave the **Opening Remarks.**

Mr. Zhang Ye, President
Shanghai Shipping Exchange

I. The fundamentals of China's market are unchanged
   1. The IMF uplifts the forecast of Chinese economy growth in the next two years by 0.2%, while reduces its growth forecast of other economies.
   2. In 2015, the seaborne trade value in China's import and export reached USD2,500 billion. Theoretically speaking, the freight rate ranges from 1% to 5% of the cargo volume and if supposing 2% on average, the freight rates of China's import and export trade were valued high as USD50 billion.
   3. In 2015, China's outbound shipbuilding business amounted to USD28 billion. In addition, the total premiums of maritime insurance in China reached CNY30 billion.
   4. The "Belt & Road" policy of Chinese central government is a long-term policy for win-win effect that will have profound influence of the maritime sector.

II. Shipping finance is not a special type of finance
   Finance itself is universal, and its property and professionalism are not changed when combined with the maritime sector. A majority of world-renowned shipowners and operators are non-public-listing companies. They use their own funds and thus survive several rounds of financial crises. On the contrary, quite a few players who are seemingly good at using financial tools, e.g. high leverage or loan have suffered capital chain tension or even rupture.
   In terms of using financial tools e.g. derivatives, the shipping market participants are more conservative and in fact they lack of knowledge and competency.

III. Four tips for opening the channels of capital link to shipping industry:
   1. Solving legal issues: Chinese legal system has more or less philosophy conflicts and barrier of understanding with the western world. Nevertheless, law is the baseline. It is hard to keep the baseline if we cannot reach common understanding in legal issues. For instance, after a contract has signed, the market plunges. The contractor under huge pressure may step into a dilemma, paying the debt or going bankruptcy. But unfortunately in a few cases, the contractor neither pays the debt nor goes bankruptcy, and it chooses to violate the contract. It is against the spirit of contract. Therefore, in China's maritime circle, all financial activities must firstly understand and observe the laws and regulations. Legality guarantees the sustainability of capital.
   2. "Who controls the shipping controls the trade": The existing prevailing practice of export FOB and import CIF terms in China's foreign trade results in weaker control of maritime transport. China's maritime service market has long been in adverse balance of trade that only one fourth of trades are carried by Chinese owners. However, this also implies huge space of investment. Helping Chinese owner gain better control of maritime market will bring about more opportunities.
   3. The maritime market in China needs new model to increase information transparency. This is so-called "platform economy" time that highly transparent platforms lead to sufficient competition that spurs improvement of service quality instead of traditional mode of profit-making by inadequate information. Therefore, capital

chases profit while the future profit comes from competition and service.

4. The smoothness of capital links needs to be protected by risk management approaches, e.g. conventional insurance mechanism such as contract fulfillment insurance, asset-to-cash means such as securitization, rate volatility hedging such as derivatives, etc.

Audio Webcast

Mr. Huang You Fang, President - Shanghai Maritime University; President – China Institute of Navigation

Mr. Huang You Fang, President – Shanghai Maritime University; President – China Institute of Navigation delivered his remarks on "**Chinese Shipping & Global Finance**". He stated clearly that China's Economic development has great impact on the shipping and finance and China's economic transformation is an inevitable process. It is very good that shipping and finance can be integrated together. However, he stressed the fact that "Finance integrated into Shipping must do a lot of necessary research to avoid the risks". Excess capacity is the world's basic pattern of shipping industry which will continue for a long time. He shared with the audience that the second half of year 2015 and 2016 on the Chinese economic produced some changes and we still need to study more. The national strategic goal of China will bring new opportunities to shipping industry, such as "The Belt and Road", "Free Trade Zone", "Shanghai Yangtze River Economic Zone" in the long term is favorable to us. He asked" how will shipping integrated with trade, with finance, with logistics", the answer is "The Platform is very important, if the shipping companies only do shipping, the risk is greater, the adaptability is worse". The manufacturing industry has a very strong supply chain, free trade area of the Communist Party of China (CPC) problem of information flow, capital flow, logistics and business flow of the harmonious, how will the shipping to be integrated into the chain, it requires the shipping industry not only to consider the shipping industry but also consider the integration with the supply chain.

At the same time, the shipping alliance brings new requirements to the shipping industry, in fact the alliance is to configure the resources. The container ships are becoming larger and speeder with trunk and alliance lines, and the ports turns to be the logistic center in the new economy, it will bring opportunities and challenges to the shipping industry , but it may also face the possibility of the laid up. Financial companies shall pay more attention when investing the ships.

Presentation/PDF | Audio Webcast

Ms. Tina Liu, Country Manager, China Drewry

Ms. Tina Liu, Country Manager, China – Drewry presented on "**The Global Economy & World Trade – Recent Developments & Outlook**".

The supply side has presented a major challenge to the shipping industry in past years. Recently certain sectors, such as dry bulk, have become increasingly disciplined in limiting their ordering of new vessels. It appears that we are entering a slow growth era. Near sourcing has moved from consumption driven production to value added production; from investment driven, to consumer driven economy, those are the factors causing the physical trade to decelerate.

IMF economists call this phenomena 'peak trade' – while in the past trade has grown in multiples in relation to the general economic growth, currently trade growth is in measured by fractions of the overall economic growth.

China: The Chinese economy needs to reform in order to successfully transition to a value added, consumer driven economy. The Chinese government needs to buy time in this period of economic transition, enabling continuous

economic growth. Thus, high leveraging ratios, will be sustained in the short to medium term, until the economic transition has been achieved.
Presentation/PDF | Audio Webcast

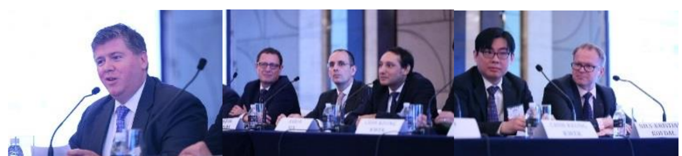
Mr. Simon Liu, Managing Director of the Shipping Leasing Department – CM International Financial Leasing Co., Ltd. presented on "**The Changing Landscape of Ship Finance – New Capital Provider's Strategies at the Bottom of Shipping Market".**

Mr. Simon Liu, Managing Director of the Shipping Leasing Department – CM International Financial Leasing Co., Ltd.

He discussed the outlook of the various shipping markets. The return of bulkers earning & freight still remain to be seen, and calls for caution in the short term. The freight of tankers dropped recently, but those close to oil majors with long term employment are still favorable for the financiers, especially for the VLCCs. And, for long term, probably product tanker's market will perform better than crude, as those crude exporting countries will try to export more petroleum products. The merger of COSCO and China Shipping's container fleet (COSCO Container Lines) create a new alliance - Ocean (COSCO Container Lines, CMA-CGM, Ever Green & OOCL), which is ending the era of existing 4 Alliances (2M, O3, CKYHE, G6). The expectation is there will be more syndication in major liners and increasing concentration in the container market, thereby providing an advantage to the bigger players.

He also discussed about ship finance in today's market. There is now more competition in ship finance and lenders will be more selective. There are also changes in the profile capital providers of ship finance. Internationally, some of the traditional ship finance resources in Europe is shrinking. Domestically in China, most commercial banks who were involved in ship finance have retreated with only a few major banks still remaining active. He outlined the strategy of CM International Financial Leasing, which as a new dynamic entrant to the market with a strong capital base and can thus take advantage of current opportunities without the pitfalls of a pre-existing loan portfolio concluded under different market conditions.
Presentation/PDF | Audio Webcast

The Availability of Finance for the Chinese Shipping Industry **Audio Webcast**
Moderator:
Mr. Conor Warde, Partner – Clyde & Co.
Panelists:
Mr. Mario Behe, Global Head of Ship & Offshore Drilling Finance – Credit Suisse AG
Mr. Christos Tsakonas, Regional Head of Asia, Corporate Bank Department – Shipping, Offshore & Logistics – DNB Asia Ltd
Mr. Aaron Sen, Head of Ship Finance Asia Pacific & Deputy Global Head of Ship Finance – NORD/LB
Mr. Chih Keong Kwek, Senior Vice President, Head of Shipping, Offshore & Oil Services, Asia – Nordea
Mr. Nils-Kristian Kovdal, Regional Head for Shipping Finance for Greater China – Standard Chartered Bank



Mr. Conor Warde, Partner – Clyde & Co; Mr. Mario Behe, Global Head of Ship & Offshore Drilling Finance – Credit Suisse AG; Mr. Christos Tsakonas, Regional Head of Asia, Corporate Bank Department – Shipping, Offshore & Logistics – DNB Asia Ltd; Mr. Aaron Sen, Head of Ship Finance Asia Pacific & Deputy Global Head of Ship Finance – NORD/LB; Mr. Chih Keong Kwek, Senior Vice President, Head of Shipping, Offshore & Oil Services, Asia – Nordea; Mr. Nils-Kristian Kovdal, Regional Head for Shipping Finance for Greater China – Standard Chartered Bank

After discussing the current market for ship finance and the approaches taken by their respective institutions, the panelists engaged in a very interesting discussion on the growth of the lease financing industry in China and their involvement with it. Most of the panelists did not view Chinese leasing companies as competitors, at least not yet, but rather as important strategic partners in the ship financing industry. The panelists also agreed that overcapacity remains a significant problem for the industry as a whole and that financing opportunities should focus on the secondhand market rather than providing financing for newbuildings in most situations.

Chinese Leasing Companies, most of them subsidiaries of major Chinese banks, are a key player in the local ship finance scene, and they are now expanding to the international markets, both in terms of funding and customer base. Fitch Ratings recently affirmed the Issuer Default Ratings (IDRs) of five leasing subsidiaries of Chinese banks. ICBC Financial Leasing, Bank of Communications Financial Leasing, and CCB Financial Leasing all received an A rating, while CDB Leasing — the leasing arm of China Development Bank — was granted an A-plus rating. In many cases the IDRs are based on the strength of the parent organizations, which may be providing support to the leasing subsidiary in case of debt defaults. But sometimes the support is just implicit. The Chinese Leasing companies have been increasingly reaching out to the global banks to source additional capital as they rump up more leasing transactions on their books. And pricing expectations for such funding is occasionally very demanding which may not reflect the credit risk of the underlying portfolios. The low London interbank offered rate and weakening Chinese Yuan are helping them to raise cheaper funds on the overseas bond markets, which gives a further boost to their already rapid expansion. Issuing offshore bonds in the international markets is another source of capital next to financing by global banks. The currency parity expectations arbitrage potential between the US dollar and the Yan is impacting the issuance of such bonds.

At the same time, the Chinese Leasing Companies seek to improve the profile of the customers they finance going for the bigger and better names. The consensus at the Forum was that there should be no generalizations across the board but rather case-by-case scrutiny of individual transactions. Also, they are increasingly looking for overseas clients. According to latest data by China Merchants Bank the shipping assets of Chinese leasing majors stood at Yan 95bn ($14.9 bn) at the end-June 2015 compared with Yuan 28bn at end-2010.

Shipyards, Shipbuilding & Financing

Audio Webcast

Moderator:

Mr. Ji Woon Kim, Shareholder – Vedder Price

Panelists:

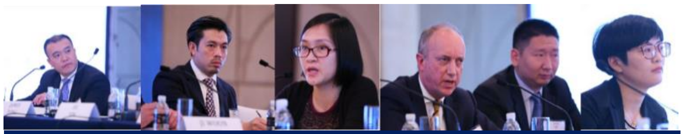
Mr. James Tong, Regional Head of Global Shipping & Logistics – Citi

Ms. He Xin, Deputy Chief, Shipping Division – EXIM Bank of China

Mr. Hugh Williams, CEO & Chairman – Graig Shipping Group

Mr. David Lan, Senior Manager – ICBC

Ms. Ying Zeng, Division Chief for Shipping & Rail Transportation, Project Insurance Underwriting Department – Sinosure HO



Mr. Ji Woon Kim, Shareholder – Vedder Price; Mr. James Tong, Regional Head of Global Shipping & Logistics – Citi; Ms. He Xin, Deputy Chief, Shipping Division – EXIM Bank of China; Mr. Hugh Williams, CEO & Chairman – Graig Shipping Group; Mr. David Lan, Senior Manager – ICBC; Ms. Ying Zeng, Division Chief for Shipping & Rail Transportation, Project Insurance Underwriting Department – Sinosure HO

Ji Kim began the discussion with a question about the order books and deliveries for the Chinese shipyards thus far in 2016 and what they look like in the near future. He Xin from Exim Bank of China noted that the order books in China have been declining recently and will continue to decline for the next year or two (but also noted that it will depend on the particular vessel types). Hugh Williams added that what we see in China is basically what we see in other shipbuilding nations: too much yard capacity and yards chasing too few orders. There are bargains to be found but one must tread carefully. Ying Zeng suggested that some Chinese shipyards will need to look to change their general strategies in obtaining orders by looking into high technology and high added value vessels, which is the right way to survive in this tough market.

The panelists generally agreed that all participants in the shipping sector (including shipowners, financiers and even classification societies and flag states) have a responsibility to share in managing the over-abundant supply of vessels, not just the shipyards. Another discussion topic dealt with the sources of financing involving newbuildings. Financing for shipyards are usually handled by local banks, although the international banks do maintain on-going relationships with the shipyards. Even in the lowest of markets, it was noted that there are still good clients and good deals to be had, but the banks are certainly more selective with the added suggestion that, shipping being a specialized industry, perhaps participants in the sector should move away from asset based financing to rely more on balance sheets. The panel discussion concluded with He Xin and Ying Zeng discussing the differences between Exim Bank of China and Sinosure and the roles these institutions play to help attract market participants into China and the shipping sector.

Business & Financial Restructuring: Opportunities for a New Beginning **Audio Webcast**

Moderators:

Mr. Wing Tat Pan, Associate – Reed Smith
Ms. Han Deng, Senior Associate – Reed Smith

Panelists:

Mr. James Tong, Regional Head of Global Shipping & Logistics – Citi
Mr. Peter Illingworth, Managing Director, Head of Shipping Asia – Deutsche Bank
Ms. Christina Zheng, Partner – EY
Mr. Keng Mun Lee, Head of Shipping Asia – HSH Nordbank

Mr. Wing Tat Pan, Associate – Reed Smith; Ms. Han Deng, Senior Associate – Reed Smith; Mr. James Tong, Regional Head of Global Shipping & Logistics – Citi; Mr. Peter Illingworth, Managing Director, Head of Shipping Asia – Deutsche Bank; Ms. Christina Zheng, Partner – EY; Mr. Keng Mun Lee, Head of Shipping Asia – HSH Nordbank

The panel explored the seriousness of the current economy, compared the present situation with previous market downturns, as well as compared the Asian market with that of Europe and the Middle East. It was generally agreed by the panellist that the Asian and Middle East markets did slightly better due to the higher concentration of stated owned and family owned enterprises, but the current situation is worse than the previous downturn. Within the shipping industry, restructurings are prevalent not only amongst ship owners, but also with shipyards.

The panel discussed the key ingredients and deal breakers in a restructuring process. When asked about some of the greatest challenges in restructurings, the panellists pointed out the complexity contributed by the multitude of interested parties/creditors, including banks, PE funds, etc., and the difficulty of finding an arrangement that can align and balance all their interests. When restructurings fail, banks are generally reluctant to enforce ship mortgages and other security but other creditors such as PE funds are perhaps more ready to take up operation of foreclosed/redelivered vessels.

Perhaps the central message that the panellists wanted to deliver was that ship owners should approach banks as soon as possible when in financial difficulties, in order to maximize the prospects of restructuring. Parties should also bring in restructuring professionals and advisors as early as possible**.**

Raising Equity & Bond Capital for Shipping in the Global Capital Markets **Audio Webcast**

Moderators:

Mr. Jonathan Silver, Partner – Norton Rose Fulbright
Mr. David Johnson, Partner – Norton Rose Fulbright

Panelists:

Mr. Arnold Wu, Managing Director, Co-Head of Transportation Sector – BNP Paribas
Mr. Joachim Skorge, Managing Director & Regional Head – DNB Bank ASA
Mr. Rey Huang, Assistant General Manager, Head of Offshore Funding – Minsheng Financial Leasing Co., Ltd.
Mr. Erik Strømsø, Head & Managing Partner – Pareto Securities Asia

Mr. Jonathan Silver, Partner – Norton Rose Fulbright; Mr. David Johnson, Partner – Norton Rose Fulbright; Mr. Arnold Wu, Managing Director, Co-Head of Transportation Sector – BNP Paribas; Mr. Joachim Skorge, Managing Director & Regional Head – DNB Bank ASA; Mr. Rey Huang, Assistant General Manager, Head of Offshore Funding – Minsheng Financial Leasing Co., Ltd.; Mr. Erik Stromso, Head & Managing Partner – Pareto Securities Asia

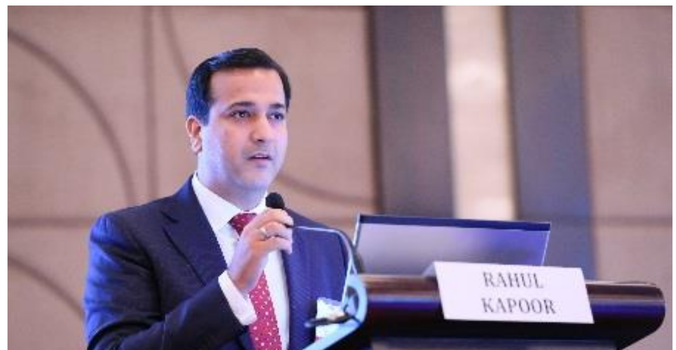
The panel discussion covered the options available for raising equity and bond capital in the global capital markets in the shipping sector and panellists generally agreed that despite the challenging market conditions, there are some pockets of opportunity. While the IPO market may be limited in the shipping sector currently, due to some listed shipping companies trading below net asset value (in Asia and globally), there has been a shift of debt capital focusing on shipping and there has been an increase of private equity capital in the sector. Investors are looking to areas showing good cash flow or value with potential to ride an up cycle. In Asia, transactions are generally structured to attract international capital and at the same time tap into the deep pockets of Asian capital. The panel expect Chinese lessors to continue to raise capital from DCM, potentially huge sums over the next few years and the bond market will continue to see a trend towards higher yield bonds. The panel agreed that options for PRC shipping companies to raise equity or debt outside China very much depend on the company's dynamic and structure. Opportunities may be more suited to smaller spin offs rather than the larger companies. Chinese companies have typically looked to local Asia markets, such as Hong Kong and Singapore, which are preferable markets for Chinese capital unless there is a natural connection to the established markets such as Oslo and US. The panel concluded that although the shipping sector is facing many challenges, there are investors and pockets of capital out there to tap (for both PRC and non-PRC shipping companies), albeit with selective interest.

Private Equity & Alternative Financing for Chinese Owners and Projects **Audio Webcast**

Ms. Madeline Leong, Partner – Watson Farley & Williams; Mr. Jack Xu, Associate Director – China Merchants Bank Financial Leasing Co. Ltd.; Mr. Simon Liu, Managing Director of the Shipping Leasing Department – CM International Financial Leasing Co., Ltd.; Mr. Sean Durkin, President – Northern Fund Management America, LLC; Mr. Philip Clausius, Managing Partner – Transport Capital Pte. Ltd.; Mr. Bill Guo, Executive Director, Shipping – ICBC Financial Leasing Co., Ltd

Moderator:
Ms. Madeline Leong, Partner – Watson Farley & Williams
Panelists:
Mr. Jack Xu, Associate Director – China Merchants Bank Financial Leasing Co. Ltd.
Mr. Simon Liu, Managing Director of the Shipping Leasing Department – CM International Financial Leasing Co., Ltd.
Mr. Sean Durkin, President – Northern Fund Management America, LLC
Mr. Philip Clausius, Managing Partner – Transport Capital Pte. Ltd.
Mr. Bill Guo, Executive Director, Shipping – ICBC Financial Leasing Co., Ltd.

The panel discussed the focus and motivation of PE funds in today's market and Northern Shipping Fund highlighted that it mainly focused on good assets in the second hand market instead of newbuilding market. The view on the PE funds was that they had not expected the present market conditions but had hoped to have exited by now with an IPO or M&A deal, etc. The Chinese leasing companies on the panel (ICBC Leasing, CM Financial Leasing and CMB Financial Leasing) confirmed that they are very much open for business and would be interested in all types of assets in the maritime sector so long as the counterparty risk is good. The Chinese leasing companies also would not rule out listing on the HK or other stock exchanges (following CDB Leasing's lead) to raised funds.



Mr. Rahul Kapoor, Director & Head
Drewry

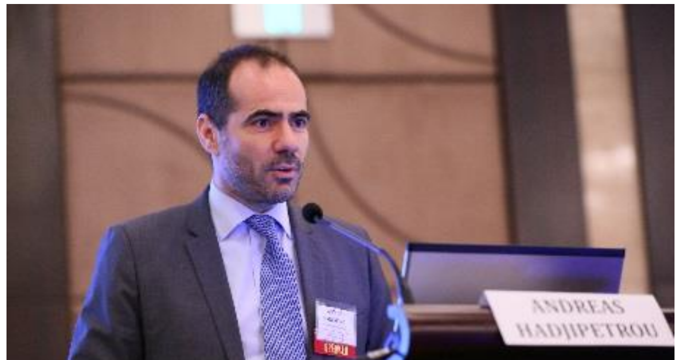
Mr. Rahul Kapoor, Director & Head - Drewry presented on "**Finding Opportunities After a Lost Decade – A Shipping Investors Perspective**". His key message from presentation was that Industry participants have been forecasting a false bottom every year since GFC and we believe calling the bottom is a futile exercise, what we know is market will be unpredictable, volatile and uncertain. Having said that, we do see opportunities in these uncertain times. Is dry Bulk shipping a short term opportunity? Yes, but Investors need to be patient, one can selectively look to invest in companies with rich pedigree or can also alternatively look to acquire dry bulk assets at distressed valuations. Investors who want to defensively play the dry bulk market can look to invest in physical assets as they would offer more certain and gradual return compared to stocks. Finally, China will continue to have a significant impact on underlying shipping markets and we like companies with exposure to energy shipping space like tankers and gas shipping as they will be the prime beneficiaries with stable earnings growth. Container shipping markets will stay challenging for the foreseeable future with limited investment opportunities.
Presentation/PDF | Audio Webcast

Mrs. Monika Krogulska, Head SE Asia and China – VesselsValue discussed "**Does the Market Undervalue Chinese Built Vessels".** The presentation dealt with the question whether the markets are undervaluing China built vessels. Monika introduced VesselsValue which is a market leader in online shipping valuations, market intelligence and mapping. 'Instant, Accurate and Always' are the three watchwords for the services VesselsValue provide. Monika introduced the methodology behind the valuations model. An important factor in the valuations is the time data series from the Sale and Purchase market. VesselsValue has therefore built impressive databases of information on ships sales. It has also developed a granular scoring system to evaluate each individual vessel, including the scoring of the shipyards globally. This detailed approach enables VesselsValue to provide fair market values for ships.

Mrs. Monika Krogulska, Head SE Asia and China
VesselsValue

China built fleet of ships (bulkers, tankers, containers and gas carries) is second in terms of market value after South Korea. In terms of ownership Chinese owners predominate, but Greek owners are the second most active buyers of Chinese built tonnage. Traditionally the Greeks have been regarded as the savviest investors in shipping. Monika demonstrated that the discount applied to the Chinese vessels when compared with Japanese varies with the shipping cycle: it almost diminished in the high markets of 2007/2008 and widened in the market troughs with little demand for ship transactions. It is fair to say that China is only following the path of South Korea before –in the 1980's South Korean vessels were considered inferior to Japanese; by late 1990s, South Korea was producing a similar number of ships and quality was much improved and by 2010, the best South Korean shipyards were perceived as equal to those in Japan. The sophistication of Chinese built vessels is improving rapidly as exemplified by Jingsu Mawei's building of a most sophisticated Ocean Mining Support vessel. Thus with inadequate analysis it is possible to undervalue China built ships.

Presentation/PDF | Audio Webcast



Mr. Andreas Hadjipetrou, Managing Driector
Columbia Shipmanagement

Mr. Andreas Hadjipetrou, Managing Director – Columbia Shipmangement did a presentation on "**Optimizing Ship Management in Tough Market Conditions**". He provided an interesting overview into the necessity for ship managers to provide value and contribute positively to the profitability of their clients through the optimization of their services in this very challenging market. Mr Hadjipetrou explained that even though ship managers themselves are confronted daily with increasingly growing challenges through ever growing industry regulations and requirements, ship managers do need to rise to the occasion in support of their clients. Mr Hadjipetrou stressed the importance for ship managers to achieve the ability to embrace and understand their client's corporate structure, acknowledge and perform according to their client's strategies, deliver services according to their client's requirements, be transparent in all respects and continuously improve the relationship and add value. Mr Hadjipetrou further went on to explain the "MUSTS" to enable a ship manager to achieve this level of service to their clients. He explained that ship managers must have the size to leverage economies of scale effectively reducing the cost of ship-management, possess the ability to navigate regulatory waters, invest in and implement continuous professional development on board and ashore and be innovative and provide solutions to existing challenges. Ship Managers today can only effectively face all challenges through a strong track record & reputation, a strong office network with global manpower supply, consistently deliver higher levels of efficiency, invest in training and IT solutions and promote a culture of excellence within their organizations.

The main take away from Mr Hadjipetrou' s presentation was that challenges can only be successfully met by an organization with ability to provide quality ship management, with professionalism, dedication, enthusiasm, innovative responsiveness and capability to provide continuous professional development on board & ashore. However the kind of relationship and partnership between Ship owner and Ship manager, together with transparency, is of utmost importance and can make the difference in the Ship manager to be chosen.
Presentation/PDF | Audio Webcast

Mr. Jan-Olaf Probst, Director Business Development, Executive Vice President – DNVGL discussed about "**The Dry Cargo Markets – Dry Bulk and Containers – Sector Review and Outlook**".

Mr. Jan-Olaf Probst, Director Business Development, Executive Vice President - DNVGL

The dry cargo market and especially the container market are influenced by declining container shipping freight rates indicated by the Shanghai Containerized Freight Index (SCFI) which declined from the maximum value of 1600 in March 2010 to 500 in April 2016. This development of a reduced container freight rate is often connected with an oversupply of vessels, which is not the case. The total number of container ships has only slightly increased but the vessel size has grown and therefore the total TEU capacity of the fleet.

From commercial as well as technical aspect there have been and today still are logical reasons to go on using for specific trade larger vessels. Unbalanced cargo volumes due to geographic structure respectively production of goods – which is up to a factor of two -, seasonal effects and important capex & opex costs are main drivers to employ larger vessels instead of several small once.

Transportation of container could be compared very well with the airline industry; we see the same development of the container market which happened in 2005 to the American airline industries.

Consolidation of global container liners and forming alliances in a kind of "code share transportation of goods" are countermeasures to cope with the present market and world economy.

In this aspect it should not be underestimated that container trading is the backbone of the world wide economy as well as the possibility of a worldwide job-sharing.
Presentation/PDF | Audio Webcast

Mr. George P. Los, Head of Tanker Research – Charles R. Weber Co., Inc. Starting with a comparison of the VLCC market between 2000 and 2015; Los identified the reversal of roles between the United States and China in terms of ton-mile generation and total voyages while explaining how this development has tied into the super-cycle of the 2000s, its subsequent oversupply and the current strength being observed in that market. He touched on China's increasingly diverse geographic crude sourcing, import growth projections, how China is likely to sustain this trend and why the country's overwhelmed infrastructure has contributed to delays that have skewed traditional supply/demand analytics.

Mr. George P. Los, Head of Tanker Research
Charles R. Weber Co., Inc.

Los noted that Suezmaxes have benefitted from their ability to trade in both VLCC and Aframax markets selectively and their recent benefitting from Iraq's new heavy crude grade, which favor the size class. Aframaxes, Los noted, have remained generally tight as newbuilding deliveries migrating toward product trades have maintained negative fleet growth, offsetting modest demand growth. Simultaneously, he did note concern that a rising orderbook may challenge earnings going forward. He also noted that VLCC owners could face a challenging environment later during 2016 and early during 2017 as new deliveries and increasing demand volatility may create deeper troughs. Meanwhile Los pointed out that Suezmaxes will need sustained tightness in Aframax markets in order to absorb a net increase to the Suezmax fleet of over 13% by the end of 2017.

When discussing the product market, Los noted that China's transition to a net product exporter is being enhanced by the emergence of teapot refineries and only gasoline (for transportation) and naphtha (as diluent) are trending upwards in terms of imports. He pointed out that

China product exports have been much stronger, with an average annual growth rate of 28% since 2012 and 31% during 2015. Declining industrial demand growth and China's progression towards a consumer-driven economy have supported a diesel surplus and export growth for the product of nearly 79% during 2015. China's teapot refiners, with a collective capacity of over 800,000 barrels per day and new permits to independently import crude and export product have boosted production. With these refiners almost entirely export oriented, Los noted the likelihood that resulting negative pressure on refining margins elsewhere in the region will continue to support the teapot's ability to grow intraregional product tanker demand.

Pointing to a global relocation of refining capacity, Los suggested that LRs are poised to continue benefitting from rising long-haul trades from the Middle East to the West while MRs find greater absorption in Asia and servicing US exports and Australian imports. Los noted that product tanker fleet growth has been uneven; while LR2s share some growth, total deliveries are relatively modest against an aging combined Aframax/LR2 fleet. LR1s are poised to be challenged by strong deliveries through 2017 totaling 51 units while MRs have passed their peak deliveries of recent years' ordering and should remain balanced as the oldest units trading in Asian markets make their exit.
Presentation/PDF | Audio Webcast

China, Chinese Shipping & Global Markets – The Shipowner Perspective **Audio Webcast**
Moderator:
Mr. Terence Zhao, President – Singhai Marine Services
Panelists:
Mr. Marvin Zhang, Chief Financial Officer – China COSCO Shipping Container Line Co. Ltd.
Mr. Zhu Mai Jin, General Manager – China COSCO Shipping Tanker Company Ltd
Mr. Chih-Chien Hsu, Chairman – Courage Marine Group
Mr. John Su, Group President & CEO – Erasmus Shipinvest Group
Mr. Xu Junfeng, General Manager – Sinochem Shipping
Mr. Yang Xian Xiang, CEO – SITC International Holdings

Mr. Terence Zhao, President – Singhai Marine Services; Mr. Marvin Zhang, Chief Financial Officer – China COSCO Shipping Container Line Co. Ltd.; Mr. Zhu Mai Jin, General Manager – China COSCO Shipping Tanker Company Ltd; Mr. Chih-Chien Hsu, Chairman – Courage Marine Group; Mr. John Su, Group President & CEO – Erasmus Shipinvest Group; Mr. Xu Junfeng, General Manager – Sinochem Shipping; Mr. Yang Xian Xiang, CEO – SITC International Holdings

The Forum then concluded with a very interesting panel which included a number of state-owned enterprises and private companies in the liner, tanker and bulk sectors and was moderated by Terence Zhao, CEO of Singhai Marine Services. Despite the fact that the global market outlook is currently not the best and capital markets tend to be dry overall, some of the delegates are not worried about where their financing is going to come from. In fact, Sinochem Shipping, a Chinese state-owned company, is hoping to expand to the European and North American chemical markets. China COSCO Shipping Tanker also remains optimistic despite the speculation of a possible oversupply in the late 2017. Even China COSCO Shipping Container Line, with the container shipping sector as the most challenging one yet, did not seem too worried. Perhaps they are not too worried because they are backed by the Chinese state as the other panelists, all privately owned companies, remain relatively pessimistic about the outlook in the shipping industry.

However, despite relatively pessimistic outlook and despite the fact that the shipping market is still in depression, all of the 6 shipowners in the panel were optimistic in their respective sector with expanding plan in fleet size in the next couple of years. The panelists also supported the moderator's point of view that operational excellence is key to win in a more competitive marketplace. Only those shipowners who are able to manage their fleet with high efficiency and cost effectiveness or outsource to the third party ship managers with credit could sustain and be put through the downturn.

CAPITAL LINK CHINA SHIPPING LEADERSHIP AWARD

The Forum concluded with the presentation of the **Capital Link China Shipping Leadership Award to Mr. Yang Xian Xiang, CEO of SITC International Holdings.** The Capital Link Shipping Awards are presented in the context of the Capital Link Shipping Forums in London, New York and Athens to major personalities for their outstanding contribution to the shipping industry. The Award was presented to Mr. Yang in recognition of his influential personality in the Chinese shipping industry, for his contribution in building SITC into a major diversified inter-Asian Chinese shipping group and for helping internationalize the profile of Chinese Shipping.

During his acceptance speech, Mr. Yang remarked on the liner trade. He stated that currently liner companies are more driven by their commitment to customer service rather than cost or demand or even the trend towards ultra large containerships. His company, SITC, owns ships as part of the logistics business and focuses on customer service orientation which is why the company has been enjoying profitability for the past few years.

Audio Webcast

Mr. Yang Xian Xiang, CEO
SITC International Holdings

FORUM VIDEOS, PRESENTATIONS & WEBCASTS, PHOTOS

They can be accessed on the Forum website: http://forums.capitallink.com/shipping/2016china/index.html.

There is a full archive of the presentations and audio files of the panel discussions and presentations. Also, there are video interviews with major event participants and presenters.

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ABOUT CAPITAL LINK

Capital Link is a 20 year old Advisory, Investor Relations and Financial Communications firm with a strategic focus, among other, on the global maritime sector. Capital Link's headquarters are in New York with a presence in London, Athens and Oslo. We have become the largest provider of Investor Relations and Financial Communications services to international shipping companies listed on the US and European Exchanges. Capital Link has focused on elevating the profile of Greek Shipping and Shipping to a wider audience around the world, including investors, analysts, bankers, financiers and industry participants. We are humbled that our efforts have been recognized by the 2016 AHi Award, 2016 International Propeller Club Award, 2011 Greek Shipping Lloyds Awards and in 2012, 2013 and 2014 by Intercontinental Finance Magazine. Mr. Nicolas Bornozis has been personally honored for his relentless, efficient and highly effective efforts to promote Greece and Greek Shipping abroad and among the international investment community by the International Propeller Club of the

United States and the AHI-American Hellenic Institute.

In our effort to enhance the information flow to the investment community and contribute to improving investor knowledge of shipping, Capital Link has undertaken a series of initiatives beyond the traditional scope of its investor relations activity, such as:

• www.CapitalLinkShipping.com: A web based resource that provides information on the major shipping and stock market indices, as well as on all shipping stocks. It also features an earnings and conference call calendar, industry reports from major industry participants and interviews with CEOs, analysts and other market participants.

• Weekly Capital Link Markets Report (e-Newsletter): Weekly distribution to an extensive audience in the US & European shipping, financial and investment communities with updates on the shipping markets, the capital markets and listed company news.

• www.CapitalLinkWebinars.com: Sector Forums & Webinars: Regularly, we organize panel discussions among CEOs, analysts, bankers and shipping industry participants on the developments in the various shipping sectors (containers, dry bulk, tankers) and on other topics of interest (such as Raising Equity in Shipping Today, Scrapping, etc).

• Capital Link Investor Shipping Forums: In New York, Athens, London and Shanghai bringing together investors, bankers, financial advisors, listed companies CEOs, analysts, and shipping industry participants.

• www.MaritimeIndices.com: Capital Link Maritime Indices: Capital Link developed and maintains a series of stock market maritime indices which track the performance of U.S. listed shipping stocks (CL maritime Index, CL Dry Bulk Index, CL Tanker Index, CL Container Index, CL LNG/LPG Index, CL Mixed Fleet Index, CL Shipping MLP Index – Bloomberg page: CPLI. The Indices are also distributed through the Reuters Newswires and are available on Factset.

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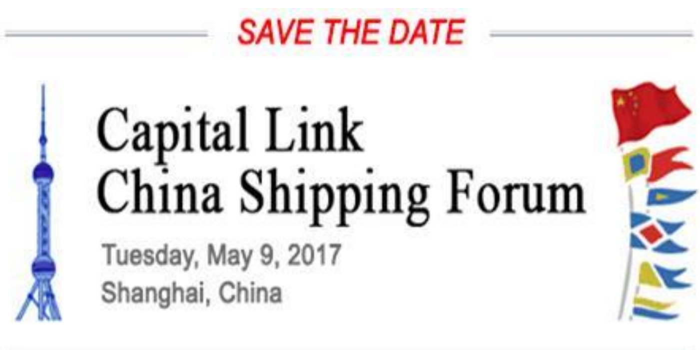

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