Courage Marine

Courage Marine Group Limited
勇利航業集團有限公司

(incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 1145)
(Singapore Stock Code: E91.SI)

ANNUAL REPORT 2011

BIG VISION

We aim to be one of the leading dry bulk carriers serving Asia's needs.

CORPORATE MISSION

Excellence with reliability and efficiency. We aim to deliver sustainable growth and long-term shareholder value by:

Developing and broadening our customer base.
Expanding our fleet to meet growing demand, particularly China's.
Adding qualified personnel and enhancing service facilities.

OUR BUSINESS STRATEGIES

- Engage in fleet renewal to maintain a high level of efficiency
- Focus on spot charters while securing more contracts of affreightment (COAs)
- Continue to build up a quality customer base
- Continue to run cost-efficient operations
- Maintain regional coverage through offices in the Shanghai, Taiwan, and Hong Kong

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CORPORATE PROFILE

ANCHORED ON EXCELLENCE

In 2009, we were rated one of the world's Top 10 public shipping companies by Marine Money International in terms of overall performance.

Courage Marine Group, founded in June 2001, is one of Asia's younger dry bulk shipping companies. It owns and operates 6 bulk carriers, deployed around Greater China, Japan, Russia, Vietnam, Indonesia, Bangladesh, and elsewhere in Asia. The vessels, totalling 460,910 deadweight tonnes, transport dry bulk commodities such as coal, sea sand, gravel, cement, clinker, iron ore, minerals, and wood chips. On board to steer the group are five industry veterans with extensive hands-on experience in dry bulk shipping in Asia, particularly in Greater China.

They bring over 150 years of combined experience, each excelling in his expertise to complement the others. Profitable since inception, our substantial presence in the region can capitalise on China and Asia-Pacific's continued economic growth. We are well-poised to take advantage of demand for dry bulk marine transportation services, especially coal.

CHAIRMAN'S MESSAGE

Dear shareholders,

The year 2011 remained a challenging one for global trade and hence for the shipping industry. Global trading levels have still not recovered from the global financial crisis of 2008, and the events of 2011 such as the Japanese tsunami and the Eurozone sovereign debt crisis continue to suppress demand. In addition, political instability in the Middle East has created concerns about global oil supply that has further weakened trade and driven up bunker prices.

For Courage Marine, these macro factors meant a tougher operating environment than in 2010. The oversupply of bulk shipping facilities due to low trading volumes has put immediate pressure on freight rates which led to lower fleet utilisation due to lower demand for our chartering services in the Asian region. Bunker prices rose considerably too, making contracts with low freight rates unattractive. Operation costs rose during the year also, adding further pressure.

On a positive note, we see the situation gradually improving in 2012, as the global economy stabilises. Looking further ahead, the increase in the supply of vessels is expected to be slow by 2013 which should create a better match between vessel supply and shipping demand, and a more favourable environment for companies like Courage Marine.

CRESTING THE YEAR

In FY2011, the Group's turnover decreased by around 53% to approx. US$21.7 million, from US$46.5 million in 2010. The Group recorded a net loss for the year of around US$29.6 million, against a net profit of US$9.0 million in FY2010. The turnaround is partly attributable to the negative macro environment described above, and partly due to impairment losses, losses on the disposal of vessels, and costs arising from the Group's listing on the Hong Kong Stock Exchange in July 2011.

As was the case in 2010, the Baltic Dry Index ("BDI") was volatile throughout the year, ranging from lows of 1,000 to highs of around 2,200 at different stages of the year. The BDI has a close correlation with freight rates. When the Index is volatile, freight rates tend to vary widely and become difficult to predict. More importantly, the BDI average for 2011 dropped by around 50% from the 2010 average. The considerable drop reflected the oversupply of vessels in 2011, and ongoing unstable market conditions. Evidence that there is still some way to go before the market stabilises can be seen from the sharp drop of the BDI to below 1,000 in early 2012.

LOOKING AHEAD

Despite the challenges of the year, the Group has remained forward-looking and is anticipating and preparing for the eventual recovery of the dry bulk market. To this end, we have adjusted and upgraded our fleet during the year, disposing of the older Handysize and Panamax vessels and taking delivery of two new Supermax vessels, which will considerably enhance our capabilities in smaller and less well-developed ports. However, we do expect the dry freight market to remain unstable throughout much of the year to come, and we will be using all out skills and experience to ride out this period by maintaining a highly cost-effective structure and all-round efficient operations.

FINANCIAL STRENGTH

Despite the difficult year, the Group maintained a positive net cash position of approximately US$16.7 million as at 31 December 2011. Furthermore, its successful listing on the Main Board of the Hong Kong Stock Exchange on 24 June 2011 significantly boosted its financial strength and prospects, bringing it a wider base of shareholders, and a broader source of funding. It also brought our Group closer to its predominantly Chinese customers, an advantage that I believe will benefit us in the longer term.

DIVIDENDS

Given the conditions of the year, the Board of Directors does not recommend payment of a dividend in respect of the financial year ended 31 December 2011.

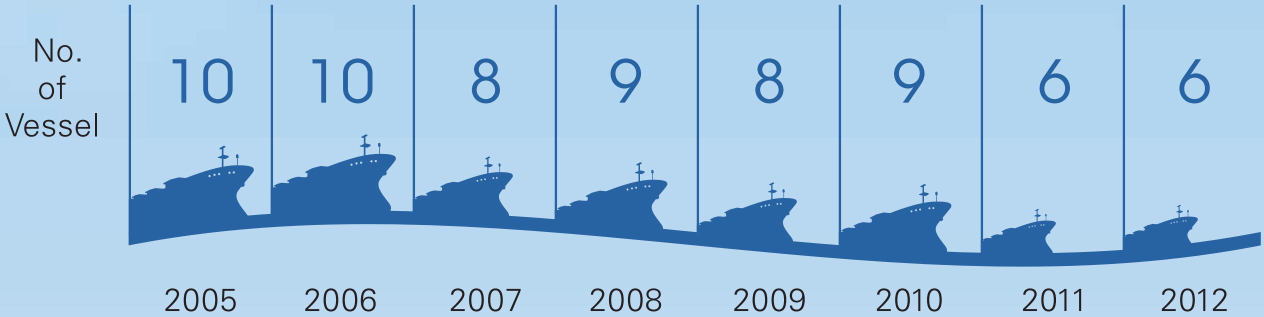
ACKNOWLEDGEMENTS

Once again, I would like to take this opportunity to offer my sincere thanks on behalf of the Board to our clients and business associates whose loyalty has been so valuable over the past year. Special thanks are due to all these within the Group who have played their part, including management, staff and shareholders. Your dedication and confidence is crucial for us as we aim to hold fast to a successful course in today's challenging global environment.

Hsu Chih-Chien
Chairman of the Board

OUR FLEET

Our Fleet is wholly owned by the Company. Since the Company began operations in 2001 it has expanded rapidly. We continuously acquire newer vessels while disposing of older ones to update our Fleet. Subsequent to 31 December 2011, we sold a Handysize vessel, MV Raffles, in January and took delivery of a Supermax vessel, MV Heroic, in February. The new total tonnage is 460,910 dwt. The following table sets forth the development of our Fleet since 2005:



As of 31 December 2011, our Fleet consisted of 1 Handysize, 1 Supermax, 3 Panamax and 1 Capesize dry bulk carriers, with total tonnage of approximately 441,606 dwt with details as follow:

Cape Warrior

Type : Capesize
Dwt : 146,351
Flag : Panama

Courage

Type : Panamax
Dwt : 66,754
Flag : Panama

Raffles

Type : Handysize
Dwt : 37,696
Flag : Panama

Panamax Leader

Type : Panamax
Dwt : 67,069
Flag : Panama

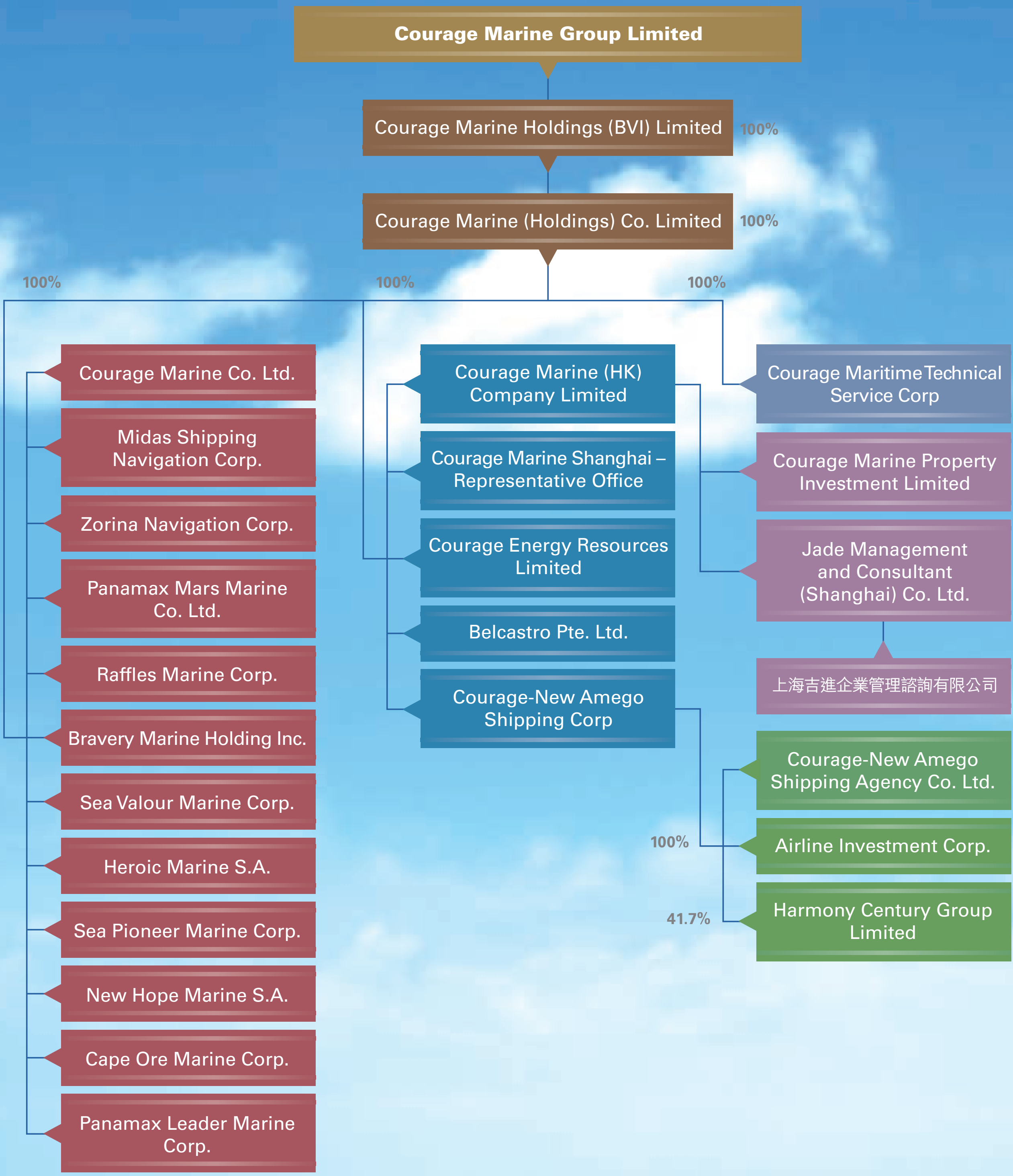
Valour

Type : Panamax
Dwt : 66,736
Flag : Panama

Zorina

Type : Supermax
Dwt : 57,000
Flag : Panama

CORPORATE STRUCTURE




COURAGE
PANAMA

2011
MILESTONES

June 2011

Approved by the Stock Exchange of Hong Kong and successfully listed on the Main Board of HKEx

Aug 2011

Disposal of a Handymax vessel, MV Heroic

Oct 2011

The sixth anniversary of launching IPO on Singapore's SGX Mainboard

Signed a Memorandum of Agreement with Zhejiang Zengzhou Ship Building Co. Ltd. for acquiring the first new-built Supermax vessel of the Company

Nov 2011

Signed another Memorandum of Agreement with Zhejiang Zengzhou Ship Building Co. Ltd. for acquiring the second new-built Supermax vessel of the Company

Disposal of a Handymax vessel, MV Bravery

Dec 2011

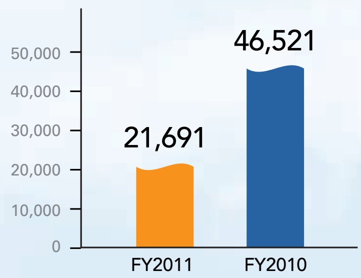
Took delivery of the first new-built Supermax vessel of the Company, MV Zorina

Disposal of a Panamax size vessel, MV Sea Pioneer

FINANCIAL HIGHLIGHTS

GROUP FINANCIAL SUMMARY

Steering towards greater value, we continue to offer attractive returns to our shareholders.



	2011	2010
Income Statement (US$'000)		
Revenue	21,691	46,521
EBITDA	(21,810)	18,265
Net (Loss) Profit	(29,604)	9,024
Balance Sheet (US$'000)		
Non-current assets	72,838	79,582
Total assets	96,921	120,624
Net current assets	24,083	41,042
Share capital & reserves (US$'000)	77,945	114,417
Net cash/(debt)	21,016	32,003
Financial Ratios		
Return on equity (%)	(38.00%)	7.90%
Net gearing (%)	24.30%	5.40%
Interest cover (times)	(75.4)	76.8
Per share		
(Loss) earnings (US cents)	(2.80)	0.85
Net tangible assets (US cents)	7.36	10.81
Ordinary dividends		
– gross (US cents)	N/A	0.71
Share price at year end (SGD cents)	8.5	18.5
Share price at year end (HKD)	0.60	N/A

OPERATIONS REVIEW

Courage Marine is one of Asia's leading shipping companies and is involved in the ownership and operation of a strong fleet made up of Handysize, Supermax, Panamax, and Capesize vessels.

The Group's results for FY2011 were affected by a generally unstable global trading environment and weak consumer demand in major markets. Key events, such as he Eurozone sovereign debt crisis and the Japanese tsunami, had a very wide impact on global sentiment. The result for the Asian region was lower trade volumes and an oversupply of vessels, leading to significant pressure on freight rates. For Courage Marine, these difficult conditions combined with costs associated with vessel disposal and listing on the Hong Kong Stock Exchange led to a bottom line loss for the first time ever.

OPTIMISING THE FLEET

To maintain an optimal fleet, the Group disposed of two of its aging Handymax vessels during the year, along with one Panamax vessel. No gains were recorded on disposal of these vessels.

The Group also acquired a new-built Supermax vessel, and took delivery of another Supermax vessel in February 2012. The new vessels were financed by bank loans. As a result of disposals and acquisitions, the total tonnage of its fleet stood at approximately 442,000 deadweight tonnes as at 31 December 2011, with the fleet made up of 1 Handysize, 1 Supermax, 3 Panamax and 1 Capesize vessels. The utilisation of the fleet was low in FY2011, at 38% which reflected the difficult global trading conditions.

Besides enhancing its fleet by replacing older and less competitive vessels, the Group's acquisition of two new Supermax vessels has expanded its flexibility and given it the capability of serving a wider variety of port conditions. Supermax vessels have a number of features that make them particularly suitable for use at the less-advanced ports of developing countries. These features include shallow draft, self-installed crane, low fuel consumption and low berthing fees. As bulk trading is experiencing its greatest growth rates in developing countries such as China, India, Indonesia, Argentina, Brazil and South Africa, where port conditions can sometimes be poor, the Group's Supermax vessels give it a competitive advantage in attracting clients in these places.

Meanwhile, yields from Capesize vessels have recently grown due to growth in the export of coal and steel from Australia to China, along with increasing amounts of coal being imported into Japan as use of nuclear power falls there.

FINANCIAL HIGHLIGHTS

The Group's turnover for FY2011 amounted to US$21.7 million, a drop of 53% on the back of oversupply of shipping and weak demand due to uncertain global conditions. Its cost of sales, meanwhile, fell by only 7% to US$32.6 million, (2010: US$35.2 million) due to certain fixed costs including insurance, fee for crews, and depreciation expenses. The result was that the Group recorded a gross loss of approximately US$10.9 million for FY2011, against a gross profit of US$11.3 million in 2010.

Under other operating income, which was mainly made up of rental income, interest income and insurance claims, the Group recorded other income of US$0.5 million. This represented a 30% increase over other income for FY2010, and was mainly attributable to receipt of a one-off insurance claim.

Under other gains and losses, the Group recorded other losses of approximately US$3.5 million arising from loss on disposal of two vessels, MV Heroic and MV Zorina. This compares with FY2011, when the Group disposed of a Capesize vessel, MV Cape Ore, for a gain on disposal. In addition, following a review, the Group recognized impairment losses of US$9.5 million, against nil for the previous year.

The acquisition of two new vessels during the year was funded by bank borrowings, and the costs associated with borrowing raised the Group's finance costs for FY2011 to approximately US$0.4 million (FY2010: US$0.1 million).

Administrative costs for the year fell slightly by 1% from FY2010. However, under professional fees and other expenses the Group recorded one-off listing expenses of around US$2.2 million for its Hong Kong listing exercise.

Income tax expenses for the Group's subsidiaries for FY2011 was recorded at US$116,000, against US$71,000 in FY2010. Elsewhere, the Group recorded other comprehensive income of approximately US$0.7 million for FY2011 due to a surplus on revaluation of the Group's leasehold and building, against such income of approximately US$0.2 million in FY2010.

Overall, the Group recorded a net loss for FY2011 of approximately US$29.6 million, primarily as a result of poor market conditions, impairment losses and loss on disposal of vessels, and listing expenses.

HEADING FORWARD

The Group expects 2012 to remain a challenging period as global trade continues to stabilise. Demand for commodities is still slow and is expected to remain weak for the next few months at least, aggravating the problem of vessel oversupply in the region.

In terms of the Group's performance, we expect it to remain stable for the time being. Growth is not expected to be rapid, but profitability will be achieved by keeping the fleet well-deployed and running efficiently and reliably, and by maintaining our proven cost-effective business structure.

The Group's advantages in the market arises from its low operating costs, its considerable industry experience, and its good relationships with customers. These are all factors that will stand it in good stead to pick up business as trading conditions improve.

BOARD OF DIRECTORS

HSU CHIH-CHIEN

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

WU CHAO-HUAN

MANAGING DIRECTOR

Hsu Chih-Chien (許志堅), aged 55, is the Chairman and a non-executive Director of our Company. He was one of the co-founders of our Group in 2001. His responsibilities include strategic planning and future development of our Company but does not participate in our day-to-day operations. Mr. Hsu comes from the Taiwan operations of an old shipping family dating back to early 20th century that began in Shanghai. Since 1980, Mr. Hsu has inherited the interest in Eddie Steamship Co. Ltd, a family-owned business. In 2000, he was the person-in-charge of Waywiser Marine Shipping Agency Co. Ltd. which previously rendered shipping agency services to our Group. Mr. Hsu has an extensive network of business contacts among the major shippers in Asia, and is very experienced in the area of international ship purchasing and sales. Mr. Hsu is active in the shipping community and has served in numerous maritime organizations. Currently he is a director of American Steamship Owners Mutual Protection and Indemnity Association (The American Club). He is also a director of China Corporation Register of Shipping (財團法人中國驗船中心) and a member of the Hong Kong Committee of Bureau Veritas and a member of Taiwan technical committee of American Bureau of Shipping. He graduated from Colby College, State of Maine in the United States of America in 1980.

Wu Chao-Huan (吳超寰), aged 61, is the Managing Director and an executive Director of our Company. Mr. Wu was one of the co-founders of our Group in 2001. Mr. Wu co-founded New Amego Shipping Corp. with Chen Shin-Yung in 1998. From 1998 to 2001, Mr. Wu acted as the general manager of New Amego Shipping Corp. which engaged in vessel chartering business. In June 2001, Mr. Wu co-founded our Group with other co-founders. Since 2001, Mr. Wu continued his vessel chartering business with us and has been responsible for the overall management of our Company covering mainly sales and marketing, schedule planning, purchase and sale of ships, personnel and general management.

SUN HSIEN-LONG

NON-EXECUTIVE DIRECTOR

CHANG SHUN-CHI

NON-EXECUTIVE DIRECTOR

Sun Hsien-Long (孫賢隆), aged 62, was appointed as a non-executive Director of our Company on 13 August 2010 and he does not participate in our day-to-day operations. He was one of the co-founders of the Group in 2001. He was in military service in Taiwan in or around 1974. In 1988, he started his own business and acted as the Managing Director of Trans Companions Inc. that was engaged in the trading of heavy lifting equipment until now. He graduated from Marine Engineering Department of China Maritime College in 1971.

Chang Shun-Chi (張順吉), aged 55, was appointed as a non-executive Director of our Company on 13 August 2010 and he does not participate in our day-to-day operations. Mr. Chang founded Maxmart Shipping & Trading Corp in Taipei and acted as its Chairman and General Manager since 1987. Mr. Chang has diverse experience in the maritime industry including ship brokerage, sale and purchase of ships and chartering.

BOARD OF DIRECTORS

CHU WEN YUAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

LUI CHUN KIN, GARY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chu Wen Yuan (朱文元), aged 52, has been an independent non-executive Director of our Company since 24 August 2005. Mr. Chu is also a supervisor on the board of directors of Walsin Lihwa Corporation and Hannstar Board Corporation. From June 2010 to June 2011, he was an independent director of Global Brand Manufacture Ltd. From 2005 to 2008, he was a non-executive director of Walsin Lihwa Corporation. From 2001 to 2008, Mr. Chu was the general manager overseeing the Singapore and Malaysia operations of Xcellink Pte Ltd. which is a recruitment and information technology outsourcing service provider. Prior to that, he was General Manager of HTL Manufacturing, Integral Chemical Co, Walsin International Management, Composers & Authors Society of Singapore, and Financial Controller of Citicorp Insurance Brokers (S) Pte Ltd.. Mr. Chu is a graduate in Bachelor of Science and Business Administration (Accounting) degree from San Francisco State University, USA in 1984 and obtained his Master of Business Administration (Finance) degree from University of Oregon, USA in 1986.

Lui Chun Kin, Gary (呂春建), aged 51, has been an independent non-executive Director of our Company since 24 August 2005. Currently, he is the executive director and chief financial officer of New Territories Investments Pty Ltd, in charge of strategic planning, investment advisory, and business development. He is also an executive director and audit committee chairman of both Uber Global Pty Ltd and Citadel Group Ltd. He is also an executive director of NTI (IT No. 1) Pty Ltd, HQH Group Pty Ltd, Roc Holdings (Australia) Pty Ltd and New Territories Migration Pty Ltd. During 2004 to 2007, he worked in Shenzhen Huaqiang Holdings Limited, a Shenzhen-listed Company, where he was responsible for management, strategic planning, investment and corporate restructuring. Prior to that, he was the chief financial officer of Fanatech Inc., the vice president and chief financial officer of CBR Brewing Company Inc, project controller with First Shanghai Investments Limited, a Hong Kong-listed company, general manager of GKC Inc., general manager of Winmail Development Ltd., assistant financial controller of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and a senior accountant with Arthur Andersen & Co. Mr. Lui has over 23 years experience in various accounting, financial and managerial positions in a variety of industries in Hong Kong, Singapore, China and Australia. Mr. Lui obtained a Bachelor of Social Sciences (Hons) from The University of Hong Kong in 1987. He also obtained his Master of Applied Finance degree from Charles Sturt University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), Australian Institute of Company Directors (MAICD), fellow member of the Association of Chartered Certified Accountants (FCCA), associate member of the Institute of Chartered Accountants in England and Wales (ICAEW), and Institute of Certified Public Accountants of Singapore (ICPAS).

SIN BOON ANN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sin Boon Ann (陳文安), aged 54, joined the Board on 24 August 2005 as an independent non-executive Director. Mr. Sin was admitted into the Singapore Bar in February 1987 and he began private practice in the same year. He had been a lecturer at the Faculty of Law, National University of Singapore, before returning to private practice in 1992 when he joined Drew & Napier. He was a partner from 1994 to 2001 and became a director upon the corporatisation of Drew & Napier. Mr. Sin is now the Deputy Managing Director of the corporate & finance department at Drew & Napier LLC. His major area of practice is corporate finance and mergers and acquisitions. He has been an independent director of MFS Technology Ltd, Transview Holdings Limited and CSE Global Limited, all of which are Singapore-listed companies, since 2001, 2002 and 2002 respectively. He has been an independent director of Overseas Union Enterprise Limited, a Singapore-listed company since 2009. He has also been an independent non-executive director of OSIM International Ltd, a Singapore-listed company, since 2010. He was an independent non-executive director of Japan Land Limited, a Singapore-listed company until 2009, an independent non-executive director of Auric Pacific Group Limited, a Singapore-listed company until 2008, and an independent non-executive director of Yongsheng International Holdings Ltd. From 2007 to 2010, Mr. Sin was a board member of the Singapore Totalisator Board, which owns Singapore Pools and Singapore Turf Club. Mr. Sin graduated from National University of Singapore with a Bachelor of Arts and Bachelor of Laws (Honours) in 1986 and from University of London with Master of Laws in 1988.

EXECUTIVE OFFICERS

HON KWOK-PING

FINANCIAL DIRECTOR

YUEN CHEE LAP, CARL

FINANCIAL CONTROLLER

CHEN SHIN-YUNG

DIRECTOR OF TECHNICAL REPAIR AND MAINTENANCE

Hon Kwok Ping, Lawrence (韓國平), aged 63, is the Group's Director of Finance and is in charge of the Group's finance and accounting controls. He served as accountant, chief accountant, and company secretary in several companies between 1973 and 1984. From 1984 to 1994, he was the financial director and deputy managing director in Modern Printing Equipment Ltd., a company of the Buhrmann-Tellerode Group. During 1994 to 1998 he was the vice president of Sino-Forest Corporation. From 1997 to 2003, he was President and CEO of AgroCan Corp. Acting as an advisor to the Company since January 2004, Mr. Hon was then appointed financial controller in November 2004. He obtained his accounting professional status through the Association of International Accountants, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. As at the Latest Practicable Date, Mr. Hon owned 11,525,000 Shares, representing about 0.927% of the total issued share capital of our Company.

Yuen Chee Lap, Carl (源自立), aged 38, is the Group's Financial Controller and is in charge of our Group's finance and accounting control, as well as the Group's reporting and SGX compliance. Mr. Yuen has rich experience in finance and accounting both in Hong Kong and the United States. He started his career in Houston, Texas. He joined Greensmart Corp., a US listed company in 2000 and served as chief financial officer from 2000 to 2003. Mr. Yuen then joined the Company as the financial manager since January 2004 and was appointed financial controller in May 2006. He received BBA and MBA degrees from University of Houston, Texas in 1997 and 1998 respectively.

Chen Shin-Yung (陳信用), aged 68, has extensive experience in the shipping industry in the areas of supplies, maintenance and repairing. He was one of the co-founders of our Group and was an executive Director of our Group from 2001 to Mar 2012, responsible for the overall management, repair and maintenance of our Fleet. Mr. Chen has built up good working relationships with the drydocks in Kaohsiung, Keelung, Guangzhou, Shanghai, and Qingdao. From 1998 to 2001, he was the technical manager of New Amego Shipping Corp.

LIN TSAI-SENG

SALES AND MARKETING MANAGER

CHIU CHI-SHUN

DEPUTY GENERAL MANAGER (SYSTEMS) AND STANDARD COMPLIANCE

Lin Tsai-Seng (林財生), aged 62, was one of the co-founders of our Group. He is the Group's Sales and Marketing Manager and is responsible for sales and marketing functions, including client relationship management of the Group. He served as an engineer in a number of shipping companies between 1974 and 1983. Between 1983 to 2000, Mr. Lin was the General Manager of Horong Shipping Co. He is a graduate of Ocean University, Taiwan in 2005 with a Master degree in Maritime Transportation Management.

Chiu Chi-Shun (邱啟舜), aged 60, was one of the co-founders of our Group. He is the deputy general manager (systems and standard compliance) of our Company and is the managing director of Courage Maritime Technical Service Corp., a wholly owned subsidiary of the Group. The responsibilities of Mr. Chiu include the quality assurance of the fleet, and safety management of the fleet, carrying out internal audit in order to comply with various international rules and regulations, maintaining the validity of all certificates and licences for the operation of the fleet. Since 1996, he has been the chairman and/or general manager of Jackson Shipping Safety Management Consultant Co., Ltd. Mr. Chiu has extensive experience of more than 25 years in surveying, auditing and inspection of vessels. During 1978 to 1983, he worked as an assistant engineer in 陽明海運股份有限公司 (Yang Ming Marine Transport Corp.) He then worked for Nippon Kaiji Kyokai as a surveyor until 1990. Since then, he became the senior surveyor and manager of international convention and research section at China Corporation Registrar of Shipping (財團法人中國驗船中心) until 1999. He had also been active in various bodies and holds various posts in the maritime industry communicate. Since 2006 until now, he is acting as the presidents of 中華民國船舶機械工程學會 (the Society of Marine Engineering ROC). During 2003 to 2009, he was a director of 中華海運研究協會 (Chinese Maritime Research Institute). Mr. Chiu graduated from the department of shipbuilding of 台北市國立台灣海洋大學 (the National Taiwan Ocean University) with a Bachelor degree in Engineering.

CORPORATE GOVERNANCE STATEMENT 2011

The Board of Directors of Courage Marine Group Limited (the "Company") is committed to setting and maintaining high standards of corporate governance to ensure greater corporate transparency and to protect shareholders' interests and enhance shareholders' value.

During the year ended 31 December 2011, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx"). As such, during the year ended 31 December 2011, the Company has adopted, (for corporate govenance purpose, the code provisions of the Code on Corporate Governance Practices (the "Old HK CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the HKEx (the "HK Listing Rules") prior to the implementation of the revisions of such Code which comes into effect on 1 April 2012, in addition to the Singapore Code of Corporate Governance 2005 (the "Singapore CG Code"). In the event of any conflict between the Singapore CG Code and the Old HK CG Code, the Company will comply with the more onerous code provisions.

Throughout the period from 24 June 2011, the date on which the shares of the Company were listed on the HKEx to 31 December 2011, the Company has complied with the Code provisions as set out in the Old HK CG Code (to the extent that such provisions are applicable), except for the deviation from code provision A4.1 which is explained in the paragraph under the heading "BOARD MEMBERSHIP" of this report. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the Singapore CG Code and the Code on Corporate Governance Practices as revised.

BOARD OF DIRECTORS

BOARD'S CONDUCT OF ITS AFFAIRS

Our Board of Directors is entrusted with the responsibility for the overall management of our Company. Our Board's primary role is to set the Company's policy and supervise the performance of the Managing Director's duties. Among other things, our Board sets the Company's goals and approves the Company's action plans and budget (proposed by the Company's management), reports to the Annual General Meeting about the state of the Company's matters and about the Company's business results, and resolves any matters which require our Board's approval under any applicable law (including, without limitation, interested person transactions).

Our Board also delegates its function to the various Board committees, namely the Audit, Nominating and Remuneration Committees. All Committees are chaired by an independent Non-Executive Director and consist mainly of independent Non-Executive Directors.

The Board's approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, interested person transactions of a material nature and declaration of dividends.

All Directors are provided with regular updates on changes in the relevant laws and regulations and suitable training (arranged and funded by the Company) to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group, and all relevant laws and regulations so that they have a proper understanding of the operation and business of the Group and are fully aware of their responsibilities under the relevant laws and regulations.

BOARD COMPOSITION AND BALANCE

As of the date of this report, our Board of Directors comprises eight Directors, three of whom are independent. Key information about each Director is detailed in the "Board of Directors" section of the annual report. The Directors of our Company in office at the date of this report are:

Executive Director

Mr. Wu Chao-Huan (Managing Director)
Mr. Chen Shin-Yung (Executive Director)

Non-executive Directors

Mr. Hsu Chih-Chien (Chairman)
Mr. Sun Hsien-Long (Non-Executive Director)
Mr. Chang Shun-Chi (Non-Executive Director)

Independent Non-executive Directors

Mr. Sin Boon Ann (Independent Director)
Mr. Lui Chun Kin Gary (Independent Director)
Mr. Chu Wen Yuan (Independent Director)

There are no permanent alternate directors.

The three independent Directors joined our Board on 24 August 2005, prior to the listing of our Company, and were last re-elected on 28 April 2009. Our Nominating Committee reviews the independence of each Director annually and applies the Code's definition of who qualifies as an independent director in its review. Mr. Hsu Chih-Chien, Mr. Wu Chao-Huan and Mr. Chen Shin-Yung were appointed to our Board on 13 April 2005. Mr. Hsu Chih-Chien was last re-elected on 27 April 2010. Mr. Sun Hsien-Long and Mr. Chang Shun-Chi were appointed by our Board as directors on 13 August 2010. Mr. Wu Chao-Huan, Mr. Chen Shin-Yung, Mr. Sun Hsien-Long and Mr. Chang Shun-Chi were last re-elected 27 April 2011.

During the year ended 31 December 2011, the Board at all times met the requirement of Rules 3.10(1) and (2) of the HK Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmation from each independent non-executive Director of his independence pursuant to other requirements of the HK Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the HK Listing Rules.

The present board size of eight members is appropriate for the current size of our Company and the scope of its operations, and is ideal to provide for effective debate and decision-making of our Board. As a team, the Board collectively provides core competencies in the areas of strategic business decision making, finance and accounting, risk management, legal and regulatory matters and human resource management.

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

The Chairman and the Managing Director of our Company are separate individuals. The Chairman of our Board bears responsibility for the proper functioning of our Board, maintains on-going supervision over the management of our Company and the flow of information from our Company's management to our Board. As the most senior executive in our Company, the Managing Director bears executive responsibility for our Company's business according to the policy set by our Board and subject to our Board's directives.

The Chairman ensures that Board meetings are held regularly and, in addition, when necessary, sets our Board meetings agenda in consultation with the Managing Director. As a general rule, Board papers are sent to Directors in advance in order for Directors to be adequately prepared for the meeting. The Chairman leads each Board meeting and ensures full discussion of agenda items. Management staff, as well as external experts who can provide additional insights into the matters to be discussed, are invited when necessary, to attend at the relevant time during our Board meetings.

BOARD MEMBERSHIP

According to our Company's Bye-Laws (the "Bye-Laws"), each Director shall retire at least once every three years. In addition, any director appointed by our Board shall retire at the next annual general meeting of our Company and shall then be eligible for re-election at that meeting. In accordance with the Bye-Laws, Mr Sin Boon Ann, Mr Lui Chun Kin Gary and Mr Chu Wen Yuan shall retire and all three of them submit themselves for re-election at our Company's upcoming AGM, to be held on 26 April 2012.

Our Nominating Committee has recommended the re-appointment of the retiring Directors at our Company's upcoming AGM, and our Board has accepted our Nominating Committee's recommendation and accordingly Mr Sin Boon Ann, Mr Lui Chun Kin Gary and Mr Chu Wen Yuan are offering themselves for re-election.

Our Nominating Committee comprises 3 Directors, a majority of whom, including the Chairman, are independent. As at the date of this Report, our Nominating Committee members are:

Mr. Sin Boon Ann	Chairman and Independent Director
Mr. Lui Chun Kin Gary	Member and Independent Director
Mr. Hsu Chih-Chien	Member

Our Nominating Committee is responsible for:

(a) making recommendations to our Board on all board appointments, including re-nomination, having regard to the Director's contribution and performance including, if applicable, as an independent Director. All Directors are required to submit themselves for rotation and re-appointment at regular intervals and at least once every three years;

(b) determining annually whether or not a Director is independent, bearing in mind the circumstances set forth in the Singapore CG Code and any other salient factors and Rule 3.13 of the HK Listing Rules;

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director; and

(d) deciding on how our Board's performance may be evaluated and propose objective performance criteria, as approved by our Board, that allows comparison with our industry peers and which address how our Board has enhanced long-term shareholders' value.

Code provision A.4.1 of the Old HK CG Code stipulates that a non-executive Director shall be appointed for a specific term, subject to re-election.

Although all the independent non-executor Directors are not appointed for a specific term, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years and any new Director appointed as an additional Director or to fill a casual vacancy shall retire at the next annual general meeting and shall then be eligible for re-election at that meeting pursuant to the Bye-laws of the Company.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company.

BOARD PERFORMANCE

Our Nominating Committee has, with the approval of our Board, established performance criteria and evaluation procedures for the assessment of the effectiveness and performance of our Board as a whole.

Currently, our Board's performance is judged on the basis of accountability as a whole, as our Board is of the opinion that the financial indicators or performance criteria such as return on equity or return on assets as set out in the Code are less appropriate for assessment of non-executive directors and our Board's performance as a whole.

The Nominating Committee has decided that, given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director.

Each member of our Nominating Committee abstains from voting on any resolutions in respect of his re-nomination as a Director.

The attendance of the directors at meetings of the Board and committees during the financial year ended 31 December 2011 is as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Hsu Chih-Chien	4	4	n/a	n/a	1	1	1	1
Wu Chao-Huan	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Chen Shin-Yung	4	2	n/a	n/a	n/a	n/a	n/a	n/a
Sin Boon Ann	4	4	4	4	1	1	1	1
Chu Wen Yuan	4	4	4	4	n/a	n/a	1	1
Lui Chun Kin Gary	4	4	4	4	1	1	n/a	n/a
Chang Shun-Chi (James)	4	4	n/a	n/a	n/a	n/a	n/a	n/a
Sun Hsien-Long	4	4	n/a	n/a	n/a	n/a	n/a	n/a

ACCESS TO INFORMATION

Our Board has separate and independent access to senior management of our Company. Requests for information from our Board are dealt with promptly. Our Board, acting through its Executive Directors, is informed of all material events and transactions as and when they occur. Professional advisors may be invited to advise our Board, or any of its members, if our Board or any individual member thereof needs independent professional advice. Our Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed and recording the minutes. Together with the management staff of our Company, our Company Secretary is responsible for compliance with the applicable laws, rules and regulations.

The Company Secretaries or their representatives attend all Board meetings and are responsible for ensuring that proper procedures at such meetings are followed. Together with the Company's management, they are responsible to ensure that the Company complies with the requirements and Listing Rules of both the SGX-ST and HKEx and other rules and regulations that are applicable to the Company. A Director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

DISCLOSURE OF REMUNERATION

Our Remuneration Committee comprises 3 Directors, a majority of whom, including the Chairman, are independent. As at the date of this Report, our Remuneration Committee members are:

Mr. Chu Wen Yuan	Chairman and Independent Director
Mr. Sin Boon Ann	Member and Independent Director
Mr. Hsu Chih-Chien	Member

Our Remuneration Committee is responsible for:

determining and recommending to our Board a remuneration framework for our Directors and remuneration packages for the Executive Directors. The recommendations of our Remuneration Committee are submitted for endorsement by our Board.

All aspects of remuneration of our Directors, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind are considered by our Remuneration Committee.

Each member of our Remuneration Committee abstains from voting on any resolutions in respect of his own remuneration package.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors for the year under review.

A summary remuneration table of our Directors is shown below.

Remuneration Bands	Salary %	Bonus %	Fees %	Benefits %	Total %
Below S$200,000					
Hsu Chih-Chien	–	–	100	–	100
Wu Chao-Huan	93	–	7	–	100
Chen Shin-Yung	93	–	7	–	100
Sun Hsien-Long	100	100			
Chang Shun-Chi	100	100			
Sin Boon Ann	–	–	100	–	100
Chu Wen Yuan	–	–	100	–	100
Lui Chun Kin, Gary	–	–	100	–	100

A summary remuneration table of the top 4 key management executives is shown below.

Remuneration Band	Salary %	Bonus %	Fees %	Benefits %	Total %
Below S$200,000					
Hon Kwok-Ping	80	20	–	–	100
Kuo Ji Ruo	83	17	–	–	100
Lin Tsai-Seng	89	11	–	–	100
Yuen Chee Lap, Carl	80	20	–	–	100

Our Company does not have any employee who is an immediate family member of a Director.

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

In presenting the annual financial statements and announcements of financial results to the shareholders, it is the responsibility of the Board to provide the shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.

The Board's responsibility to present a balanced, clear and understandable assessment extends to its annual and interim reports, price-sensitive announcement and other financial disclosures required under the HK Listing Rules and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis. The Board will update the Shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

AUDIT COMMITTEE

Our Audit Committee comprises 3 Directors, all of whom, including the Chairman, are independent. As at the date of this Report, our Audit Committee members are:

Mr. Lui Chun Kin Gary	Chairman and Independent Director
Mr. Sin Boon Ann	Member and Independent Director
Mr. Chu Wen Yuan	Member and Independent Director

Our Audit Committee assists our Board in discharging their responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee provides a channel of communication between our Board, our management and our external auditors on matters relating to audit. In particular, our Audit Committee is responsible for:

(a) reviewing with the external auditor the following: audit plan; their evaluation of the system of internal accounting controls; their letter to management; and the management's response;

(b) reviewing financial statements and balance sheet and profit and loss accounts before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual, the HK Listing Rules and any other relevant statutory or regulatory requirements;

(c) reviewing internal control and internal audit reports, ensuring co-ordination between external auditors and our management, reviewing assistance given by our management to the auditors, and discussing problems and concerns, if any, arising from the final audit, and any matters which the auditors may wish to discuss (in absence of our management, where necessary);

(d) considering appointment or re-appointment of external auditors and matters relating to resignation or dismissal of auditors;

(e) reviewing the Interested Person Transactions (if any) falling within the scope of Chapter 9 of the Listing Manual and Connected Transactions (if any) falling within the scope of Chapter 14A of the HK Listing Rules;

(f) reviewing potential conflicts of interest, if any;

(g) undertaking such other reviews and projects as may be requested by our Board, and reporting to our Board findings from time to time on matters arising and requiring the attention of our Audit Committee;

(h) generally undertaking such other functions and duties as may be required by statutes, the HK Listing Rules or the Listing Manual, or by such amendment as may be made thereto from time to time; and

(i) reviewing on a regular basis, and subject to such review, approving the financial products with respect to any hedging activities, if any, to be undertaken by our Group.

Apart from the above functions, our Audit Committee will also commission and review the findings of internal or external investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Group's operating results or financial position. Each member of our Audit Committee abstains from voting in respect of matters in which he is interested.

The Company has put in place a whistle-blowing framework, endorsed by the Audit Committee where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There was no whistle-blowing message received during the year and until the date of this report.

The Audit Committee has full access to and co-operation of the Management and external and internal auditors. It also has full discretion to invite any Director or key management to attend its meetings, and has been given reasonable resources to enable it to discharge its function.

During the year under review, the Audit Committee reviewed the Group's quarterly/interim/annual results and Interim Report/Annual Report, the financial reporting and compliance procedures, the internal control report on the Company's management systems and processes, and the re-appointment of the external auditors.

The Group's external auditors, Deloitte & Touche LLP, is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The Audit Committee is satisfied that the Group's external auditors and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations.

The statement of the external auditors of the Group about their reporting responsibilities for the financial statements is set out in page 28 of this Annual Report.

During the year under review, the remuneration paid / payable to the Company's external auditors is set out below:

Service Category	Fees paid/payable (US$'000)
Audit Services	263
Non-Audit Assurance Services	105
Total	368

The Group confirms that it is in compliance with Rules 712 and 715 of the Listing Manual.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by external auditors and such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

INTERNAL CONTROLS

During the year under review, the Board conducted a review of the effectiveness of the internal control of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget.

Our Audit Committee has, with the assistance of the external and outsourced internal auditors, reviewed the effectiveness of the Group's internal controls relating to financial, operational and compliance controls. Based on the work carried out by the internal auditors, the review undertaken by the external auditors and the existing management controls in place, the Audit Committee and the Board are satisfied that there are adequate internal controls in place to mitigate critical and significant risks relating to financial, operational and compliance matters. The Board, together with the Audit Committee and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

INTERNAL AUDIT

Since March 2006, our Company has outsourced its internal audit function to an independent assurance service provider which specialises in risk management, internal control and internal audit. Our Audit Committee is satisfied that the appointed internal auditor has the relevant qualifications and track record to meet the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The primary objective of the internal audit is to assure our Audit Committee and our Board that sufficient risk management processes and controls are in place and operating effectively.

The internal auditor reports primarily to the Chairman of our Audit Committee. Our Audit Committee is satisfied that the internal audit function is adequately resourced and will comprehensively cover the major activities within the Group.

COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION

Our Company's results are published through the SGXNET and HKExnews websites and news releases. Our Company does not practise selective disclosure. Price sensitive information is first publicly released, either before our Company meets with any group of analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period. All shareholders of our Company receive the annual report and notice of the AGM. At the AGM, shareholders are given the opportunity to air their views and ask the Directors or management questions regarding our Company.

DEALINGS IN SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules which are applicable to its Directors and key employees.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting during the financial year ended 31 December 2011.

INTERESTED PERSON TRANSACTIONS/ CONNECTED TRANSACTIONS

All interested person transactions under the Listing Manual and Connected Transactions under the HK Listing Rules are considered and reviewed by our Audit Committee, and to the extent required by the Listing Manual, the HK Listing Rules and/or Bermuda Companies Law, by our Board of Directors and the shareholders of our Company. Our internal control procedures ensure that all interested person transactions and connected transactions are conducted at arm's length and on commercial terms.

During the financial year, interested person transactions/ connected transactions entered into by the Group were as follows:

Name of interested person/connected person	Nature of Transaction	Aggregate value of all interested person transactions/connected transactions during the financial year under review
Ms. Chou Hsiu-Ma (Spouse of our Non-Executive Director Mr. Chang Shun-Chi)	Rental expense from lease of office space in Shanghai to our Company	US$27,000
Maxmart Shipping & Trading Company Ltd. (Mr. Chang Shun-Chi, our Non-Executive Director is a director of Maxmart Shipping & Trading Company Ltd.)	Commission on disposal of vessels	US$109,000

The transaction value was not over 1% of the Net Tangible Assets of our Company as at 31 December 2011 and the stipulated thresholds for reporting and approval requirements under rule 14A.31 of the HK Listing Rules.

RISK ASSESSMENT AND MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the terms of listing document submitted for the listing of the shares of the Company on HKEx ("HK Listing Document"), the independent non-executive Directors have held an independent board committee meeting, at the end of a calendar year after the date of listing of the shares of the Company on HKEx (i.e. 24 June 2011), to consider reports and proposals presented by the management of the Company relating to exercise of the Option or the Right of First Refusal (as respectively defined in HK Listing Document).

The independent non-executive Directors have considered the reports and proposals of the management of the Company and the factors set out in (i) to (iii) on p.154 of HK Listing Document, and resolved that (i) there shall be no exercise of the Option because Mr. Hsu Chih-Chien's vessel chartering business is restricted to Handysize vessels only and the Company's strategy is to acquire larger size vessels in order to achieve higher operational efficiency; and (ii) Mr. Hsu Chih-Chien has fully complied with Deed of Non-Competition, First Undertaking and Second Undertaking (as respectively defined in HK Listing Document).

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011.

1 PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 16 to the financial statements.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 32.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

3 PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired a vessel for a consideration of approximately US$26.6 million. Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 14 to the financial statements.

4 SHARE CAPITAL

Details in the share capital of the Company are set out in Note 21 to the financial statements.

5 ARRANGEMENTS TO PURCHASES SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

6 DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2011 were the retained profits of US$24,859,000 (2010: US$28,173,000).

7 DIRECTORS

The directors of the Company in the office during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Wu Chao-Huan
Chen Shin-Yung

NON-EXECUTIVE DIRECTORS

Hsu Chih-Chien
Sun Hsien-Long
Chang Shun-Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sin Boon Ann
Chu Wen Yuan
Lui Chun Kin Gary

In accordance with the provisions of the Company's Articles of Association and pursuant to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), Mr. Sin Boon Ann, Mr. Chu Wen Yuan and Mr. Lui Chun Kin Gary will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

8 DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

9 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except for the options mentioned in this report.

10 DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND DEBENTURES

At 31 December 2011, the interests of the directors and the chief executives and their associates in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

LONG POSITIONS IN THE ORDINARY SHARES OF US$0.018 EACH OF THE COMPANY

		Number of issued ordinary shares held		Percentage of the issued share capital of the Company	
Name of director	Capacity	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Chu Wen Yuan	Beneficial owner	40,000	40,000	0.004%	0.004%
Wu Chao-Huan	Held by controlled corporation (note 1)	148,818,611	148,818,611	14.060%	14.060%
Chen Shin-Yung	Held by controlled corporation (note 2)	148,818,611	148,818,611	14.060%	14.060%
Sun Hsien-Long	Beneficial owner	6,339,936	6,334,936	0.600%	0.600%

Notes:

1. China Lion International Limited ("China Lion") owns 148,818,611 ordinary shares of the Company, representing approximately 14.060% of the total issued share capital of the Company. China Lion is owned as to 60% by Wu Chao-Huan, a director of the Company and 40% by Wang Ho, the spouse of Wu Chao-Huan.

2. China Harvest Enterprises Limited ("China Harvest") owned 148,818,611 ordinary shares of the Company, representing approximately 14.060% of the total issued share capital of the Company. China Harvest is wholly owned by Chen Shin-Yung, a director of the Company.

The directors' interest in the shares and options of the Company as at 21 January 2012 were the same as at 31 December 2011.

Sun Hsien-Long had a direct interest in 6,334,936 ordinary shares of the Company as at 29 February 2012.

Other than as disclosed above, at 31 December 2011, none of the directors, the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

11 DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12 SHARE OPTIONS

The Company and its subsidiaries have no share option scheme. Subsequent to 31 December 2010, a member's resolution was passed on 1 June 2011 to terminate the scheme.

13 SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

(1) LONG POSITIONS

(a) Ordinary shares of US$0.018 each of the Company

Other than as disclosed above, the Company has not been notified of any other relevant interests or long positions in the issued share capital of the Company as at 31 December 2011.

(b) Share Option

Subsequent to 31 December 2010, a member's resolution as passed on 1 June 2011 to terminate the scheme.

(2) SHORT POSITIONS

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2011.

14 APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

15 CONNECTED TRANSACTIONS

During the year, a subsidiary of the Company rented a premise from 周秀曼, the spouse of Mr. Chan Shun-Chi, a non-executive director of the Company. Furthermore, a subsidiary of the Company paid commission on disposal of vessels to Maxmart Shipping & Trading Co., Ltd, a company in which Mr. Chang Shun-Chi is a sole shareholder. These transactions are regarded as connected transactions pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Chapter 9 of the Listing Manual Particulars of the transactions are disclosed in Note 6 to the financial statements.

16 EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and prevailing market conditions.

17 PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

18 MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 40.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 14.5% of the Group's total purchases.

The percentage of sales attributable to the Group's five largest customers is approximately 75% of the Group's total revenue for the year and the revenue attributable to the Group's largest customer was approximately 19% of the Group's total revenue.

At no time during the year did a director, an associate of a director, or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers and customers.

19 AUDIT COMMITTEE

The Audit Committee of the Company comprises 3 independent non-executive directors, namely Lui Chun Kin Gary, Sin Boon Ann and Chu Wen Yuan with Lui Chun Kin Gary as the Chairman.

The Audit Committee met periodically to perform the following functions:

(a) review the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) review the audit plan of the Company's external auditors;

(c) review the external auditors' report;

(d) review the co-operation given by the Company's officers to the external auditors;

(e) review the financial statements of the Company and the Group before submission to the Board of Directors;

(f) nominate external auditors for re-appointment;

(g) review interested person transactions; and

(h) review the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group.

Its internal audit function has been outsourced to an independent assurance service provider which specialises in risk management and internal audit. The Audit Committee is satisfied that the appointed internal auditor has the relevant qualifications and track record to meet the standards set by internationally recognised professional bodies including the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The primary objective of the internal audit is to assure the Audit Committee and the Board of Directors that sufficient risk management processes and controls are in place and operating effectively. The Audit Committee is satisfied that the internal audit function is adequately resourced and will comprehensively cover the major activities within the Group. The Audit Committee considered the volume of non-audit services provided by the external auditors to the Group, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee recommended to the Board of Directors the nomination of Deloitte Touche Tohmatsu for appointment as external auditor at the forthcoming Annual General Meeting of the Company.

20 CORPORATE GOVERNANCE

The corporate governance report is set out on pages 18 to 24.

21 SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float from its listing date to 31 December 2011.

22 EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 35 to the financial statements.

23 AUDITOR

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

29 February 2012

STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 31 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

29 February 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
COURAGE MARINE GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 31 to 81, which comprise the statements of financial position of the Group and the Company as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing issued by International Accounting Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Public Accountants and
Certified Public Accountants

Singapore
29 February 2012

STATEMENTS OF FINANCIAL POSITION

At 31 DECEMBER 2011

	Notes	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
ASSETS					
Current Assets					
Cash and cash equivalents	7	**16,671**	29,929	**144**	350
Trade receivables	8	**67**	1,257	**–**	–
Other receivables and prepayments	9	**1,594**	3,382	**30**	28
Held-for-trading investments	10	**352**	742	**–**	–
Pledged bank deposits	11	**4,267**	5,674	**–**	–
Tax recoverable		**58**	58	**–**	–
Certificate of deposit	13	**1,074**	–	**–**	–
Total current assets		**24,083**	41,042	**174**	378
Non-current Assets					
Property, plant and equipment	14	**60,692**	70,070	**–**	–
Investment property	15	**2,059**	1,671	**–**	–
Interests in subsidiaries	16	**–**	–	**16,224**	14,217
Amounts due from subsidiaries	16	**–**	–	**56,072**	61,492
Long-term receivables	9	**3,767**	3,767	**–**	–
Deposit paid for acquisition of a vessel	17	**5,320**	–	**–**	–
Deposit paid for drydocking of vessels		**–**	2,000	**–**	–
Structured deposit	12	**1,000**	1,000	**–**	–
Certificate of deposit	13	**–**	1,074	**–**	–
Total non-current assets		**72,838**	79,582	**72,296**	75,709
TOTAL ASSETS		**96,921**	120,624	**72,470**	76,087
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Other payables and accruals	18	**17,889**	2,607	**525**	828
Bank borrowings – due within one year	19	**996**	3,600	**–**	–
Total current liabilities		**18,885**	6,207	**525**	828
Non-current Liability					
Deferred tax liabilities	20	**91**	–	**–**	–
Capital and Reserves					
Share capital	21	**19,059**	19,059	**19,059**	19,059
Share premium		**28,027**	28,027	**28,027**	28,027
Revaluation reserve	22	**802**	152	**–**	–
Retained profits		**30,057**	67,179	**24,859**	28,173
Total		**77,945**	114,417	**71,945**	75,259
Total Liabilities and Equity		**96,921**	120,624	**72,470**	76,087
Net Current Assets (Liabilities)		**5,198**	34,835	**(351)**	(450)
Total Assets Less Current Liabilities		**78,036**	114,417	**71,945**	75,259

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Group 2011 US$'000	2010 US$'000
Revenue	23	**21,691**	46,521
Cost of Sales		**(32,593)**	(35,192)
Gross (Loss) Profit		**(10,902)**	11,329
Other income	24	**517**	399
Other gains and losses	25	**(3,526)**	973
Administrative expenses		**(3,466)**	(3,487)
Listing expenses		**(2,227)**	–
Impairment loss on property, plant and equipment	14	**(9,492)**	–
Finance costs	26	**(392)**	(119)
(Loss) Profit before Income Tax		**(29,488)**	9,095
Income tax expense	27	**(116)**	(71)
(Loss) Profit for the year	28	**(29,604)**	9,024
Other Comprehensive Income:			
Gain on revaluation of leasehold land and building		**650**	152
Total Comprehensive (Expense) Income – attributable to Owners of the Company		**(28,954)**	9,176
(Loss) Earnings Per Share (US Cents)	30		
– basic		**(2.80)**	0.85

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Retained profits US$'000	Total US$'000
Group					
At 1 January 2010	19,059	28,027	–	63,153	110,239
Total comprehensive income for the year	–	–	152	9,024	9,176
Dividend (Note 29)	–	–	–	(4,998)	(4,998)
At 31 December 2010	19,059	28,027	152	67,179	114,417
Total comprehensive income (expense) for the year	–	–	650	(29,604)	(28,954)
Dividend (Note 29)	–	–	–	(7,518)	(7,518)
At 31 December 2011	**19,059**	**28,027**	**802**	**30,057**	**77,945**

	Share capital US$'000	Share premium US$'000	Retained profits US$'000	Total US$'000
Company				
At 1 January 2010	19,059	28,027	29,274	76,360
Total comprehensive income for the year	–	–	3,897	3,897
Dividend (Note 29)	–	–	(4,998)	(4,998)
At 31 December 2010	19,059	28,027	28,173	75,259
Total comprehensive income for the year	–	–	4,204	4,204
Dividend (Note 29)	–	–	(7,518)	(7,518)
At 31 December 2011	**19,059**	**28,027**	**24,859**	**71,945**

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US$'000	2010 US$'000
Operating activities		
(Loss) profit before income tax	**(29,488)**	9,095
Adjustments for:		
Interest income	**(113)**	(87)
Interest expense	**392**	119
Loss (gain) on disposal of property, plant and equipment	**3,595**	(805)
Change in fair value of held-for-trading investments	**308**	(154)
Change in fair value of investment property	**(388)**	(82)
Allowance for doubtful debts	**–**	133
Depreciation of property, plant and equipment	**7,399**	9,138
Impairment loss on property, plant and equipment	**9,492**	–
Operating (loss) profit before movements in working capital	**(8,803)**	17,357
Decrease in trade receivables	**1,190**	838
Decrease in other receivables and prepayments	**1,788**	3,646
Decrease in other payables and accruals	**(678)**	(162)
Cash (used in) generated from operations	**(6,503)**	21,679
Income tax paid	**(25)**	(129)
Interest income received	**113**	73
Interest expense paid	**(392)**	(119)
Net cash (used in) from operating activities	**(6,807)**	21,504
Investing activities		
Purchase of property, plant and equipment	**(11,802)**	(33,962)
Purchase of held-for-trading investments	**(701)**	(588)
Deposit paid for acquisition of a vessel	**(5,320)**	–
Proceeds on disposal of property, plant and equipment	**17,304**	14,337
Proceeds on disposal of held-for-trading investments	**783**	–
Addition of pledged bank deposits	**(2,017)**	(674)
Withdrawal of pledged bank deposits	**3,424**	–
Deposit refunded for drydocking of vessels	**2,000**	–
Purchase of investment property	**–**	(1,589)
Deposit paid for drydocking of vessels	**–**	(2,000)
Purchase of structured deposits	**–**	(1,000)
Purchase of investment held-to-maturity	**–**	(1,060)
Net cash from (used in) investing activities	**3,671**	(26,536)
Financing activities		
Dividend paid	**(7,518)**	(4,998)
Repayment of bank loan	**(3,600)**	(3,200)
Increase in bank overdraft	**996**	–
Net cash used in financing activities	**(10,122)**	(8,198)
Net decrease in cash and cash equivalents	**(13,258)**	(13,230)
Cash and cash equivalents at beginning of the year	**29,929**	43,159
Cash and cash equivalents at end of the year	**16,671**	29,929

See accompanying notes to the financial statements.

1 GENERAL

The Company (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1801, West Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE"). The financial statements are presented in United States dollars ("US$"), which is the functional currency of the Company, and all values in the tables are rounded to the nearest thousand (US$'000) as indicated.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 16.

There are no significant changes to the principal activities of the Company and the Group for the year ended 31 December 2011.

The financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 29 February 2012.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") and interpretations ("new and revised IFRS") issued by the International Accounting Standards Board including the Interpretations thereof issued by the IFRS Interpretations Committee ("IFRIC"):

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Int 14	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new or revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
IAS 19 (as revised in 2011)	Employee Benefits[4]
IAS 27 (as revised in 2011)	Separate Financial Statements[4]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015
[6] Effective for annual periods beginning on or after 1 January 2014

Except as described below, the directors of the Company anticipate that the application of other new and revised IFRSs that have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

AMENDMENTS TO IAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND AMENDMENTS TO IFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

AMENDMENTS TO IFRS 7 DISCLOSURES – TRANSFERS OF FINANCIAL ASSETS

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with financial statements and SIC-Int 12 Consolidation – Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's financial statements for the annual period beginning 1 January 2013. The application of these five standards may not have significant impact on amounts reported in the financial statements.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

AMENDMENTS TO IAS 12 DEFERRED TAX – RECOVERY OF UNDERLYING ASSETS

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The directors anticipant that the application of this standard may not have significant impact on amounts reported in the consolidated statements.

The directors anticipate that the application of the other new and revised IFRSs will have no material impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements have been prepared in accordance with IFRSs as published by the International Accounting Standards Board. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE, the Hong Kong Companies Ordinance and the SGX-ST Listing Manual.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, leasehold land and building and investment property that are measured at revalued amounts or fair values, as explained in the accounting policies set out below, and are drawn up in accordance with the provision of IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION (cont'd)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Income from voyage charter is recognised on the percentage of completion basis, so that revenues and associated voyage costs, such as fuel and port charges are recognised rateably over the estimated duration of the voyage. Income from time charter is recognised on a time proportion basis.

Ship management income is recognised when the services are rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established provided that it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will follow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

TAXATION (cont'd)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCIES

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group and the statement of financial position and changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements of individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group in (i.e. United States dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of the revalued asset, the relevant revaluation reserve will be transferred directly to retained profits.

Fixtures and equipments are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. When parts of an item of property, plant and equipment have different useful lives, the cost of each part is depreciated separately.

Depreciation of vessels is charged so as to write off the cost of vessels over their remaining estimated useful lives from the date of initial delivery from the shipyard (second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life), 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.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified and their costs are depreciated over the period to the next estimated drydocking date, usually ranging from 2.5 to 5 years. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next estimated drydocking date. When significant drydocking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off immediately.

Expenditure incurred after items of property, plant and equipment have been put into operations, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

The estimated useful lives of the assets are summarised as follows:

Vessels	– 30 years from the date of initial delivery from the shipyard
Drydocking	– 2.5 to 5 years
Furniture, fixtures and equipment	– 5 years
Leasehold improvement	– 5 years
Leasehold land and buildings	– 50 years or term of the lease if shorter

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits. No transfer is made from the revaluation reserve to retained profits except when an asset is derecognised.

INVESTMENT PROPERTY

Investment property is property held to earn rentals and/or capital appreciation. Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

IMPAIRMENT OF TANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held-for-trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held-for-trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including long-term receivables, amounts due from subsidiaries, trade receivables, other receivables, structured deposits, certificate of deposit, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payment; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise retained its interest in the asset and an associated liability for amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments (cont'd)

Derecognition (cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing investment, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

BANK BORROWING

Interest-bearing bank loans are initially measured at fair value, and is subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors of the Company are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Residual value and useful lives of property, plant and equipment

As described in Note 3, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to the estimated residual values. The Group assesses regularly the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year in which such estimate has been changed.

Impairment of property, plant and equipment (Note 14)

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group determines the carrying amounts of the vessels based on the fair value less costs to sell of the vessels. These calculations require the use of judgement and estimates. On the above basis, the Group is of the view that an impairment of property, plant and equipment is US$9,492,000 (2010: Nil) for the year. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was US$60,692,000 (2010: US$70,070,000).

Allowance for bad doubtful debts

The Group makes allowance for bad doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of trade and other receivables and doubt debts expenses in the year in which such estimate has changed. As at 31 December 2011, the carrying amount of long-term receivables is US$5,486,000 (2010: US$8,464,000).

Impairment assessment

The company reviews the carrying amount of its investment in subsidiaries amounting to US$16,224,000 (2010: US$14,217,000) to determine whether there are any indications that those assets have suffered an impairment loss. In performing its review, the company considers the management budget and economic outlooks relating to those assets, unless stated otherwise. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment, if any. If the economic outlooks of the company or its subsidiaries were to deteriorate, resulting in an impairment of the company's assets, the carrying value of those assets may be required to be impaired as of December 31, 2011. On the above basis, the Company is of the view that no impairment of subsidiaries is required.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Financial Assets				
FVTPL:				
Held-for-trading investments	**352**	742	**–**	–
Structure deposit designated as at FVTPL	**1,000**	1,000	**–**	–
Loans and receivables (including bank balances and cash)	**22,567**	40,857	**28,223**	61,842
Financial Liabilities				
Amortised cost	**16,964**	3,639	**–**	–

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, held-for-trading investment, structured deposit, certificate of deposit, pledged bank deposits and bank balances and cash. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group's operations are mainly in United States dollars, the functional currency of relevant group companies, and the operating expenses incurred are denominated in United States dollars, with a small extent in New Taiwan dollars ("NTD"), Hong Kong dollars and Singapore dollars. All revenues are invoiced in United States dollars. To the extent that the Group's sales and purchases are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, the Group will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than its functional currency. As a result, the Group's results may be affected. The held-for-trading investments and certificate of deposit and certain bank balances which are denominated in NTD, Renminbi and foreign currencies as disclosed in Notes 7, 10 and 13, respectively are insignificant to the Group.

As the Group does not have significant foreign currency transactions and balances, foreign currency sensitivity analysis is not presented.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ii) Interest rate risk

The Group is exposed to fair value interest risk in relation to fixed rate certificate of deposit at 31 December 2011. The Group is also exposed to cash flow interest rate risk primarily relating to certain bank balances, pledged bank deposits, structured deposit and bank borrowings at the end of the reporting period which carry variable interest rates, as disclosed in Notes 7, 11, 12 and 19, respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

In April 2010, the Group entered into a structured deposit as set out in Note 12, of which the coupon rate is dependent on 3 months London Interbank Offered Rate ("LIBOR"). In view of the insignificant balance of the structured deposit, the directors of the Company considered interest rate risk arising from structured deposit is insignificant.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of LIBOR arising from the Group's variable-rate bank borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate bank borrowings as at 31 December 2010 and 2011. The directors of the Company consider that the changes in interest rates of bank deposits and structured deposit have no significant impact on the Group and the sensitivity analysis of interest rate risk of such balances is not presented. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole reporting year. A 100 basis points increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held, the Group's loss for the year ended 31 December 2011 (2010: profit) would increase/decrease by US$9,961 (2010: decrease/increase by US$36,000), respectively.

(iii) Price risk

The Group is exposed to equity risk arising from equity investments classified as held-for-trading. The directors of the Company do not expect significant impact arising from equity price risk as the investments are not significant to the Group.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iv) Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

At the end of each reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position and the amount of contingent liabilities in relation to the financial guarantee provided by the Company as disclosed in Note 34.

As the Group has a policy of requesting certain customers to prepay the charter-hire income in full before discharging for voyage charter and prepay the charter-hire income for time charter, the balance of trade receivables at the end of the reporting period are normally low. The directors of the Company generally grant credit only to customers with good credit ratings and also closely monitors overdue trade debts. The unsettled trade receivables are monitored on an ongoing basis and followed up by the finance department. The directors of the Company review the recoverable amount of each individual receivable regularly to ensure that follow up actions are taken to recover overdue debts and adequate impairment losses, if any, are recognised for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to the trade receivables. The Group has concentration of credit risk as 99% of the total trade receivables as at 31 December 2011 (2010: 31%) was due from the Group's largest customer and 100% of the total trade receivables as at 31 December 2011 (2010: 100%) was due from the Group's five largest customers. Those customers are considered to have good settlement track records and credit quality. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of the concentration of credit risk over the deferred considerations arising from disposal of vessels and interest in an associate as disclosed in Note 9, the directors of the Company have closely monitored the financial positions of the counterparties and followed up the settlement in accordance with the agreed repayment schedule, and will consider to provide impairment if necessary.

The directors of the Company consider that the credit risk on liquid funds, certificate of deposit and structured deposit is low as counterparties are banks with high credit ratings assigned by international credit-rating agencies.

At Company's level, amounts due from subsidiaries mainly represented dividend receivables from subsidiaries. No material credit risk is expected as continuous profit will be generated from the underlying subsidiaries and cash settlement will be made by the subsidiaries to settle the amounts due from subsidiaries. In view of the profitability and sound financial position of the subsidiaries, the directors of the Company considered that the exposure to credit risk is low. In respect of the concentration of credit risk over the amounts due from subsidiaries, the management will closely monitor the financial positions of the subsidiaries, and will consider to provide impairment if necessary.

As disclosed in Note 34, the Company provided corporate guarantee to a subsidiary to obtain a bank loan facility from a bank. The bank loan is secured by a vessel of the Group that the directors of the Company considered that the credit risk of the Company is minimal.

Cash and bank balances are held with credit worth financial institutions.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(v) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Non-derivative financial assets

Analysis on non-derivative financial assets is not presented as the liquidity risk of financial assets is not material to the Group and the Company.

Non-derivative financial liabilities

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are based on floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group

	Weighted average interest rate	On demand or 6 months or less	6-12 months	Total undiscounted cash flows	Carrying amounts
	%	US$'000	US$'000	US$'000	US$'000
At 31 December 2011					
Other payables	**–**	**15,968**	**–**	**15,968**	**15,968**
Bank borrowings					
– due within one year	**1.81**	**996**	**–**	**996**	**996**
		16,964	**–**	**16,964**	**16,964**
At 31 December 2010					
Other payables	–	39	–	39	39
Bank borrowings					
– due within one year	2.29	1,637	2,019	3,656	3,600
		1,676	2,019	3,695	3,639

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(v) Liquidity risk (cont'd)

The Company

	Weighted average interest rate	On demand or 6 months or less	6-12 months	Total undiscounted cash flows	Carrying amounts
	%	US$'000	US$'000	US$'000	US$'000
At 31 December 2011					
Financial guarantee contract	–	–	–	–	–
At 31 December 2010					
Financial guarantee contract	–	1,600	2,000	3,600	3,600

The amounts included above for financial guarantee contract are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guarantee suffer credit losses.

(vi) Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- The fair values of held-for-trading investments traded on active liquid markets are determined with reference to quoted market bid prices; and
- The fair values of structured deposit is measured using discounted cash flow analyses based on the applicable yield curves of relevant interest rates, and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their fair values.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(vi) Fair values (cont'd)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group

Financial Assets at FVTPL	**Level 1**	**Level 2**	**Total**
	US$'000	US$'000	US$'000
At 31 December 2011			
Held-for-trading investments	**352**	**–**	**352**
Structured deposit designated as FVTPL	**–**	**1,000**	**1,000**
Total	**352**	**1,000**	**1,352**
At 31 December 2010			
Held-for-trading investments	742	–	742
Structured deposit designated as FVTPL	–	1,000	1,000
Total	742	1,000	1,742

There were no transfers between Level 1 and Level 2 in the current and prior years.

5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(C) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the bank borrowings as disclosed in Note 19 and equity attributable to owners of the Company, comprising issued share capital, share premium, property revaluation reserve and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debts. The Group also ensures that it maintains net worth and capital-assets ratio within a set range to comply with the loan covenant imposed by the banks.

The Group's overall strategy remains unchanged from prior year.

6 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

A) DURING THE REPORTING PERIOD, THE GROUP HAD THE FOLLOWING TRANSACTIONS WITH RELATED PARTIES THAT ARE NOT MEMBERS OF THE GROUP:

			Group	
Related party	**Nature of transaction**	Notes	**2011**	2010
			US$'000	US$'000
周秀曼("Ms. Chou")	Rental expense paid	(i)	**27**	11
Maxmart Shipping & Trading Co., Ltd. ("Maxmart")	Commission on disposal of vessels paid	(ii)	**109**	–

Note:

(i) Ms. Chou is the spouse of Mr. Chang Shun-Chi, a non-executive director of the Company. In the opinion of the directors of the Company, the monthly rental was negotiated between Ms. Chou and the Group by reference to the market rent and the rental agreement expired on 31 December 2011.

(ii) Mr Chang Shun-Chi, a non-executive director of the Company, is a director and a sole shareholder of Maxmart. In the opinion of the directors of the Company, the related party transactions were conducted in accordance with the terms of an agreement entered into between the Group and Maxmart.

B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in Note 37.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise cash held by the Group of approximately US$11,642,000 (2010: US$19,862,000) and short-term bank deposits of approximately US$5,029,000 (2010: US$10,067,000) with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the Group carry interest at prevailing market deposit rates which range from 0.10% to 1.02% (2010: 0.10% to 0.66%) per annum and for a tenure of approximately 34 days (2010: 54 days).

The Group's and Company's bank balances and cash that are not denominated in the functional currencies of the respective entities in the Group are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong dollars	**169**	87	**–**	–
NTD	**49**	494	**–**	–
Singapore dollars	**115**	242	**35**	241
Renminbi	**142**	62	**–**	–

8 TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks after the receipt of invoices while other customers are requested to prepay the charter-hire income in full before discharging for voyage charter. Customers of time charter are requested to prepay the charter-hire income for time charter. An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	Group	
	2011	2010
	US$'000	US$'000
0 to 30 days	**67**	1,257

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$67,000 (2010: US$1,000,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. For the remaining trade debtor balances which are neither past due nor impaired, the Group considered that they have good credit quality in view of their good settlement track record.

Aging of trade receivables which are past due but not impaired:

	Group	
	2011	2010
	US$'000	US$'000
0 to 30 days	**67**	1,000

8 TRADE RECEIVABLES (cont'd)

The Group has not provided for the trade receivables which are past due but not impaired because the management of the Group consider that those receivables are recoverable based on the good settlement track record of the customers. No interest is charged on the outstanding trade receivables. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts:

	Group	
	2011	2010
	US$'000	US$'000
Balance as at 1 January	**133**	–
Impairment losses recognised on receivables	**–**	133
Balance as at 31 December	**133**	133

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$133,000 (2010: US$133,000) which are overdue over one year. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment losses for irrecoverable amount, if necessary.

The Group's trade receivables are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group.

9 OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES

Details of other receivables and prepayments/long-term receivables are as follows:

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**US$'000**	US$'000	**US$'000**	US$'000
Deferred consideration for disposal of a vessel – MV Panamax Mars	(i)	**–**	2,000	**–**	–
Deferred consideration for disposal of investment in associate	(ii)	**3,767**	3,767	**–**	–
Other receivables	(iii)	**450**	879	**–**	–
Prepayments		**109**	459	**30**	28
Deposits	(iv)	**1,035**	44	**–**	–
		5,361	7,149	**30**	28
Less: Non-current portion		**(3,767)**	(3,767)	**–**	–
		1,594	3,382	**30**	28

9 OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES (cont'd)

(i) On 18 December 2008, the Group entered into a memorandum of agreement with Goldcapital Asia management Limited ("Goldcapital"), an independent third party, to dispose of a vessel, MV Panamax Mars, at a cash consideration of US$7,000,000. The disposal of the vessel was completed in January 2009 by the delivery of the vessel to Goldcapital. Out of the total cash consideration, US$500,000 was received by the Group in January 2009 and for the remaining consideration of US$6,500,000, it was settled over 9 instalments commencing from March 2009 with a quarterly payment of US$750,000 in the first 8 instalments and followed by the final payment of US$500,000 in the 9th instalment according to the agreed repayment schedule.

At 31 December 2010, US$1,500,000 was past due but no impairment was made as the outstanding balance of the deferred consideration of US$2,000,000 was fully settled in March 2011.

(ii) In August 2007, Courage-New Amego Shipping Corp. ("Courage-New Amego"), a subsidiary of the Company, acquired 11,200,420 ordinary shares of Sunrise Airlines Co. Ltd. ("Sunrise"), representing 25% of the issued share capital of Sunrise from Jason Chang, an independent third party, at a cash consideration of NTD111,444,179 (equivalent to US$3,390,000). In connection with the purchase of the shares, the vendor had granted to Courage-New Amego a put option whereby Courage-New Amego was entitled to sell the purchased shares to the vendor at the original purchase price together with interest charge of 6% per annum amounted to NTD123,609,896 (equivalent to US$3,767,000) within a period of two years after the completion of the acquisition i.e. by August 2009. This put option had been exercised by Courage New-Amego in May 2009 at a cash consideration of US$3,767,000 and had been accepted by the vendor in July 2009. The cash consideration of US$3,767,000 would be settled by 8 equal instalments with a quarterly payment of US$471,000 commencing from 3 May 2010.

In October 2010, the Group entered into a settlement agreement ("Settlement Agreement") with Jason Chang pursuant to which the outstanding balance of US$3,767,000 will be settled by way of 41.7% property interest in an industrial building in Shanghai, the People's Republic of China (the "PRC"), beneficially owned by Jason Chang. According to the Settlement Agreement, the date of completion of the transfer of property interest should not be later than 14 April 2011. On 22 March 2011, the Group entered into an extension agreement with Jason Chang such that the completion date of the transfer of property interest has been extended to 31 March 2012 and on the same time, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien, the directors and shareholders of the Company signed a deed of indemnity pursuant to which they will jointly and severally indemnify the Group against all losses, costs and expenses whatsoever which the Group may suffer or incur as a result of default on the part of Jason Chang to perform his obligations under the Settlement Agreement to the extent of the outstanding balance due from Jason Chang. At 31 December 2011, the process of transferring the equitable interest of the property to the Group was still in progress.

The fair value of property interest in the industrial building at 31 December 2011 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("RHL"), an independent firm of qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on the property was signed by a director of RHL Appraisal Limited who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. The fair value of property interest in the industrial building at 31 December 2011 attributable to the Group exceeded the outstanding balance due from Jason Chang. In addition, as the two directors and shareholders of the Company have jointly and severally indemnified the Group against all losses that the Group may suffer from the default of Jason Chang, the management of the Group considers the Group's recoverability risk of the receivables is significantly reduced.

9 OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES (cont'd)

(iii) Other receivables included ship management income receivables in respect of the provision of vessel management service to various independent third parties.

The Group's and Company's significant other receivables are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group.

(iv) Deposits included US$997,000 paid to a third party, representing 30% of consideration for the purchase of coal (Note 36).

10 HELD-FOR-TRADING INVESTMENTS

	Group		**Company**	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Listed securities:				
– Equity securities listed in Republic of China	**352**	742	**–**	–

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gain. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The held-for-trading investments are denominated in NTD.

11 PLEDGED BANK DEPOSITS

As at 31 December 2011, the Group has placed a fixed deposit of US$2,000,000 (2010: US$5,424,000) in the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") with a term of one year, which is secured against the ICBC short-term banking facilities of US$2,000,000 (2010: US$5,000,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.45% (2010: 0.58%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2011, the Group has placed a fixed deposit of US$250,000 (2010: US$250,000) in PT Bank Negara Indonesia ("BNI"), which is secured against short-time banking facilities of US$2,500,000 (2010: US$2,500,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.1% (2010: 0.1%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2011, the Group has placed a fixed deposit of US$2,017,000 (2010: Nil) in Bank of Communications ("BOC"), which is secured against short-time banking facilities of US$2,000,000 available to the Group. The fixed deposit is carried at prevailing market deposit rate of 1.02% per annum. US$996,000 (2010: Nil) was drawn by the Group as bank overdraft at 31 December 2011.

12 STRUCTURED DEPOSIT

In April 2010, the Group placed a structured deposit of US$1,000,000 with The Hong Kong and Shanghai Banking Corporation Ltd ("HSBC") in Hong Kong, which contains embedded derivatives. The returns of the deposit are linked to the change in interest rates quoted in the market. The structured deposit is designated as FVTPL at initial recognition and the change in fair value is recognised in profit or loss.

Major terms of the structured deposit at 31 December 2010 and 2011 are as follows:

Principal amount	Maturity date	Annual coupon rate
US$1,000,000	23 April 2013	1.00% to 3.00% per annum (Note)

Note: The annual coupon rate is dependent on whether the 3 months LIBOR falls within 1.00% to 3.00% per annum, or outside this range, during the period from inception date to maturity date.

At 31 December 2010 and 2011, the structured deposit is stated at fair value based on valuation provided by the bank. The fair value of structured deposit is measured using discounted cash flow analyses based on the applicable yield curves of relevant interest rates.

The Group has pledged structure deposit to secure general banking facilities granted to the Group.

13 CERTIFICATE OF DEPOSIT

	Group	
	2011	2010
	US$'000	US$'000
Certificate of deposit with coupon interest rate of 2.1% per annum and maturity date on 13 September 2012, arrived at amortised cost	**1,074**	1,074

At 31 December 2010 and 31 December 2011, the fair value of certificate of deposit approximates to its carrying amount.

The financial asset is denominated in Renminbi.

14 PROPERTY, PLANT AND EQUIPMENT

	Vessels	Dry-docking	Furniture, fixtures and equipment	Leasehold improvement	Leasehold land and buildings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
GROUP						
COST OR VALUATION						
At 1 January 2010	61,786	14,967	1,432	186	–	78,371
Additions	30,332	1,028	34	131	2,437	33,962
Disposals	(8,883)	(2,793)	(11)	(45)	–	(11,732)
Gain on revaluation	–	–	–	–	126	126
At 31 December 2010	83,235	13,202	1,455	272	2,563	100,727
Additions	26,600	1,144	18	–	–	27,762
Disposals	(33,750)	(4,670)	(5)	–	–	(38,425)
Gain on revaluation	–	–	–	–	590	590
At 31 December 2011	**76,085**	**9,676**	**1,468**	**272**	**3,153**	**90,654**
Comprising						
At cost	76,085	9,676	1,468	272	–	87,501
At valuation 2011	**–**	**–**	**–**	**–**	**3,153**	**3,153**
	76,085	9,676	1,468	272	3,153	90,654
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	14,413	8,697	200	185	–	23,495
Depreciation expense	6,118	2,706	279	9	26	9,138
Eliminated on disposals	(92)	(1,802)	(11)	(45)	–	(1,950)
Eliminated on revaluation	–	–	–	–	(26)	(26)
At 31 December 2010	20,439	9,601	468	149	–	30,657
Depreciation expense	5,616	1,416	281	26	60	7,399
Impairment loss recognised in profit or loss	9,492	–	–	–	–	9,492
Eliminated on disposals	(13,508)	(4,016)	(2)	–	–	(17,526)
Eliminated on revaluation	–	–	–	–	(60)	(60)
At 31 December 2011	**22,039**	**7,001**	**747**	**175**	**–**	**29,962**
CARRYING VALUES						
At 31 December 2011	**54,046**	**2,675**	**721**	**97**	**3,153**	**60,692**
At 31 December 2010	62,796	3,601	987	123	2,563	70,070

The allocation of leasehold land and building elements cannot be made reliably, hence the leasehold interests in land is accounted for as property, plant and equipment.

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group's leasehold land and building are situated in Hong Kong on land held under medium term lease.

The carrying amount of a vessel of the Group at 31 December 2010 amounting to US$10,301,000 was pledged against the bank loan granted to a subsidiary as disclosed in Note 19. The pledge was released during the year ended 31 December 2011. The carrying amount of a vessel included an amount of US$26,600,000 (2010: nil) in respect of assets held under first preferred mortgage from the shipbuilder.

During the year, the business of the Group has experienced negative impact as demonstrated by the decrease in Baltic Dry Index for the year 2011 as compared to that for the year 2010, which also brought decreases in revenue and utilisation rate of the vessels of the Group. In light of these considerations the directors of the Company conducted a review of the Group's vessels and impairment loss of US$9,492,000 has been recognised in respect of the vessels. The recoverable amount of the vessels has been determined on the basis of their fair value less costs to sell.

The fair value of the Group's leasehold land and building at 31 December 2011 has been arrived at on the basis of a valuation carried out on that date by RHL, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. A gain of US$650,000 (2010: US$152,000) arising on revaluation has been recognised in other comprehensive income and accumulated in equity.

Had the leasehold land and buildings been carried at historic cost less accumulated depreciation, their carrying amounts would have been US$2,377,000 (2010: US$2,411,000).

15 INVESTMENT PROPERTY

	Group US$'000
FAIR VALUE	
At 1 January 2010	–
Additions	1,589
Increase in fair value recognised in profit or loss	82
At 31 December 2010	1,671
Increase in fair value recognised in profit or loss	388
At 31 December 2011	**2,059**

The Group's investment property is situated in Hong Kong on land held under medium term lease.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2011 and 31 December 2010 has been arrived at on the basis of a valuation carried out on that date by RHL, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

The property rental income from the Group's investment property which is carried out under operating leases, amounted to US$43,000 (2010: US$14,000) for the year. No direct operating expenses arising from the investment property.

16 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2011	2010
	US$'000	US$'000
Unquoted equity shares, at cost	**16,224**	14,217

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year.

The amounts will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debt in respect of the amounts owed by subsidiaries.

16 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

The Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ operation [3]	Class of shares held	Proportion of nominal value of issued share capital held by the Company 2011 %	2010 %	Principal activities
HELD BY THE COMPANY					
Courage Marine Holdings (BVI) Limited [1] [2] ("Courage Marine BVI")	The British Virgin Islands ("BVI")	Ordinary	**100**	100	Investment holding
HELD BY COURAGE MARINE BVI					
Courage Marine (Holdings) Co. Limited [2] ("Courage Marine Holdings")	Hong Kong	Ordinary	**100**	100	Investment holding
HELD BY COURAGE MARINE HOLDINGS					
Ally Marine Co. Ltd. ("Ally Marine") [4]	BVI	Ordinary	**–**	100	Dormant (Disposed in 2011)
Bravery Marine Holding Inc.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Courage Marine Co. Ltd.	BVI	Ordinary	**100**	100	Provision of marine transportation services
Courage Marine (HK) Company Limited ("Courage Marine HK")	Hong Kong	Ordinary	**100**	100	Provision of administration services to Group companies
Heroic Marine S.A.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Courage Maritime Technical Service Corp.	Republic of Panama	Ordinary	**100**	100	Provision of technical management services to Group companies
Courage-New Amego Shipping Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marketing and operating services to Group companies
Jeannie Marine Co. Ltd. [6] ("Jeannie Marine")	BVI	Ordinary	**–**	100	Dormant (Disposed in 2011)
Midas Shipping Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Dormant

16 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation [(3)]	Class of shares held	Proportion of nominal value of issued share capital held by the Company 2011 %	2010 %	Principal activities
HELD BY COURAGE MARINE HOLDINGS (cont'd)					
New Hope Marine, S.A.	Republic of Panama	Ordinary	**100**	100	Dormant
Panamax Mars Marine Co. Ltd.	BVI	Ordinary	**100**	100	Dormant
Pointlink Investment Limited [(7)] ("Pointlink")	BVI	Ordinary	**–**	100	Dormant (Disposed in 2011)
Sea Pioneer Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Sea Valour Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Raffles Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Zorina Navigation Corp. ("Zorina Navigation")	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Courage Energy Resources Limited	BVI	Ordinary	**100**	–	Provision of trading of coal (Incorporated in 2011)
Cape Ore Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Belcastro Pte. Ltd. [(9)]	Singapore	Ordinary	**100**	–	Dormant (Acquired in 2011)
Panamax Leader Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
HELD BY COURAGE-NEW AMEGO					
Courage – New Amego Shipping Agency Co. Ltd.	Republic of China	Ordinary	**100**	100	Provision of ship agency services
Airline Investment Corp.	Republic of Panama	Ordinary	**100**	100	Dormant
Harmony Century Group Limited [(5)] ("Harmony")	BVI	Ordinary	**41.7**	41.7	Inactive

16 INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation [(3)]	Class of shares held	Proportion of nominal value of issued share capital held by the Company 2011 %	2010 %	Principal activities
HELD BY COURAGE MARINE HK					
Courage Marine Property Investment Limited	Hong Kong	Ordinary	**100**	100	Property holding
Jade Management and Consultant (Shanghai) Co. Ltd. [(8)] ("Jade")	PRC	Registered	**100**	–	Provision of management and consulting services (Incorporated in 2011)
HELD BY JADE					
上海吉進企業管理諮詢有限公司[(8)]	PRC	Registered	**100**	–	Provision of management and consulting services (Incorporated in 2011)

Note:

(1) Courage Marine BVI is not required to be audited in its country of incorporation.

(2) For the purpose of this report, the financial statements of Courage Marine BVI and Courage Marine Holdings and its subsidiaries were audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(3) The Group operates all these subsidiaries in the PRC, Singapore, Republic of China and Hong Kong.

(4) Ally Marine repurchased its 49,999 shares of US$1 each ("Ally Share") from Courage Marine Holdings for a cash consideration of US$49,999 on 31 December 2010. After completion of the repurchase, Courage Marine Holdings disposed of 1 Ally Share, representing the entire share capital of Ally Marine to an independent third party for a cash consideration of US$1 on 22 February 2011.

(5) Harmony is considered a subsidiary of the Company because the Company and another shareholder can each appoint one director while the director representing the Company has a second or casting vote in the event of equality of votes. All the resolutions will be passed by simple majority.

(6) Jeannie Marine repurchased its 49,999 shares of US$1 each ("JM Share") from Courage Marine Holdings for a cash consideration of US$49,999 on 31 December 2010. After completion of the repurchase, Courage Marine Holdings disposed of 1 JM Share, representing the entire share capital of Jeannie Marine to an independent third party for a cash consideration of US$1 on 22 February 2011.

(7) Courage Marine Holdings disposed of the entire issued share capital of Pointlink to an independent third party for a cash consideration of US$1 on 22 February 2011.

(8) Wholly foreign owned enterprises established in the PRC.

(9) On 15 November 2011, the Company acquired 100% of the issued share capital of Belcastro Pte. Ltd. for a consideration of SD$6,460 (equivalent to US$5,000) and Belcastro Pte. Ltd. became a subsidiary of the Company. No goodwill arose as a result of the acquisition.

17 DEPOSIT PAID FOR ACQUISITION OF A VESSEL

In October 2011, the Group had entered into the agreement in relation to an acquisition of a vessel (the "Agreement") at a cash consideration of US$26,600,000. A down payment of US$5,320,000, representing 20% of the total consideration, was made after signing the Agreement. The subsequent settlements of US$18,620,000 and US$2,660,000 will be financed by a bank loan and cash, respectively, on the delivery of the vessel.

18 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Payable for the acquisition of a vessel	**15,960**	–	**–**	–
Other payables	**8**	39	**–**	–
Customers and rental deposits	**157**	266	**–**	–
Accrued vessel related expenses	**962**	1,021	**–**	–
Accrued staff related expenses	**305**	476	**217**	401
Other accrued operating expenses	**497**	805	**308**	427
	17,889	2,607	**525**	828

The Group's and Company's other payables and accruals are mainly denominated in the United States dollars which are also the functional currency of the respective entities.

19 BANK BORROWINGS

	Company	
	2011	2010
	US$'000	US$'000
Secured bank overdraft (Note 11)	**996**	–
Secured bank loan	**–**	3,600
	996	3,600
Less: Amount due within one year shown under current liabilities	**(996)**	(3,600)
Amount shown under non-current liabilities	**–**	–
Effective interest rate (%) per annum	**1.81**	2.29

The carrying amounts of bank borrowings approximate their fair value.

19 BANK BORROWINGS (cont'd)

The Group's bank borrowings are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group. On 27 October 2008, a bank loan of US$10,000,000 was granted to Zorina Navigation, a subsidiary of the Company, under a loan agreement. The loan was interest bearing at the rate of 2% per annum above LIBOR and repayable by 11 consecutive fixed US$800,000 quarterly instalments commencing from 31 January 2009 followed by a final payment of US$1,200,000 in October, 2011. The loan was fully repaid during the year ended 31 December 2011.

The bank loan was secured by the following:

(i) Corporate guarantee from the Company on the outstanding loan balance;

(ii) First preferred mortgage over the vessel held by Zorina Navigation, named "ZORINA"; and

(iii) Assignment of insurance in respect of the vessel named "ZORINA".

20 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation	**Revaluation of investment properties**	**Total**
	US$'000	US$'000	US$'000
At 1 January 2010 and 31 December 2010	–	–	–
Charged to profit or loss	1	90	91
At 31 December 2011	**1**	**90**	**91**

At the end of the reporting period, the Group has unused tax loss of US$556,000 (2010: US$358,000). No deferred tax asset has been recognised in the tax losses due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

21 SHARE CAPITAL

Ordinary shares of US$0.018 each	Number of shares '000	Amount US$'000
AUTHORISED:		
At 1 January 2010, 31 December 2010 and 31 December 2011	10,000,000	180,000
ISSUED AND FULLY PAID:		
At 1 January 2010, 31 December 2010 and 31 December 2011	1,058,829	19,059

These are all fully paid ordinary shares, which have a par value of US$0.018 each, carry one vote per share and carry a right to dividends as and when declared by the Company.

22 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of leasehold land and building. Where revalued land or building is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

23 REVENUE

	Group	
	2011 US$'000	2010 US$'000
Marine transportation services income:		
– Vessel voyage charter	**19,843**	31,787
– Time charter	**1,848**	14,470
	21,691	46,257
Ship management income	**–**	264
	21,691	46,521

24 OTHER INCOME

	Group 2011 US$'000	2010 US$'000
Dividend income, from listed investments	**18**	–
Rental income	**43**	14
Interest income from banks	**90**	73
Interest income from certificate of deposit	**23**	14
Insurance refund	**281**	252
Sundry income	**62**	46
	517	399

25 OTHER GAINS AND LOSSES

	Group 2011 US$'000	2010 US$'000
(Loss) gain on disposal of property, plant and equipment	**(3,595)**	805
Change in fair value of held-for-trading investments	**(308)**	154
Change in fair value of investment property	**388**	82
Net foreign exchange (losses) gains	**(11)**	65
Allowance for doubtful debts	**–**	(133)
	(3,526)	973

26 FINANCE COSTS

	Group 2011 US$'000	2010 US$'000
Interest expenses from bank borrowings wholly repayable within one year:		
– Bank loan	**41**	119
– Bank overdraft	**5**	–
Bank facility fee	**346**	–
	392	119

27 INCOME TAX EXPENSE

	2011 US$'000	2010 US$'000
Current tax:		
Hong Kong Profits Tax	–	41
PRC income tax	10	4
Republic of China income tax	15	26
	25	71
Deferred tax (Note 20)		
Current year	91	–
	116	71

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong in current year. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit of a subsidiary for the year ended 31 December 2010.

PRC income tax is calculated at 25% of the assessable profit of a representative office in Shanghai, PRC for both years.

Income tax in Republic of China is calculated at 25% of the assessable profit of a subsidiary for both years.

In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

The tax charge for the financial year can be reconciled to profit before income tax per the Group results as follows:

	Group	
	2011 US$'000	2010 US$'000
(Loss) profit before income tax	(29,488)	9,095
Tax at the applicable income tax rate of 16.5% (Note)	(4,866)	1,501
Tax effect of offshore income not taxable for tax purpose	(4,130)	(2,166)
Tax effect of expenses not deductible for tax purpose	8,977	644
Effect of different tax rates of subsidiaries operating in other jurisdictions	8	10
Tax losses not recognised	32	42
Others	95	40
Income tax expense for the year	116	71

Note: The Hong Kong Profits Tax rate is used for the tax reconciliation as the Group is considered to be normally controlled or managed in Hong Kong.

28 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	Group 2011 US$'000	Group 2010 US$'000
Audit fees – paid to auditors of the Company	**263**	280
Non-audit assurance services fee – paid to other auditors	**105**	195
Employee benefits expense (including directors' emoluments):		
– Contributions to retirement benefits scheme	**29**	31
– Salaries and other benefits	**1,205**	1,453
Total employee benefits expense	**1,234**	1,484
Marine crew expenses	**5,256**	5,035
Fuel expenses	**12,396**	12,116
Depreciation for property, plant and equipment	**7,399**	9,138

29 DIVIDEND

	2011 US$'000	2010 US$'000
Dividend recognised as distribution during the year: 2010 Final – US$0.71 cents (2010: 2009 final dividend – US$0.472 cents) per share	**7,518**	4,998

No dividend was proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: US$7,518,000).

30 (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2011 US$'000	2010 US$'000
(LOSS) EARNINGS		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(29,604)**	9,024

	2011 '000	2010 '000
NUMBER OF SHARES		
Number of ordinary shares in issue during the year, for the purpose of basic earnings per share	**1,058,829**	1,058,829

No diluted (loss) earnings per share were presented for both years as there were no potential ordinary shares outstanding during both years and at the end of each reporting period.

31 OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

	Group	
	2011 US$'000	2010 US$'000
Minimum lease payments paid under operating leases recognised as an expense in the year of rented premises	**140**	191

At the end of the reporting period, the Group had commitments of US$102,000 (2010: US$26,000) for future minimum lease payments under non-cancellable operating leases which fall due within one year.

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from two to three years (2010: two to three years) and rentals are fixed for a term ranging from two to three years (2010: two to three years).

31 OPERATING LEASE COMMITMENTS (cont'd)

THE GROUP AS LESSOR

Property rental income earned during the year was US$43,000 (2010: US$14,000). The property is expected to generate rental yields of 2.7% (2010: 0.9%) on an ongoing basis. The property held has committed tenant for the next 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2011	2010
	US$'000	US$'000
Within one year	**43**	43
In the second to fifth year inclusive	**29**	72
	72	115

32 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation service. The board of directors monitors the revenue of marine transportation service based on the voyage charter and time charter service income of dry bulk carriers of different sizes and their utilisation rates for the purpose of making decisions about resource allocation and performance assessment. However, other than revenue analysis, no operating results and other discrete financial information is available for the resource allocation and performance assessment. The results of ship management service activities are insignificant to the Group and were not regularly reviewed by the chief operating decision maker (the board of directors).

The board of directors reviews the profit or loss for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the board of directors.

The revenue of the dry bulk carriers of different sizes is analysed as follows:

FOR THE YEAR ENDED 31 DECEMBER 2011

	Voyage charter	**Time charter**	**Total**
	US$'000	US$'000	US$'000
Dry bulk carriers			
– Capsize	**3,975**	**634**	**4,609**
– Handysize	**3,146**	**156**	**3,302**
– Handymax	**3,022**	**471**	**3,493**
– Panamax	**9,700**	**587**	**10,287**
	19,843	**1,848**	**21,691**

32 SEGMENT INFORMATION (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

	Voyage charter US$'000	Time charter US$'000	Total US$'000
Dry bulk carriers			
– Capsize	1,213	1,643	2,856
– Handysize	10,446	2,644	13,090
– Handymax	11,502	1,297	12,799
– Panamax	8,626	8,886	17,512
	31,787	14,470	46,257

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors consider that it is not meaningful to provide geographical financial information concerning revenue and location of non-current assets of the Group. Accordingly, financial information about geographical areas is not presented.

Information about major customers

Revenue arising from the provision of vessel chartering services from customers contributing over 10% of the total sales of the Group are as follows:

	Group	
	2011 US$'000	2010 US$'000
Customer A	**3,780**	7,134
Customer B	**2,512**	11,135
Customer C	**4,046**	593[1]
Customer D	**4,017**	–
	14,355	18,862

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

33 SHARE OPTIONS SCHEME

Under the Share Option Scheme (the "Scheme") granted to the executive and non-executive directors and employees of the Group, an option may, except in certain special circumstances, be exercised at any time after the first or second anniversary (depending on the exercise price) of the grant of the option. Options granted under the Scheme will have a life span of 10 years, save for those granted to non-employees which shall have a life span of 5 years. The exercise prices of the options may at the Remuneration Committee's discretion, set at a price equal or at a discount not exceeding 20 percent to the average of last dealt prices of the shares on the Singapore Exchange Securities Trading Limited for the five market days immediately preceding the date of grant. No options have been granted during 2011 and 2010 years nor outstanding at the end of each reporting period.

Subsequent to 31 December 2010, a members' resolution was passed on 1 June 2011 to terminate the Scheme.

34 CONTINGENT LIABILITIES

As disclosed in Note 19, the Company provided corporate guarantee for a subsidiary to obtain a bank loan facility amounting to US$10,000,000 from a bank. At 31 December 2010, US$3,600,000, of such bank loan facility was utilised by the subsidiary. The corporate guarantee was released during the year ended 31 December 2011.

The directors consider that the fair value of the corporate guarantee at 31 December 2010 granted to the bank was insignificant.

35 EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Group disposed of a vessel with a cash consideration of US$3,091,000. The cash consideration was received in January 2012. Loss on disposal of US$1,823,000 resulted.

In addition, in October 2011, the Group acquired a vessel with a cash consideration of US$26,600,000 of which US$5,320,000 was paid during the year ended 31 December 2011. In February 2011, the Group obtained a bank loan facility of US$18,620,000 from a bank. On 9 February 2012, the vessel was delivered to the Group and the banking facility was drawn down at that date.

36 CAPITAL AND OTHER COMMITMENTS

	2011 **US$'000**	2010 US$'000
Capital expenditure in respect of the acquisition of a vessel contracted for but not provided in the financial statements	**21,280**	–

During the year, the Company entered into an agreement with an independent third party for sourcing of coals and delivery of coals to a customer for commission income. The amount of approximately US$997,000, representing around 30% of the total consideration, was paid as deposit for the purchase of coal before year ended 31 December 2011. The delivery quantity may be varied within a determined range and the unit price is determined. The commitment may be increased/decreased by US$332,000 should the delivery quantity increase/decrease by 10%.

37 DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of eight (2010: ten) directors were as follows:

	2011				
	Director's fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme contributions US$'000	Total US$'000
EXECUTIVE DIRECTORS					
Mr. Chen Shin-Yung	4	117	6	–	127
Mr. Wu Chao-Huan	4	130	6	–	140
	8	247	12	–	267
NON-EXECUTIVE DIRECTORS					
Mr. Sun Hsien-Long	2	–	3	–	5
Mr. Hsu Chih-Chien	4	–	6	–	10
Mr. Chang Shun-Chi	2	–	3	–	5
	8	–	12	–	20
INDEPENDENT NON-EXECUTIVE Directors					
Mr. Chu Wen Yuan	28	–	–	–	28
Mr. Lui Chun Kin Gary	32	–	–	–	32
Mr. Sin Boon Ann	37	–	–	–	37
	97	–	–	–	97
Total	113	247	24	–	384

37 DIRECTORS' EMOLUMENTS (cont'd)

	2010				
	Director's fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme contributions US$'000	Total US$'000
EXECUTIVE DIRECTORS					
Mr. Wu Chao-Huan	10	130	15	–	155
Mr. Chiu Chi-Shun (resigned on 27 April 2010)	2	33	4	–	39
Mr. Chen Shin-Yung	10	117	15	–	142
Mr. Wu Chao-Ping (resigned on 27 April 2010)	2	–	4	–	6
	24	280	38	–	342
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Mr. Sin Boon Ann	55	–	–	–	55
Mr. Chu Wen Yuan	39	–	–	–	39
Mr. Lui Chun Kin Gary	47	–	–	–	47
	141	–	–	–	141
NON-EXECUTIVE DIRECTORS					
Mr. Hsu Chi-Chien	10	–	15	–	25
Mr. Sun Hsien-Long (appointed on 13 August 2010)	2	–	4	–	6
Mr. Chang Shun-Chi (appointed on 13 August 2010)	2	–	4	–	6
	14	–	23	–	37
Total	179	280	61	–	520

The discretionary bonus is determined based on evaluation of each individual's performance annually, which is approved by the Remuneration Committee.

38 EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: three) were directors of the Company whose emoluments are included Note 37 above. The emoluments of the remaining three (2010: two) individuals were as follows:

	2011	2010
	US$'000	US$'000
Salaries, allowance, and benefits in kind	**207**	235
Contributions to retirement benefits scheme	**6**	43
	213	278

The emoluments of the 3 highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2011	2010
	US$'000	US$'000
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**0**	1
	3	2

No emoluments was paid by the Group to any of the directors and the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

39 RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Both the Group and employees contribute a fixed percentage to the Mandatory Provident Fund Scheme based on their monthly salary in accordance with government regulations.

For the operations in Republic of China and PRC, the employees of the Group are members of state-managed retirement benefits scheme operated by the Taiwan and PRC government, respectively. The relevant subsidiaries are required to contribute a specific percentage of the payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

40 MAJOR NON-CASH TRANSACTION

Included in property, plant and equipment is a consideration of US$15,960,000 for purchase of property, plant and equipment to which is not yet settled as at 31 December 2011.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2012

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	2	0.05	213	0.00
1,000 – 10,000	1,343	34.96	9,141,000	0.86
10,001 – 1,000,000	2,460	64.03	166,027,787	15.68
1,000,001 and above	37	0.96	883,660,308	83.46
Total:	**3,842**	**100.00**	**1,058,829,308**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	HKSCC Nominees Limited	193,841,186	18.31
2.	China Harvest Enterprises Limited	142,081,611	13.42
3.	Sea-Sea Marine Company Limited	142,081,611	13.42
4.	Unit Century Enterprises Ltd	94,676,874	8.94
5.	HSBC (Singapore) Nominees Pte Ltd	88,814,000	8.39
6.	Pronto Star Limited	49,881,611	4.71
7.	Lin Tsai-Seng	52,799,524	4.99
8.	Ho Tsuy-Hong	17,966,132	1.70
9.	Shan Ling Mei	16,568,000	1.56
10.	Lawrence Kwok Ping Hon	11,525,000	1.09
11.	CIMB Securities (Singapore) Pte. Ltd.	8,453,000	0.80
12.	Phillip Securities Pte Ltd	7,878,000	0.74
13.	Merrill Lynch (Singapore) Pte Ltd	6,487,711	0.61
14.	Sun Hsien-Long	6,334,936	0.60
15.	DBS Vickers Securities (Singapore) Pte Ltd	5,002,304	0.47
16.	OCBC Securities Private Ltd	4,191,000	0.40
17.	UOB Kay Hian Pte Ltd	3,862,000	0.36
18.	Tan Loo Lee	3,538,000	0.33
19.	DMG & Partners Securities Pte Ltd	2,602,000	0.25
20.	Estate of Phay Seng Whatt, Deceased	2,600,000	0.25
	Total:	**667,343,314**	**63.03**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
HSBC Holdings plc[(1)]	–	–	148,818,611	14.06
Wu Chao-Huan[(2)]	–	–	148,818,611	14.06
Chen Shin-Yung[(3)]	–	–	148,818,611	14.06
Chiu Chi-Shun[(4)]	–	–	142,188,611	13.43
Wu Chao-Ping[(5)]	–	–	94,676,874	8.94

Notes:

(1) HSBC Holdings plc's deemed interest arises by reason of Sea-Sea Marine Company Limited holding 142,081,611 Shares, Sea-Sea Marine Company Limited's deemed interest in the 6,737,000 shares owned by Pilot Assets Group Limited. As at the date hereof, Sea-Sea Marine Company Limited is owned by Besco Holdings Ltd which in turn is wholly owned by HSBC International Trustee Limited ("HKIT") as trustee of a discretionary trust. HSBC Holdings plc is deemed to have an interest in the Shares of the Company which are held by HKIT through Besco Holdings Ltd. HKIT is a wholly-owned subsidiary of HSBC Private Banking Holdings (Suisse) SA ("HPBH"), which is a wholly-owned subsidiary of HSBC Europe (Netherlands) BV, which is a substantially 94.9% owned subsidiary of HSBC Bank plc, which is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, Sea-Sea Marine Company Limited, Besco Holdings Ltd, HKIT, HPBH, HSBC Europe (Netherlands) BV, HSBC Bank plc and HSBC Holdings plc are considered substantial shareholders of the Company.

(2) Wu Chao-Huan's deemed interest arises by reason of China Lion International Limited holding 142,081,611 Shares and China Lion International Limited's deemed interest in the 6,737,000 Shares owned by Pilot Assets Group Limited. Accordingly, China Lion International Limited and Mr. Wu is each considered a Substantial Shareholder of our Company.

(3) Chen Shin-Yung's deemed interest arises by reason of China Harvest Enterprises Limited holding 142,081,611 Shares and China Harvest Enterprises Limited's deemed interest in the 6,737,000 Shares owned by Pilot Assets Group Limited. Accordingly, China Harvest Enterprises Limited and Mr. Chen is each considered a Substantial Shareholder of our Company.

(4) Chiu Chi-Shun's deemed interest arises by reason of Pronto-Star Limited holding 135,451,611 Shares and Pronto-Star Limited's deemed interest in the 6,737,000 Shares owned by Pilot Assets Group Limited. Accordingly, Pronto-Star Limited and Mr. Chiu is each considered a Substantial Shareholder of our Company.

(5) Wu Chao-Ping's deemed interest arises by reason of Unit Century Enterprises Ltd holding 94,676,874 Shares. Accordingly, Unit Century Enterprises Ltd and Mr. Wu is each considered a Substantial Shareholder of our Company.

The Company does not hold any treasury shares.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 31.78% of the shareholding of the Company is held in the hands of the public as at 15 March 2012 and Rule 723 of the Listing Manual is complied with.

FOUR YEARS FINANCIAL SUMMARY

	Year ended 31 December			
	2011	2010	2009	2008
	US$'000	US$'000	US$'000	US$'000
RESULTS				
Revenue	**21,691**	46,521	27,939	75,660
(Loss) profit before income tax	**(29,488)**	9,095	107	40,494
Income tax expense	**(116)**	(71)	(32)	(11)
(Loss) profit for the year	**(29,604)**	9,024	75	40,483
Attributable to:				
Owners of the Company	**(28,954)**	9,176	26	40,487

	At 31 December			
	2011	2010	2009	2008
	US$'000	US$'000	US$'000	US$'000
ASSETS AND LIABILITIES				
Total assets	**96,921**	120,624	119,808	134,094
Total liabilities	**(18,976)**	(6,207)	(9,569)	(15,886)
	77,945	114,417	110,239	118,208
Equity attributable to owners of the Company	**77,945**	114,417	110,239	118,208

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at SUNTEC SINGAPORE INTERNATIONAL CONVENTION & EXHIBITION CENTRE, Meeting Room 308, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 26 April 2012 at 3.00 p.m. for the following purposes:–

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 2011 and the Auditors' Report thereon.

2. To re-elect the following Directors retiring pursuant to Bye-law 86 of the Company and who, being eligible, offer himself for re-election:

    a) Mr Sin Boon Ann
    b) Mr Gary Lui Chun Kin
    c) Mr Chu Wen Yuan

3. To approve the payment of Directors' fees of US$112,923 for the year ended 31 December 2011 (FY2010: US$180,406).

4. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

5. To transact any other business of an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without any modifications:–

6. Authority to issue shares

    That pursuant to the bye-laws of the Company and the listing rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules"), authority be and is hereby given to the Directors of the Company to:

    (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

    (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into shares; and/or

    (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues notwithstanding that this mandate may have ceased to be in force at the time the Instruments are issued; and/or

    (iv) issue shares in pursuance of any Instrument made or granted by the Directors pursuant to (ii) and (iii) above,

    at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided always that, subject to any applicable regulations as may be prescribed by the SGX-ST and The Stock Exchange of Hong Kong Limited:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty (50) per cent. of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty (20) per cent. of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) for the purpose of this Resolution, the percentage of issued shares shall be based on the Company's issued share capital at the time this Resolution is passed (after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or share options or vesting of share awards that are outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and (b) any subsequent bonus issue, consolidation or subdivision of shares); and

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Hong Kong Listing Rules for the time being in force (unless such compliance has been waived by SEHK) and the Bye-laws for the time being of the Company,

and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

By Order of the Board

Lee Pih Peng
Company Secretary

Singapore

23 March 2012

EXPLANATORY NOTES:

Resolution 6 – if passed, will empower the Directors to issue further shares in the Company and to make or grant convertible securities convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding 50 per cent of the issued shares of the Company of which the aggregate number of shares to be issued other than on a *pro rata* basis to existing shareholders, does not exceed 20 per cent of the Company's issued shares. For the purpose of determining the aggregate number of shares that may be issued, the percentage of shares shall be based on the issued shares of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent bonus issue, consolidation or sub-division of shares. This authority will, unless revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

Notes:

1. A Shareholder Proxy Form (for Singapore Shareholders), a HK Proxy Form (for Hong Kong Shareholders) or a Depositor Proxy Form (for Depositors) is enclosed herewith.

2. A Shareholder entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint no more than two proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company.

3. A Shareholder in Singapore who wishes to appoint a proxy should complete the attached Shareholder Proxy Form. Thereafter, the Shareholder Proxy Form must be lodged at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the AGM.

4. A Shareholder in Hong Kong who wishes to appoint a proxy should complete the attached HK Proxy Form. Thereafter, the HK Proxy Form must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the AGM.

5. Subject to paragraph 6 below, to allow persons whose names are listed on the Depository Register (individually a "Depositor" and collectively the "**Depositors**") maintained by The Central Depository (Pte) Limited ("**CDP**") as at 24 April 2012 ("**Cut-Off Date**") to attend the AGM, arrangements will be made for CDP to automatically issue a proxy form appointing each of the Depositors and, in relation to each of the Depositors, in respect of such number of shares of the Company set out opposite their respective names in the Depository register maintained by CDP as at the Cut-Off Date, as its proxy/proxies to attend and vote at the AGM. Accordingly, a Depositor who wishes to attend and vote in person at the AGM can do so without having to submit the Depositor Proxy Form (as defined below), provided that a Depositor who is a corporation and who wishes to attend the AGM must submit the Depositor Proxy Form (as defined below) for the appointment of person(s) to attend and vote at the AGM on its behalf.

6. A Depositor whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the attached Depositor Proxy Form and lodge the same at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time appointed for the AGM.

7. Where a Shareholder appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified.

8. The instrument appointing a proxy shall be in writing under the hand of the appointor or by his/her attorney duly authorised in writing. If a Shareholder or Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

9. Completion and return of the Shareholder Proxy Form, the HK Proxy Form or the Depositor Proxy Form will not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish, and in such event, such proxy form shall be deemed to be revoked.

10. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

HSU Chih-Chien
Chairman and Non-Executive Director
WU Chao-Huan
Managing Director
Sun Hsien-Long
Non-Executive Director
Chang Shun-Chi
Non-Executive Director
CHU Wen Yuan
Independent Non-Executive Director
LUI Chun Kin, Gary
Independent Non-Executive Director
SIN Boon Ann
Independent Non-Executive Director

AUDIT COMMITTEE

LUI Chun Kin, Gary (Chairman)
CHU Wen Yuan
SIN Boon Ann

REMUNERATION COMMITTEE

CHU Wen Yuan (Chairman)
HSU Chih-Chien
SIN Boon Ann

NOMINATING COMMITTEE

SIN Boon Ann (Chairman)
HSU Chih-Chien
LUI Chun Kin, Gary

FINANCIAL CALENDAR

Financial Year End
31 December 2011

ANNOUNCEMENT OF FINANCIAL RESULTS

Fourth Quarter	February
First Quarter	May
Second Quarter	August
Third Quarter	November

PRINCIPAL PLACE OF BUSINESS

Suite 1801
West Tower, Shun Tak Centre,
200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

JOINT COMPANY SECRETARY

LEE Pih Peng
HON Kwok Ping Lawrence

ASSISTANT COMPANY SECRETARY

Codan Services Limited

SHARE REGISTRARS

Unit Trust/Share Registration
Boardroom Corporate & Advisory Services Pte. Ltd.
(a member of Boardroom Limited)
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Tricor Investor Services Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

BERMUDA REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Partner-in-charge:
ONG Bee Yen
Appointed in 2010

DISPATCH OF ANNUAL REPORTS TO SHAREHOLDERS

23 March 2012

ANNUAL GENERAL MEETING

26 April 2012