# ANNUAL REPORT 2014


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)

# CONTENTS


## 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 demand in Asia.
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

## 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 4 bulk carriers, deployed around Greater China, Japan, Russia, Vietnam, Indonesia, Bangladesh, and elsewhere in Asia. The vessels, totalling 335,334 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 several industry veterans with extensive hands-on experience in dry bulk shipping in Asia, particularly in Greater China.

They bring over 100 years of combined experience, each excelling in his expertise to complement the others. 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.


# CHAIRMAN'S MESSAGE

Dear shareholders,

In FY2014 we saw, to some extent, a continuation of the conditions experienced in FY2013: namely, a significant imbalance in supply and demand for vessels, and ongoing increases in the costs of our operations. First of these issues arose from continuing economic insecurity across the major global economies, leading to lower levels of international trade and hence lower requirements for freight shipping, especially from China. In particular, the fall in demand for basic commodities and the consequent price drops for raw materials placed significant pressure on freight rates. The Baltic Dry Index ("BDI"), which offers a good gauge of changing demand for dry freight services and freight rates, traded mostly in a narrow range of around 1,000 during the year under review. Since the end of the year, however, it has dropped significantly to an all-time low of just 500, in a clear sign of just how weak the market is. At the time of writing, there are no obvious indications that these conditions are likely to change significantly in the near future.

As a result, in FY2014 the turnover of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") decreased by 34%, from around US$25.0 million in 2013 to approximately US$16.5 million. The fall in turnover contributed to the Group recording a net loss for the year of approximately US$9.7 million, as against the net loss of around US$1.8 million recorded the previous year.

The challenge for businesses like ours continues to be finding ways of managing the current adverse conditions effectively as we await fairer winds for the global economy. Changes are certainly afoot; for example, the rate of supply of new vessels is slowing gradually, and this means that as older ships are decommissioned, there should be a better balance between the number of vessels and the freight they are needed to carry. However, this process looks set to take a few more years to work through. In the meantime, we are streamlining our own fleet to ensure that our vessels remain as competitive as possible by being younger and bigger than those of many of our competitors. Ensuring excellence in maintenance and operations is also helping ensure that our vessels are as cost-efficient as they possibly can be. Apart from these areas, we have continued to look closely at all viable options for reducing our costs, including our operating costs. Our diversification into property development in Singapore continues to be developed gradually, and at this point we are expecting this to be reflected on the balance sheet in 2016. This will broaden our sources of income and help us better manage periods such as the present when the global economy is unfavourable for the bulk shipping industry.

## FINANCIAL POSITION

As at 31 December 2014, the Group continued to be in a net debt position. Nevertheless, at year-end we continued to hold a sizeable cash balance of around US$9 million, which will serve us well for working capital for the year to come.

## DIVIDENDS

In the light of the challenging market environment faced by the Group over the year, the board (the "Board") of directors (the "Directors") of the Company has once again recommended that no dividends be paid in respect of the financial year ended 31 December 2014.

## ACKNOWLEDGEMENTS

I would like here to thank, on behalf of the Board, those business associates, clients and individuals who have supported the Group loyally throughout the year, in particular, longstanding industry veteran Mr. Chen Shin-Yung ("Mr. Chen") who retired from his position with the Group as Director of technical repair and maintenance shortly after the end of the year under review. I wish to acknowledge here Mr. Chen's superb history of service to the Company; he has been with us since our foundation, and his efforts have ensured that we have been able to maintain a very high quality fleet over the years. I would especially take note of Mr. Chen's distinction in serving as a member of the Board over the years, in which capacity he has provided much valuable guidance and direction. We greatly appreciate his devotion to the Group over many years, and wish him the very best for the future.

# OUR FLEET

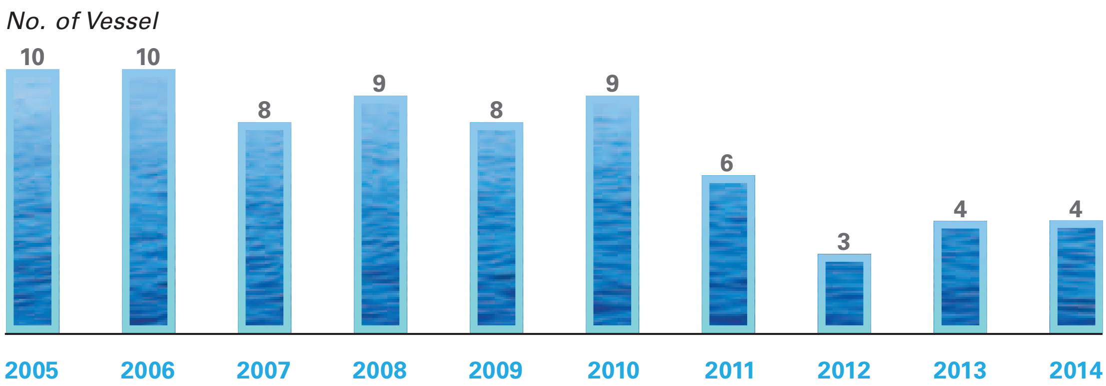

**COURAGE**
Type : Panamax
Dwt : 71,965
Flag : Panama


**ZORINA**
Type : Supermax
Dwt : 57,000
Flag : Panama

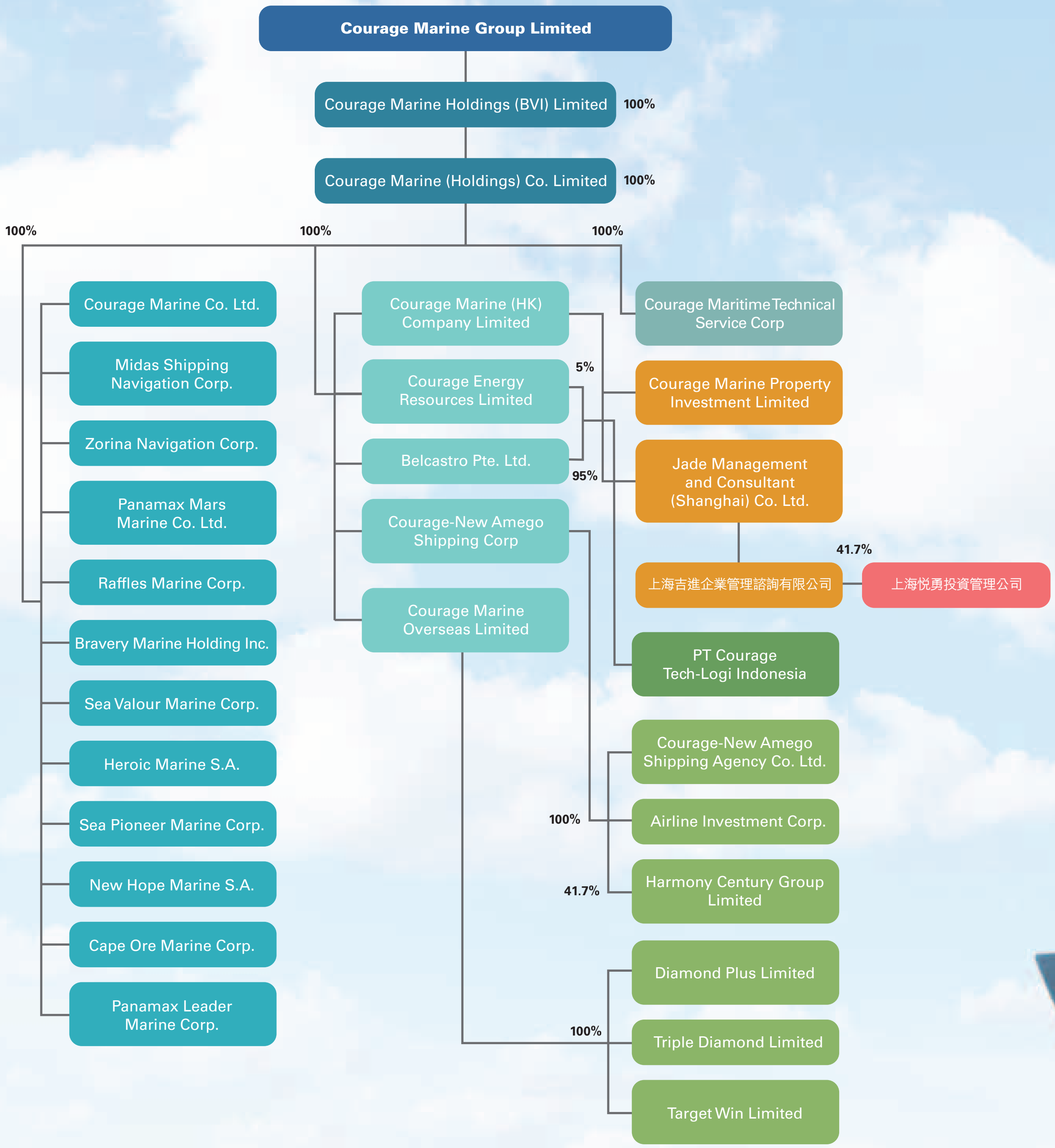
# OUR FLEET



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. Currently, our Fleet consists of 2 Supermax, 1 Panamax size and 1 Capesize dry bulk carriers, the total tonnage is 335,334 dwt. The following table sets forth the development of our Fleet since 2005:



# CORPORATE STRUCTURE



# CORPORATE STRUCTURE

# 2014 MILESTONES

**JAN 2014**

Took delivery of a Panamax size vessel, MV Courage

**MAY 2014**

Disposed of a Capesize vessel, MV Cape Warrior

# FINANCIAL HIGHLIGHTS

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

OCT 2014

| INCOME STATEMENT (US$'000) | 2014 | 2013 |
|---|---|---|
| Revenue | 16,535 | 24,963 |
| EBITDA | (6,124) | 1,135 |
| Net loss | (9,724) | (1,772) |
| **BALANCE SHEET (US$'000)** | | |
| Non-current assets | 79,449 | 82,318 |
| Total assets | 97,006 | 105,766 |
| Total current assets | 17,557 | 23,448 |
| Share capital & reserves (US$'000) | 58,322 | 67,385 |
| Net debt | (22,936) | (18,504) |
| **FINANCIAL RATIOS** | | |
| Return on equity (%) | (16.7) | (2.6) |
| Net gearing (%) | 66.2 | 57.0 |
| Interest cover (times) | (6.1) | (0.4) |
| **PER SHARE** | | |
| Loss (US cents) | (0.92) | (0.17) |
| Net tangible assets (US cents) | 5.51 | 6.36 |
| **ORDINARY DIVIDENDS** | | |
| – gross (US cents) | N/A | N/A |
| Share price at year end (SGD cents) | 6.0 | 9.0 |
| Share price at year end (HKD) | 0.39 | 0.51 |

# OPERATIONS REVIEW

Courage Marine Group Limited is a major shipping company in Asia. As at 31 December 2014, it was operating a compact modern fleet comprised of one Capesize, one Panamax and two Supermax vessels.

Results for FY2014 were as expected in a difficult market for freight shipping, and one which has changed little over the past three years. Unstable worldwide economic condition, coupled with the fact that China is itself undergoing a period of economic adjustment, has led to an over-supply of vessels in the Asia region. This in turn has led to downward pressure on freight rates, pushing down profitability. As a company whose primary business activity is bulk freight shipping, there is little the Group can do to counter these fundamentals.

Managing such a challenging environment has mainly involved making adjustments to the Group's fleet size and make-up. Early in the year the Group disposed of MV Cape Warrior, streamlining the fleet and in the process recording a gain for disposal of around US$1.4 million. At around the same time it took delivery of a new vessel, MV Courage. These changes meant that, at year-end, the total tonnage of the Group's fleet was around 335,000 dwt. The average maintenance cost per vessel remained similar to last year. Although the size of the fleet remained relatively stable over the year, the overall utilisation rate for FY2014 fell by comparison with FY2013 from approximately 75% to around 65%, reflecting further falling demand.

With the shipping market having been volatile for some time now, the Group has embarked on a process of diversification of its resources with the aim of developing other stable sources of income to supplement its core business. Having closely investigated the prospects for property investment in Singapore, the Group has invested in a Singapore property development project that is now up and running. Currently, the Group expects to see returns from its property investment (in which it has a 10% holding) reflected in the balance sheet by FY2016. The Group will continue to look for sound and solid opportunities for diversification that will enable it to better manage periods of weak global demand for shipping like the present.

## FINANCIAL HIGHLIGHTS

The Group's turnover for FY2014 was US$16.5 million, compared with US$25.0 million in the previous year, a fall of 34%. This drop was largely due to the result of very weak demand in the dry bulk market, as reflected by the fact that the BDI remained at around 1,000 for most of the year. The cost of sales fell as a result, due to low fleet utilisation, decreasing by 12% from approximately US$22.3 million in FY2013 to approximately US$19.7 million in FY2014. The Group recorded gross loss of approximately US$3.2 million in FY2014 compared to gross profit of approximately US$2.7 million in FY2013.

Other income for the financial year (consisting of interest income from banks and certificates of deposit, sundry income, and other one-off income) amounted to US$0.3 million, a decrease of 44% compared to FY2013. This fall was largely due to a one-off insurance claim received in FY2013, which was not repeated in 2014.

Other gains and losses included changes in the fair value of investment property, changes in the fair value of held-for-trading investments, gains and losses on the disposal of fixed assets, and exchange gains and losses. The Group recorded other gains of approximately US$1.4 million in FY2014, largely due to the disposal gain of MV Cape Warrior, as compared to other gains of approximately US$80,000 recorded in FY2013.

Administrative expenses decreased by 12%, as a result of the Group generating less in the way of legal and professional expenses during the year. The Group also recorded other expenses of approximately US$0.8 million in FY2014 compared to US$0.2 million in FY2013; this rise was due to the fact that the Group recorded more impairment loss on deposits paid in FY2014.

Following a review of its vessels, the Group determined that a number of those assets were impaired due to a decrease in their utilisation rate and a corresponding fall in revenue. Accordingly, the Group recorded an impairment loss of approximately US$2.9 million in FY2014 which it did not record in FY2013. The recoverable amount of the vessels was determined on the basis of their fair value, less cost to sell.

The Group recorded finance costs of approximately US$1.4 million in FY2014 compared to US$1.3 million in FY2013, mainly due to higher bank borrowings. The Group's subsidiaries recorded an income tax expense of US$10,000 for FY2014, compared to approximately US$3,000 in FY2013. Other comprehensive income of approximately US$0.7 million was recorded in FY2014, due to the surplus on revaluation of the Group's leasehold and buildings, as against other comprehensive expenses of approximately US$44,000 in FY2013.

Overall, the Group recorded a net loss of approximately US$9.7 million in FY2014, compared to a net loss of approximately US$1.8 million in FY2013. The key factors behind this were lower turnover, a lower utilisation rate, and the impairment loss recorded for the Group's vessels.

## LOOKING AHEAD

The view over the horizon for the next 12 months is not particularly encouraging, due to slow demand for worldwide commodities and the continuing over-supply of vessels. This is a situation that will not last forever, but in the interim it does pose some serious challenges to the Group. Key to the performance of the market in the coming months will be economic growth in China. The Group does expect to see slower growth in the China economy in line with the 'new normal' situation unfolding there. This, coupled with low prices for raw materials and crude oil, is likely to suppress demand for bulk freight shipping for the immediate future.

However, the Group has been coping with a similar situation for a couple of years now, and has strategies in place to deal with the current market environment. It expects things to remain more or less stable over the next 12 months, and will continue to perform to its best capabilities in that period. This will involve keeping the fleet well-deployed and running as efficiently as possible, and maintaining a cost-effective structure of operations. In addition, the Group will continue to look to diversify its investments in order to create a more robust platform for managing market's ups and downs in the future. Its first foray into this diversification is still at the development stage, but the Singapore property development is now on schedule and the Group expects to realise profits on this by 2016.

The Group continues to enjoy certain advantages over competitors that means the current market downturn has affected it perhaps less severely than others. It enjoys low operating costs, and has extensive experience in the industry, both in good times and bad. In particular, the Group has developed excellent relationships with many customers that will prove extremely valuable in years to come when the market improves. The Group's fleet and operations are constantly being reassessed, and opportunities to acquire second-hand or even brand new vessels are being sought if the price is reasonable and market conditions make it appropriate.

Given China's ongoing economic readjustment towards a 'new normal', and the significant fall in global demand for commodities over the past year or so, the Group is not expecting any rapid changes to the current depressed market. Its plans for 2015 have been developed in the light of expectations of a sluggish market. This is expected to continue to impact the Group's financial performance in the medium term. However, the Group's internal efficiencies, its good reputation with customers and its well-equipped and well-maintained fleet all stand it in good stead for being among the first to benefit from any positive shifts in the freight market. In addition, its process of careful diversification is offering new prospects for the coming years. With these factors in mind, the Group is confident that it can continue to offer steady long-term value for shareholders and other investors of the Company.

# DIRECTORS PROFILE

## HSU CHIH-CHIEN
Chairman and
Non-executive Director

**Hsu Chih-Chien (許志堅) ("Mr. Hsu")**, aged 58, 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 he 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 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 ("USA") in 1980.

## WU CHAO-HUAN
Managing Director

**Wu Chao-Huan (吳超寰) ("Mr. Wu")**, aged 64, is the managing director and an executive director of our Company. Mr. Wu was one of the co-founders of our Group in 2001. 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.

# DIRECTORS PROFILE

## WU JIAN
Executive Director

**Wu Jian (吳建) (alias 吳健) ("Mr. Wu Jian")**, aged 60, is an executive director of our Company. Mr. Wu Jian started his career in 1982 with the China Coal Energy Group (formerly known as China Coal Import and Export General Corporation) and retired in early 2014. The positions he held during his engagement with the China Coal Energy Group included company secretary, manager of import and export department, general manager of China Coal (Hong Kong) Ltd and assistant to the president and executive director of China Coal Energy Company Ltd. China Coal Energy Company Ltd is a company listed on The Stock Exchange of Hong Kong Limited (the "SEHK")). Mr. Wu Jian graduated from the Renmin University of China with a bachelor degree in Economics in 1982.

## TSOI WAI KWONG
Non-Executive Director

**Tsoi Wai Kwong (蔡偉光) ("Mr. Tsoi")**, aged 51, is a non-executive director of our Company. Mr. Tsoi has more than 20 years of relevant experience in business management and international shipping operations, involving vessel chartering, container depot and investment in steel and metal products. From 1998 to 2002, he was the executive director of Oriental Union Holdings Ltd (now C Y Foundation Group Ltd). From 2002 to 2005, he was the executive director of Shougang Concord International Enterprises Company Limited. From 2003 to 2006 he was the independent non-executive director of China Fortune Financial Group Limited. C Y Foundation Group Ltd, China Fortune Financial Group Limited and Shougang Concord International Enterprises Company Limited are listed on the Main Board of the SEHK. Mr. Tsoi is a member of the Institute of Linguists in the United Kingdom (the "UK").

From 2005, Mr. Tsoi has been pursuing his personal investment and the operation of private companies in the People's Republic of China ("PRC"). Nonetheless, he maintained strong ties with the shipping and vessel chartering industries.

# DIRECTORS PROFILE

## CHU WEN YUAN
Independent Non-Executive Director

**Chu Wen Yuan (朱文元) ("Mr. Chu")**, aged 56, 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 2001 to 2008, he 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 the 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.

## FOO MENG KEE
Independent Non-Executive Director

**Foo Meng Kee (符名基) ("Mr. Foo")**, aged 65, is an independent non-executive director of our Company. Mr. Foo is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He is highly experienced in the new build of vessels in various Chinese shipyards, and possesses extensive experience to the PRC market. He served in Hitachi Zosen Singapore Ltd from 1976 to 1998. In 1989, he was appointed to the board of directors of Hitachi Zosen Singapore Ltd ("Hitachi"). In 1992, he was appointed as the managing director, and at his helm, Hitachi successfully gained its listing status on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). During the period from 1992 to 1998, Mr. Foo was a member of the executive committee and the audit committee of Hitachi. Mr. Foo obtained a Bachelor of Commerce (Hons.) degree from Nanyang University of Singapore in 1973 and a Master of Business Administration degree from the University of Dubuque, USA in 1990. Mr. Foo is also an independent non-executive director of Titan Petrochemicals Group Limited ("Titan"), a company listed on the Main Board of the SEHK. As at the date hereof, trading in the shares of Titan has been suspended with provisional liquidators being appointed.

Mr. Foo holds directorships in the following companies listed on the SGX-ST: as an independent director and audit committee chairman of Sinarmas Land Limited and Lee Metal Group Limited; as a non-executive and independent director of Jiutian Chemical Group Limited. From January 2006 to August 2013, Mr. Foo was also an independent director and nominating committee chairman of See Hup Seng Limited.

# DIRECTORS PROFILE

## NGIAM ZEE MOEY
Independent Non-Executive Director

**Ngiam Zee Moey (嚴志美) ("Mr. Ngiam")**, aged 59, is an independent non-executive director of our Company. Mr. Ngiam has over 30 years' experience in various accounting, financial and managerial positions. During 1987 to 2005, he was the group financial controller of Lauw & Sons Group in Singapore, where he was responsible for all financial matters of the group including reviewing financial statements of the group. Since 2004 till present, he is also the joint company secretary of AEI Corporation Ltd, a company listed on the Main Board of the SGX-ST. Mr. Ngiam obtained a Bachelor of Commerce (Accountancy) degree from Nanyang University in 1980 and a Graduate Diploma in Marketing from the Marketing Institute of Singapore in 1993. He is a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants of the UK.

Mr. Ngiam holds directorship in the following companies listed on the SGX-ST: as an independent director and the chairman of the audit committee of Zhongxin Fruit and Juice Limited; and as an independent director of Hosen Group Limited.

# EXECUTIVE OFFICERS

## YUEN CHEE LAP, CARL
Financial Controller

**Yuen Chee Lap, Carl (源自立) ("Mr. Yuen")**, aged 41, 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, SGX-ST and SEHK 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 United States 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.

## HON KWOK PING
Financial Director

**Hon Kwok Ping, Lawrence (韓國平) ("Mr. Hon")**, aged 66, 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 chief executive officer of AgroCan Corp. Acting as an advisor to the Company since January 2004, Mr. Hon was then appointed as 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.

## LIN TSAI-SENG
Sales and Marketing Manager

**Lin Tsai-Seng (林財生) ("Mr. Lin")**, aged 65, 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, 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.

# DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of Courage Marine Group Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred as the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

## 1 PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 1 to the financial statements.

## 2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 40.

The Board does 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 one vessel for a cash consideration of approximately US$7.9 million. Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 19 to the financial statements.

## 4 SHARE CAPITAL

Details in the share capital of the Company are set out in Note 32 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 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 of the Company ("Shareholders") as at 31 December 2014 were the accumulated loss of US$8,775,000 (2013: retained profit of US$25,788,000).

## 7 DIRECTORS

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

### EXECUTIVE DIRECTORS

Wu Chao-Huan
Wu Jian (appointed w.e.f. 29 Apr 2014)

### NON-EXECUTIVE DIRECTORS

Hsu Chih-Chien
Sun Hsien-Long (retired w.e.f. 29 Apr 2014)
Chang Shun-Chi (retired w.e.f. 29 Apr 2014)
Tsoi Wai Kwong (appointed w.e.f. 29 Apr 2014)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Sin Boon Ann (resigned w.e.f. 25 Feb 2014)
Chu Wen Yuan
Lui Chun Kin Gary (resigned w.e.f. 25 Feb 2014)
Foo Meng Kee (appointed w.e.f. 29 Apr 2014)
Ngiam Zee Moey (appointed w.e.f. 29 Apr 2014)

In accordance with the bye-laws of the Company (the "Bye-laws") and the Corporate Governance Code (the "Hong Kong CR Code") as set out in Appendix 14 of the Rules Governing the Listing of the Securities (the "Hong Kong Listing Rules") of The Stock Exchange of Hong Kong Limited ("SEHK"), each Director shall retire at least once every three (3) years. No Director is required to be retired pursuant to the Bye-laws and the Hong Kong CR Code as all Directors were last appointed at an annual general meeting less than 3 years before the forthcoming annual general meeting of the Company to be held on 29 April 2015 (the "Annual General Meeting"). As such, the Board proposed Mr. Hsu Chih-Chien ("Mr. Hsu"), Mr. Wu Jian and Mr. Ngiam Zee Moey ("Mr. Ngiam") shall retire at the Annual General Meeting, representing a mix of executive, non-executive and independent non-executive Directors. Mr. Hsu, Mr. Wu Jian and Mr. Ngiam, being eligible, will offer themselves for re-election at the Annual General Meeting.

In addition, Mr. Chu Wen Yuan, who has secured as independent non-executive Director for more than 9 years from the date of his first appointment, all retire and submit himself for re-election at the Annual General Meeting.

## 8 DIRECTORS' SERVICE CONTRACTS

Mr. Wu Chao-Huan ("Mr. Wu") entered into a service agreement with the Company on 1 July 2005, pursuant to which he was appointed as the managing director of the Company commencing from 1 July 2005 for a period of 3 years. The said service agreement has been renewed by three memorandums which may be terminated by not less than 3 months' notice in writing served by either party on the other. Mr. Wu is entitled to an annual fee of not more than US$120,000 and his appointment is subject to the normal retirement provisions under the Bye-laws.

Mr. Hsu entered into a service agreement with the Company on 7 May 2008, pursuant to which he was appointed to provide certain services to the Company and its subsidiaries commencing from 7 May 2008 for a period of 3 years which has been renewed by two memorandums which may be terminated by not less than 3 months notice in writing served by either party on the other. Under the agreement, Mr. Hsu is entitled to an annual fee of not more than US$8,000 and an annual discretionary bonus and his appointment is subject to the normal retirement provisions under the bye-laws of the Company.

Mr. Wu Jian entered into a service agreement with the Company on 1 May 2014, pursuant to which he has been appointed as the Director commencing from 1 May 2014 for a period of 3 years. Mr. Wu Jian is entitled to a basic monthly salary of US$7,000 per month and an annual director's fee of US$30,000. Mr. Wu Jian's appointment is subject to normal retirement provisions under the Bye-laws.

## 9 DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND DEBENTURES

At 31 December 2014, the interests of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company, a related corporation of the Company (within the meaning of Part I of the Securities and Futures Act (the "SFA")) or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company, the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SEHK 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 |
| Hsu Chih-Chien | Founder of a discretionary trust (Note 1) | 142,081,611 | 142,081,611 | 13,419% | 13.419% |
| Chu Wen Yuan | Beneficial owner | 40,000 | 40,000 | 0.004% | 0.004% |
| Wu Chao-Huan | Interest in a controlled corporation (Note 2) | 142,081,611 | 142,081,611 | 13.419% | 13.419% |

Notes:

(1) 142,081,611 Shares are registered in the name of Sea-Sea Marine Company Limited ("Sea-Sea Marine"), the entire issued share capital is wholly-owned by Besco Holding Limited ("Besco"), which in turn is wholly-owned by Summit Trustees (Cayman) Limited ("Summit Trustees") in its capacity as trustee of The Lowndes Foundation with Mr. Hsu Chih-Chien as settlor of the trust. Summit Trustees is a wholly-owned subsidiary of Summit Trust International SA ("Summit Trust International") and Summit Trust International is deemed to have an interest in the Shares of the Company which Summit Trustees has an interest in. Besco, Summit Trustees in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor, Summit Trust International and Mr. Hsu Chih-Chien are all deemed in the interested in the Shares held by Sea-Sea Marine under the SFO and the SFA. Sea-Sea Marine is deemed to be interested in the 6,737,000 Shares held by Pilot Assets Group Limited only under the SFA.

(2) 142,081,611 Shares are registered in the name of China Lion International Limited ("China Lion"), the entire issued share capital of which is owned by Wu Chao-Huan as to 60% and by Wang Ho as to 40%. Wu Chao-Huan is deemed to be interested in the Shares held by China Lion, under the SFO and SFA. China Lion is deemed to be interested in the 6,737,000 Shares held by Pilot Assets Group Limited only under the SFA.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company, the SGX-ST and the SEHK pursuant to Subdivision 1 of Part VI of the SFA, Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuer of which were required to be entered in the register required to e kept under Section 352 of the SFO.

## 10 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 11 SHARE OPTIONS

The Company and its subsidiaries have no share option scheme.

## 12 SUBSTANTIAL SHAREHOLDERS

Save as disclosed below under "Substantial Shareholders" in the section "Statistics of Shareholdings" on page 93 of this report, the Directors are not aware of any other person (other than a Director or chief executive of the Company ot his/her respective associate(s)) who, at 31 December 2014, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO or Section 135 of the SFA.

## 13 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 Hong Kong Listing Rules. The Company considers all of the independent non-executive Directors are independent.

## 14 CONNECTED TRANSACTIONS

During the year, a subsidiary of the Company rented a premise from Ms. Chou Hsiu-Ma, the spouse of Mr. Chan Shun-Chi, who was a non-executive Director who was retired on 29 April 2014. This transaction is regarded as connected transactions pursuant to Chapter 14A of the Hong Kong Listing Rules and interested person transactions pursuant to Chapter 9 of the Listing Manual of the SGX-ST ("SGX-ST Listing Manual"). Particulars of the transactions are disclosed in Note 40 to the financial statements.

## 15 EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company ("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.

## 16 PRE-EMPTIVE RIGHTS

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

## 17 MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 57.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 35.1% of the Group's total purchases.

# DIRECTORS' REPORT

The percentage of sales attributable to the Group's five largest customers is approximately 62.8% of the Group's total revenue for the year and the revenue attributable to the Group's largest customer was approximately 25.8% of the Group's total revenue.

At no time during the year did a Director, an associate of a Director, or any Shareholder (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.

## 18 AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 3 independent non-executive directors, namely Mr. Ngiam Zee Moey, Mr. Foo Meng Kee and Mr. Chu Wen Yuan with Mr. Ngiam Zee Moey 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;

(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 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 the nomination of Deloitte Touche Tohmatsu for appointment as external auditor at the forthcoming Annual General Meeting.

## 19 CORPORATE GOVERNANCE

The corporate governance report is set out on pages 22 to 38.

## 20 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 2014.

## 21 EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 41 to the financial statements.

## 22 AUDITOR

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

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

27 February 2015

# CORPORATE GOVERNANCE REPORT 2014

The board (the "Board") of directors (the "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 interests of the shareholders of the Company (the "Shareholders") and enhance Shareholders' value. During the year ended 31 December 2014, the Company adopted the revisions relating to the Corporate Governance Code ("Hong Kong CR Code") as set out in Appendix 14 of the Rules Governing the Listing of the Securities ("Hong Kong Listing Rules") of the Stock Exchange Hong Kong Limited ("SEHK") that came into effect on 1 April 2012.

In addition, the Company had also adopted principles and practices of corporate governance in line with the recommendations of the Code of Corporate Governance 2012 (the "Singapore CR Code") issued by the Corporate Governance Committee as part of its continuing obligations as a listed company under the Listing Manual ("SGX-ST Listing Manual") of Singapore Exchange Securities Trading Limited ("SGX-ST"). The SGX-ST Listing Manual requires an issuer to describe their corporate governance practices with specific reference to the principles of the Singapore CR Code in its annual report, as well as disclose and explain any deviation from any guideline of the Singapore CR Code.

In the event of any conflict between the Singapore CR Code and the Hong Kong CR Code, the Company will comply with the more onerous code provision. 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 both the Singapore CR Code and the Hong Kong CR Code.

## BOARD OF DIRECTORS

### BOARD'S CONDUCT OF ITS AFFAIRS

Our Board is entrusted with the responsibility for the overall management of our Company. Our Board's primary role is to:

(a) provide entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets;

(c) review performance of the management of the Company ("Management");

(d) identify the key stakeholder groups and recognizing that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation;

(g) approve the Company's action plans and budget (proposed by Management);

(h) report to the Shareholders at the Annual General Meeting about the state of the Company's matters and about the Company's business results; and

(i) resolve any matters which require our Board's approval under any applicable law (including, without limitation, interested person transactions).

All Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

During the year, the Board conducted regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly, and full year results and to update the Board on significant business activities and overall business environment.

Ad hoc Board meetings were convened when the need arose. Where the attendance of certain Directors was not physically possible, the meeting was conducted with these Directors through teleconferencing. The Bye-laws of the Company (the "Bye-laws") provide for meetings to be held via telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. To further facilitate the efficient management of the Group, resolutions of the Board were passed by way of circulating minutes pursuant to Bye-law 115 of the Bye laws. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various board committees of the Company (the "Board Committees") are provided on page 29 of this report.

In accordance with the Singapore CR Code, the Board has, without abdicating its responsibility, delegated its function to the various Board Committees, namely the audit committee of the Company (the "Audit Committee"), nomination committee of the Company (the "Nomination Committee") and Remuneration Committee. All Board Committees were chaired by an independent non-executive Director and consist mainly of independent non-executive Directors.

The Board has adopted internal guidelines setting the following matters which are specifically reserved to the Board for approval:

- corporate restructuring;
- mergers and acquisitions;
- material acquisitions or disposal of assets;
- the release of the Group's financial results announcements;
- interested person transactions;
- capital expenditure or commitment exceeding US$1 million per transaction;
- share issuances, capital transactions, declaration of dividends and other returns to Shareholders;
- approving the appointment, dismissal and remuneration of Directors;
- reviewing of the adequacy and effectiveness of the Company's risk assessment and internal control systems, including financial, operational, compliance and information technology controls, and the provision of an opinion in the Company's Annual Report with the concurrence of the Audit Committee on such adequacy and effectiveness, addressing financial, operational and compliance risks (with recommendation from the Audit Committee); and
- matters involving a conflict on potential conflict of interest involving a substantial Shareholder or a Director.

Clear directions have also been given to the Management on matters that must be approved by the Board.

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 relevant to the Group so that they have a proper understanding of the operation, governance practices, and business of the Group and are fully aware of their responsibilities under the relevant laws and regulations. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

Directors periodically receive appropriate training or updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment.

The Company does not have a formal training program for new Directors. However, a newly appointed Director will be briefed by Management on the business operations and key regulatory issues relating to the Group. Directors are also informed of major regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as Directors.

# CORPORATE GOVERNANCE REPORT 2014

## BOARD COMPOSITION AND BALANCE

The Board exercises objective judgment independently from the Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board.

As of the date of this report, our Board comprises seven 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 in office at the date of this report are:

*Executive Director*
Mr. Wu Chao-Huan (Managing Director)
Mr. Wu Jian

*Non-Executive Directors*
Mr. Hsu Chih-Chien (Chairman)
Mr. Tsoi Wai Kwong (appointed 29 April 2014)

*Independent Non-Executive Directors*
Mr. Chu Wen Yuan
Mr. Ngiam Zee Moey (appointed 29 April 2014)
Mr. Foo Meng Kee (appointed 29 April 2014)

There are no permanent alternate Directors.

Our Nomination Committee reviews the independence of each Director annually and applies the Singapore CR Code and the Hong Kong Listing Rules qualification standard of an independent Director in its review.

During the year ended 31 December 2014, the Board at most of the times, (except the period between 25 February 2014 and 29 April 2014 after the resignations of Mr. Sin Boon Ann ("Mr. Sin") and Mr. Lui Chun Kin Gary ("Mr. Lui")), met the requirement of Rules 3.10(1) and (2) of the Hong Kong 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 and Rule 221 of the SGX-ST Listing Manual of having at least two independent Directors who are residents in Singapore.

## RESIGNATION AND RETIREMENT OF DIRECTORS

Mr. Sin and Mr. Lui resigned as independent non-executive Directors with effect from the close of business on 25 February 2014 after serving the Board for nearly nine years since the listing of the Company on the SGX-ST.

In accordance with Bye-law 86 of the Bye-laws, Mr. Sun Hsien-Long ("Mr. Sun") and Mr. Chang Shun-Chi ("Mr. Chang") retired at the annual general meeting of the Company held on 29 April 2014 ("2014 AGM"). Both having served the Board for more than 3 years, Mr. Sun and Mr. Chang had given notice to the Board that they would not offer themselves for re-election at the 2014 AGM and retired as non-executive Directors with effect from the conclusion of the 2014 AGM.

## LISTING RULES IMPLICATIONS

### *Minimum number of Independent Directors*

Rules 3.10(1) and 3.10A of the Hong Kong Listing Rules provides that every board of directors of a listed issuer must include at least three independent non-executive Directors which shall also represent at least one-third of the board.

Guideline 2.1 of the Singapore CR Code provides that independent directors should make up at least one-third of the Board.

Rule 221 of the SGX-ST Listing Manual provides that a foreign issuer must have at least two independent directors, who are residents in Singapore.

Accordingly, following the resignations of Mr. Sin and Mr. Lui on 25 February 2014, the Company did not comply with Rules. 3.10(1) and 3.10A of the Hong Kong Listing Rules Guideline 2.1 of the Singapore CR Code and Rule 221 of the SGX-ST Listing Manual as the number of independent non-executive Directors has fallen below the minimum number and ratio.

### *Accounting and financial experience*

Rule 3.10(2) of the Hong Kong Listing Rules requires at least one of the independent non-executive directors of an issuer to have appropriate professional qualifications or accounting or related financial management expertise.

Guideline 12.2 of the Singapore CR Code requires at least two members of the Audit Committee, including the chairman of the Audit Committee to have recent and relevant accounting or related financial management expertise or experience.

Although Mr. Chu is confirmed to have recent and relevant accounting or related financial management expertise or experience within the ambit of Guideline 12.2 of the Singapore CR Code, he does not have professional qualifications or accounting or financial management expertise or experience within the definition under Rule 3.10(2) of the Hong Kong Listing Rules.

Accordingly, following the resignations of Mr. Lui and Mr. Sin on 25 February 2014, the Company did not comply with the requirements under Rule 3.10(2) of the Hong Kong Listing Rules and Guideline 12.2 of the Singapore CR Code.

*Audit Committee*

Following the resignations of Mr. Sin and Mr. Lui on 25 February 2014, the Audit Committee comprises only of Mr. Chu Wen Yuan ("Mr. Chu") who is a member. Rule 3.21 of the Hong Kong Listing Rules provides that the audit committee established by a listed issuer must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

Rule 704(8) of the SGX-ST Listing Manual provides, inter alia, that in the event of any retirement or resignation which renders the Audit Committee unable to meet the minimum number (not less than three), an issuer should endeavor to fill the vacancy within two months, but in any case not later than three months.

Guideline 12.1 of the Singapore CG Code provides that the Audit Committee should comprise at least three directors, the majority of whom, including the Audit Committee chairman, should be independent.

As mentioned above, Guideline 12.2 of the Singapore CG Code requires at least two members of the Audit Committee, including the chairman of the Audit Committee to have recent and relevant accounting or related financial management expertise or experience.

Accordingly, the Company did not comply with the requirements under Rule 3.21 of the HK Listing Rules, Rule 704(8) of the SGX-ST Listing Manual and Guidelines 12.1 and 12.2 of the Singapore CG Code.

*Remuneration Committee*

Following the resignation of Mr. Sin on 25 February 2014, the Remuneration Committee comprises of Mr. Chu and Mr. Hsu Chih-Chien ("Mr. Hsu").

Rule 3.25 of the Hong Kong Listing Rules provides that an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

Guideline 7.1 of the Singapore CR Code provides that the remuneration committee should comprise at least three directors, the majority of whom, including the remuneration committee chairman, should be independent. All of the members of the remuneration committee should be non-executive directors.

Accordingly, the Company did not comply with Rule 3.25 of the Hong Kong Listing Rules and Guideline 7.1 of the Singapore CR Code as the number of independent non-executive Directors as Remuneration Committee members fell below the minimum number.

*Nomination Committee*

Following the resignations of Mr. Sin and Mr. Lui and the appointment of Mr. Chu, the Nomination Committee comprises of Mr. Chu and Mr. Hsu.

Guideline A.5.1 of the Hong Kong CR Code provides that listed issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

Guideline 4.1 of the Singapore CR Code provides that the nomination committee should comprise at least three directors, the majority of whom, including the nomination committee chairman, should be independent.

Accordingly, the Company did not comply with Guideline A.5.1 of the Hong Kong CR Code and Guideline 4.1 of the Singapore CR Code.

# CORPORATE GOVERNANCE REPORT 2014

## APPOINTMENT OF NEW DIRECTORS

At the 2014 AGM, the Shareholders have approved the appointments of Mr. Wu Jian as executive Director, Mr. Tsoi Wai Kwong as non-executive Director, Mr. Ngiam Zee Moey and Mr. Foo Meng Kee as Independent Non-executive Directors as new Directors ("New Directors"). Thus there were no non-compliances and implications mentioned above since then. The profiles of the New Directors appointed are as follows:

**Ngiam Zee Moey**
*Independent Non-Executive Director*

**Mr. Ngiam Zee Moey (嚴志美) ("Mr. Ngiam")**, aged 59, has over 30 years' experience in various accounting, financial and managerial positions. During 1987 to 2005, he was the group financial controller of Lauw & Sons Group in Singapore, where he was responsible for all financial matters of the group including reviewing financial statements of the group. Since 2004 till present, he is also the joint company secretary of AEI Corporation Ltd, a company listed on the Main Board of the SGX-ST. Mr. Ngiam obtained a Bachelor of Commerce (Accountancy) degree from Nanyang University in 1980 and a Graduate Diploma in Marketing from the Marketing Institute of Singapore in 1993. He is a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants of the UK. Currently, Mr. Ngiam holds directorships in the following companies listed on the SGX-ST: as an independent director and the audit committee of chairman of Zhongxin Fruit and Juice Limited; as a non-executive director of Hosen Group Limited; and as an independent director of Darco Water Technologies Limited. He is also the director of a number of private companies.

**Foo Meng Kee**
*Independent Non-Executive Director*

**Mr. Foo Meng Kee (符名基) ("Mr. Foo")**, aged 65, is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He is highly experienced in the new build of vessels in various Chinese shipyards, and possesses extensive experience in the PRC market. He served in Hitachi Zosen Singapore Ltd ("Hitachi") from 1976 to 1998. In 1989, he was appointed to the board of directors of Hitachi. In 1992, he was appointed as the managing director, and at his helm, Hitachi successfully gained its listing status on the Main Board of the SGX-ST. During the period from 1992 to 1998, Mr. Foo was a member of the executive committee and the audit committee of Hitachi. Mr. Foo obtained a Bachelor of Commerce (Hons.) degree from Nanyang University of Singapore in 1973 and a Master of Business Administration degree from the University of Dubuque, USA in 1990. Mr. Foo is also an independent non-executive director of Titan Petrochemicals Group Ltd. ("Titan"), a company listed on the Main Board of the HKEx. As at the date of this report, trading in the shares of Titan has been suspended with provisional liquidators appointed. Currently, Mr. Foo holds directorships in the following companies listed on the SGX-ST: as an independent director and audit committee chairman of Sinarmas Land Limited and Lee Metal Group Limited; as a non-executive and independent director of Jiutian Chemical Group Limited. From January 2006 to August 2013, Mr. Foo was also an independent director and nomination committee chairman of See Hup Seng Limited.

**Wu Jian**
*Executive Director*

**Mr. Wu Jian (吳建) (alias 吳健) ("Mr. Wu Jian")**, aged 60, Mr. Wu Jian started his career in 1982 with the China Coal Energy Group (formerly known as China Coal Import and Export General Corporation) and retired in early 2014. The positions he held during this period included company secretary, manager of import and export department, general manager of China Coal (Hong Kong) Ltd and assistant to the President and Executive Director of China Coal Energy Company Ltd, a company listed on the SEHK. Mr. Wu Jian graduated from the Renmin University of China with a bachelor degree in Economics in 1982.

**Tsoi Wai Kwong**
*Non-Executive Director*

**Mr. Tsoi Wai Kwong (蔡 偉 光) ("Mr. Tsoi")**, aged 51, has more than 20 years of relevant experience in business management and international shipping operations, involving vessel chartering, container depot and investment in steel and metal products. From 1998 to 2002, he was the executive director of Oriental Union Ltd. From 2002 to 2005, he was the executive director of Shougang Concord International Enterprises Company Limited. Oriental Union Ltd and Shougang Concord International Enterprises Company Limited are listed on the Main Board of the SEHK. Mr. Tsoi is a member of the Institute of Linguists in the UK.

Since 2005, Mr. Tsoi has been pursuing his personal investment and the operation of private companies in the PRC. Nonetheless, he maintained strong ties with the shipping and vessel chartering industries.

## INDEPENDENCE OF DIRECTORS

Mr. Chu joined the Board on 24 August 2005 as an independent non-executive Director prior to the listing of the Company on the SGX-ST and he has served on the Board for more than 9 years. He was last re-elected as the independent non-executive Director on 29 April 2014.

Notwithstanding the aforesaid, having considered the recommendations of the Nomination Committee, the Board is of the view that the Mr. Chu's length of service has not, in any way, diminished his independence. The Board believes that Mr. Chu's valuable knowledge and experience will continue to contribute to and facilitate the Board, especially after the change of Board's composition last year.

Accordingly, a separate resolution will be proposed at the Annual General Meeting for the further appointment and re-election of Mr. Chu as an independent non-executive Director notwithstanding that he has served on the Board for more than 9 years.

## BOARD SIZE

Present Board size of seven members is appropriate for the Company and to provide for effective decision-making. Although the requirement under Singapore CR Code that independent Directors make up one-third of the Board is satisfied, as the chairman of the Company Mr. Hsu is not an independent Director, the Singapore CR Code recommends that independent Directors make up at least half of the Board. The Company is working towards fulfilling this recommendation, prior to 2018.

At least once a year, the independent Directors meet without the presence of Management and executive Directors to review any matters that they wish to raise privately and to develop proposals on company strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

## 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 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 of the Company ensures that Board meetings are held regularly and, in addition, when necessary, sets our Board meetings agenda in consultation with the managing director of the Company. 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 of the Company leads each Board meeting and ensures full discussion of agenda items. Management, as well as external experts who can provide additional insights into the matters discussed are invited when necessary to attend at the relevant time during our Board meetings.

## BOARD MEMBERSHIP

In accordance with the Bye-laws and the Hong Kong CR Code, each Director shall retire at least once every three (3) years. In addition, any Director appointed by the Board shall retire at the next general meeting of the Company and shall then be eligible for re-election at that meeting. No Director is required to be retired pursuant to the Bye-laws and the Hong Kong CR Code as all Directors were last appointed at an annual general meeting less than 3 years before Annual General Meeting. As such, the Board proposed Mr. Hsu, Mr. Wu Jian and Mr. Ngiam shall retire at the Annual General Meeting, representing a mix of executive, non-executive and independent non-executive Directors. Mr. Hsu, Mr. Wu Jian and Mr. Ngiam, being eligible, will offer themselves for re-election at the Annual General Meeting. Our Nomination Committee has recommended the re-appointment of the said retiring Directors at the upcoming Annual General Meeting, and our Board has accepted the Nomination Committee's recommendation and accordingly Mr. Hsu, Mr. Wu Jian and Mr. Ngiam are offering themselves for re-election. Our Nomination Committee comprises three Directors, a majority of whom, including the chairman, are independent. As at the date of this report, our Nomination Committee members are:

1) Mr. Chu, chairman and independent Director

2) Mr. Ngiam, member and independent Director

3) Mr. Hsu, member and non-executive Director

The responsibilities of the Nomination Committee are to make recommendations to the Board on relevant matters relating to:

# CORPORATE GOVERNANCE REPORT 2014

(a) reviewing of board succession plans for Directors, in particular, the chairman and for the chief executive officer of the Company;

(b) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors by proposing objective performance criteria;

(c) the review of training and professional development programs for the Board; and

(d) the appointment and re-appointment of Directors (including alternate directors, if applicable).

In addition, the Nomination Committee has its terms of reference defining its role which include, inter alia:

(a) making recommendations to our Board on all Board appointments, including re-nomination, having regard to the Director's contribution and performance (such as their attendance, preparedness, participation and candour) 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 CR Code, Rule 3.13 of the Hong Kong Listing Rules and any other salient factors;

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director taking into consideration the Director's number of listed company board representations and other principal commitments;

(d) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;

(e) recommending to the Board internal guidelines that address the competing time commitments that are faced when Directors serve on multiple boards and determining the maximum number of listed company board representations which any Director may hold; and

(f) deciding on how our Board's performance may be evaluated and propose objective performance criteria, as approved by our Board.

The Nomination Committee has also determined that the Directors have been adequately carrying out their duties as Directors, taking into consideration the number of listed company board representations and other principal commitments of each Director.

Code provision A.4.1 of the Hong Kong CR Code stipulates that a non-executive director shall be appointed for a specific term, subject to re-election. Although all the independent non-executive 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.

In the process of selecting, appointing and re-appointing Directors, the Nomination Committee considers factors such as the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent Director.

The Nomination Committee reviews and assesses candidates for directorship before making recommendations to the Board. In recommending new directors to the Board, the Nomination Committee takes into consideration the skills and experience and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability.

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

## BOARD PERFORMANCE

Our Nomination 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 and Board Committees.

Currently, our Board's performance is evaluated on the basis of the Board and Board Committee's performance or accountability as a whole, as our Board is of the opinion that given the size of the Board, the background, expertise and experience of each Director and the interactions amongst Board members, it is not necessary for the performance of Directors to be evaluated individually.

Each Board member is required to complete a Board appraisal assessment form. On the basis of returns submitted, the chairman of the Nomination Committee prepares a consolidated report which is presented to the Nomination Committee for evaluation and consideration, inter alia, in connection with the Nomination Committee's recommendations to the Board for re-nomination for Directors for re-appointment.

In evaluating the Board's performance, the Nomination Committee considers performance criteria such as, Board processes, Board information and accountability and Board performance in relation to discharging its principal functions and responsibilities for financial targets (if applicable). Such performance criteria have been approved by the Board. The performance criteria has not changed from the previous financial year, and will not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

The Nomination Committee is of the view that it would not be meaningful to set a maximum number of board representations that a Director is permitted to have as individual Directors may have different commitments and time resources for the purpose of meeting their obligations under their various board representations. The Nomination Committee also believes that multiple board representations will benefit the Board as the Directors will then be able to bring with them the experience and knowledge obtained from their directorships in other companies.

Note:–

1. The term "principal commitments" as defined in the Singapore CR Code includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

Each member of our Nomination Committee abstains from voting on any resolution 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 2014 are 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 | – | – | 2 | 2 | 1 | 1 |
| Wu Chao-Huan | 4 | 4 | – | – | – | – | – | – |
| Chu Wen Yuan | 4 | 4 | 4 | 4 | 2 | 2 | 1 | 1 |
| Wu Jian [1] | 4 | 3 | – | – | – | – | – | – |
| Tsoi Wai Kwong [1] | 4 | 3 | – | – | – | – | – | – |
| Foo Meng Kee [1] | 4 | 3 | 4 | 3 | – | – | – | – |
| Ngiam Zee Moey [1] | 4 | 3 | 4 | 3 | – | – | – | – |
| Chang Shun-Chi (James) [2] | 4 | 1 | – | – | – | – | – | – |
| Sun Hsien-Long [2] | 4 | 1 | – | – | – | – | – | – |
| Sin Boon Ann [3] | 4 | 1 | 4 | 1 | 2 | 1 | 1 | 1 |
| Lui Chun Kin Gary [3] | 4 | 1 | 4 | 1 | 2 | 1 | – | – |

Note:

1. Wu Jian, Tsoi Wai Kwong, Foo Meng Kee and Ngiam Zee Moey were appointed as Directors during the annual gnereal meeting of the Company held on 29/04/2014. Ngiam Zee Moey was concurrently appointed as chairman of Audit Committee, member of Nomination Committee and the Remuneration Committee on 29/04/2014. Foo Meng Kee was concurrently appointed as member of Audit Committee on 29/04/2014.

2. Sun Hsien-Long and Chang Shun-Chi retired as Directors and did not seek re-election at annual gnereal meeting of the Company held on 29/04/2014.

3. Gary Lui and Sin Boon Ann resigned as Directors during 1Q2014 board meeting of the Company held on 25/02/2014.

# CORPORATE GOVERNANCE REPORT 2014

## BOARD DIVERSITY

In March 2014, the Board formally adopted a Board Diversity Policy which seeks to record the Company's policy on board diversity and to recognise of terms of the relevant new code provision of the Hong Kong CR Code which came into effect on 1 September 2013. The Board believes that board diversity enhances decision-making capacity and a diverse board is more effective in dealing with organizational changes and less likely to suffer from group thinking. We recognize that board diversity is an essential element contributing to the sustainable development of the Company. The objectives of the Board Diversity Policy are to have a board which:

(a) is characterised by a broad range of views arising from different experiences when discussing business;

(b) facilitates the making of informed and critical decisions; and

(c) has sustainable development as its core value, and thus promotes the interests of all our stakeholders, particularly the long-term interests of our Shareholders, fairly and effectively.

For the purpose of the Board Diversity Policy, the Company considers the concept of diversity incorporates a number of different aspects, such as professional experiences, business perspectives, skills, knowledge, gender, age, cultural and educational background, ethnicity, and length of service. The achievement of these objectives is measurable on an objective review by Shareholders of the overall composition of the Board, the diversity of background and experience of individual Directors and the effectiveness of the Board in promoting Shareholders' interests.

Recognising Directors are appointed by Shareholders, not the Board or the Company, merit and competence to serve the Board and hence Shareholders remains the first priority. In order for Shareholders to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support, we shall continue to provide sufficient information to Shareholders about the size, qualifications, characteristics etc. of each individual Board member and therefore, the Board as a whole.

The Nomination Committee has been charged with the review of the Board Diversity policy on a periodic basis. The Nomination Committee believes that the approach of review of the policy may take the form of an analysis of the Board in the different aspects of diversity as set out above having regard to the sustainable development of the Company, supplemented with Shareholders' feedback on the diversity of the Board and its overall effectiveness in promoting Shareholders' interests.

The Board Diversity Policy is available on the SEHK and the Company's website.

## 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 to enable them to make informed decisions.

The Management provides the Board members with complete, adequate and timely information prior to Board meetings and on an ongoing basis, and the Board members have separate and independent access to the Management to enable them to make informed decisions to discharge their duties and responsibilities. The materials prepared for each meeting of the Board include Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements, and are normally circulated in advance of each meeting. The Board papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. In respect of budgets, where there is a material variance between the projections and actual results, the Management will disclose and explain this to the Board.

Our Board, 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.

Joint company secretaries of the Company ("Company Secretaries", individually referred as "Company Secretary") attend all Board meetings and are responsible for ensuring that Board procedures are followed and recording the minutes. Together with the Management, our Company Secretaries are responsible to ensure that (i) established procedures and all relevant statutes and regulations which are applicable to the conduct of Board Meetings and matters by the Company are complied with, (ii) there is good information flow within the Board and its Board Committees and between Management and non-executive Directors, (iii) advising the Board on corporate governance matters as required, and (iv) facilitating orientation and assisting with professional development as required.

The Company Secretaries and Management are also responsible to ensure that the Company complies with the requirements and listing rules of both the SGX-ST and the SEHK and other rules and regulations that are applicable to the Company. A Director or the Board 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

The Remuneration Committee has its terms of reference which clearly set out its authority and duties and provides that the Remuneration Committee should comprise of at least three non-executive Directors, a majority of whom, including the chairman, are independent.

As at the date of this report, member of our Remuneration Committee are:

Mr. Chu, chairman and independent Director
Mr. Ngiam, member and independent Director
Mr. Hsu, member and non-executive Director

According to its terms of reference, the responsibilities of the Remuneration Committee include reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel, as well as specific remuneration packages for each Director as well as key management personnel. The Remuneration Committee covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind, and will be submitted for endorsement by the entire Board. The Remuneration Committee reviews the remuneration packages with the aim of building capable and committed management teams through competitive remuneration compensation. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The Remuneration Committee also reviews the Company's obligations arising in the event of termination of the executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The Remuneration Committee aims to be fair and avoids rewarding poor performance.

Each member of the 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 and key management personnel for the year under review.

## LEVEL AND MIX OF REMUNERATION

In setting remuneration packages, the aim of the Remuneration Committee is to motivate without being excessive and retain and motivate Directors and key management personnel, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term Shareholder value. The Remuneration Committee takes into account the performance of the Group, as well as the performance of individual Directors and key management personnel, and linking the remuneration of Directors and key management personnel to indicators such as core values, competencies, key result areas, performance rating and potential. Such performance-related remuneration takes into account the risk policies of the Company, and is sensitive to the time horizon of risks. The Remuneration Committee also takes into consideration industry practices and norms in compensation.

Directors are paid Directors' fees, determined by the Board based on the effort, time spent and responsibilities of the Directors. The Remuneration Committee ensures that non-executive Directors are not over compensated to the extent that their independence is compromised.

[1] The term "key management personnel" as defined in the Singapore CR Code means the chief executive officer (or equivalent) and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

# CORPORATE GOVERNANCE REPORT 2014

## DISCLOSURE OF REMUNERATION

A summary remuneration table of our Directors is shown below.

| | Salary % | Bonus % | Fee % | Benefits % | Total % | Total US$ |
|---|---|---|---|---|---|---|
| Hsu Chih-Chien | - | 84 | 16 | - | 100 | 50,000 |
| Wu Chao-Huan | 72 | 17 | 11 | - | 100 | 180,000 |
| Wu Jian | 75 | - | 25 | - | 100 | 80,000 |
| Chu Wen Yuan | - | - | 100 | - | 100 | 45,000 |
| Ngiam Zee Moey | - | - | 100 | - | 100 | 25,000 |
| Foo Meng Kwong | - | - | 100 | - | 100 | 25,000 |
| Tsoi Wai Kwong | - | - | 100 | - | 100 | 20,000 |
| Chang Shun-Chi | - | 60 | 40 | - | 100 | 8,000 |
| Sun Hsien-Long | - | 60 | 40 | - | 100 | 8,000 |
| Sin Boon Ann | - | - | 100 | - | 100 | 9,000 |
| Lui Chun Kin, Gary | - | - | 100 | - | 100 | 8,000 |

Notes:–

1. Comprising (i) Directors' fees payable as ordinary remuneration to non-Executive Directors and Independent non-Executive Directors bonuses; (ii) payable to non-Executive Directors for additional services provided pursuant to the service agreement entered into with the Company and (iii) salaries, bonuses and fees payable to Executive Directors as employee remuneration pursuant to service agreements entered into with the Company.

2. Pursuant to service agreements entered into with the Company.

A summary remuneration table of the top 5 key management executives is shown below. The annual aggregate remuneration paid to the top key management personnel of the Company for FY2014 was approximately US$440,000.

| Remuneration Band | Salary % | Bonus % | Fee % | Benefits % | Total % |
|---|---|---|---|---|---|
| **Below S$250,000** | | | | | |
| Chen Shin-Yung | 100 | - | - | - | 100 |
| Hon Kwok Ping | 87 | 13 | - | - | 100 |
| Kuo Ji-Rong | 93 | 7 | - | - | 100 |
| Tong Sheng-Tung | 94 | 6 | - | - | 100 |
| Yuen Chee Lap, Carl | 87 | 13 | - | - | 100 |

## ACCOUNTABILITY

The Directors undertake the responsibility of (i) overseeing the corporate performance of the Company and is accountable to Shareholders for the processes and structure of directing and managing the Company's business and affairs, (ii) providing a balanced and understandable assessment of the Company's performance, position and prospects, which extends to interim and other price sensitive public reports and reports to regulators (if required), (iii) taking adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST and SEHK, by establishing written policies where appropriate.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

In presenting the annual financial statements and announcements of financial results to the Shareholders, it is the aim 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 SGX-ST Listing Manual and Hong Kong Listing Rules and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Management's role is to report to the Board the operational and financial performance of the Group by keeping the Board informed and updated with the provision of financial and management reports, on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's prospects. 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.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board also reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls annually. Such review is carried out with the assistance of the external and outsourced internal auditors. Material non-compliance and internal control weakness and recommendations for improvements noted during the audit are reported to the Audit Committee. The Audit Committee has reviewed the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors. The system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any events that can be reasonably foreseen as it strives to achieve it business objectives. The Board notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

The director of finance and financial controller of the Company have at the financial year-end provided a letter of assurance to the Audit Committee confirming, inter alia, that:–

1. the FY2014 Consolidated Results of the Group and the said financial statements of the Company have been prepared in accordance with the provisions of the Bermuda Companies Act and the International Financial Reporting Standards so as to give a true and fair view of the Company's operations and finances as at 31 December 2014, and the results and changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended 31 December 2014;

2. the financial records have been properly maintained; and

3. the Company and the Group have put in place and will continue to maintain an effective risk management and internal control systems (addressing financial, operational and compliance risks) and corporate governance practices.

Based on the internal controls established and maintained by the Group, the work performed by the internal and external auditors, and reviews performed by Management, various Committees and the Board, pursuant to Rule 1207(10) of the SGX-ST Listing Manual, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks are adequate as at 31 December 2014.

## AUDIT COMMITTEE

The terms of reference of the Audit Committee provides that the Audit Committee should comprise at least three Directors, all of whom, including the chairman, shall be independent. Two members of the AC have sufficient accounting or related financial management expertise or experience to discharge their responsibilities.

# CORPORATE GOVERNANCE REPORT 2014

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 the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

(b) reviewing and reporting to the Board at least annually, the adequacy and effectiveness of the Company's risk management systems and internal controls, including financial, operational, compliance and information technology controls, either internally or with the assistance of any competent third parties;

(c) reviewing the adequacy and effectiveness of the Company's internal audit function;

(d) meeting with the internal auditors without the presence of the Company's management at least once a year;

(e) approving the hiring, removal, evaluation and compensation of the head of the internal audit, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

(f) ensuring that the internal audit function is staffed with persons with the relevant qualifications and experience;

(g) reviewing the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors;

(h) 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;

(i) 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 SGX-ST Listing Manual, the Hong Kong Listing Rules and any other relevant statutory or regulatory requirements;

(j) reviewing 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);

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

(l) reviewing the Interested Person Transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual and Connected Transactions (if any) falling within the scope of Chapter 14A of the Hong Kong Listing Rules;

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

(n) undertaking such other reviews and projects as maybe requested by our Board, and reporting to our Board findings from time to time on matters arising and requiring the attention of our AC;

(o) generally undertaking such other functions and duties as may be required by statute or the SGX-ST Listing Manual, the Hong Kong Listing Rules (as may be amended from time to time); and

(p) 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. Staff of the Group has access to the Company Secretary and may in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the Audit Committee. 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 from Management and meets with the external and internal auditors of the Company, in each case, without the presence of Management, at least once a year. 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.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with briefings conducted by the external auditors.

The Group's external auditors, Deloitte Touche Tohmatsu, is an accounting firm registered with the Hong Kong Institute of Certified Public Accountants and have been the auditors of the Group since 14 January 2013 and Mr. Benny Lam is the current audit partner in charge. The external auditors provides regular updates and periodic briefings to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The Audit Committee has also reviewed and confirmed that Deloitte Touche Tohmatsu is a suitable audit firm to meet the Company's audit obligations, having regards to the adequacy of resources and experience of the firm and the assigned audit engagement partner, other audit engagements, size and nature of the Group, number and experience of supervisory and professional staff assigned to the audit.

The statement of the external auditors of the Group about their reporting responsibilities for the financial statements is set out in page 39 of this 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 | 255 |
| Non-Audit Services | 58 |
| Total | 313 |

The Group confirms that it is in compliance with Rules 712 and 715 of the SGX-ST 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 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.

# CORPORATE GOVERNANCE REPORT 2014

## SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND GREATER SHARE HOLDER PARTICIPATION

Our Company's results are published through the SGXNET and HKEx news 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 receive the annual report and notice of the annual general meeting. At the annual general meeting, Shareholders are given the opportunity to air their views and ask the Directors or Management questions regarding our Company.

The Company does not have a fixed dividend policy. The Directors monitor and assess the Company's ability to declare or pay dividends, whether final or interim, taking into account, inter alia, factors and considerations such as the Group's financial position, retained earnings, results of operations and cash flow, the ability of the Company's subsidiaries to make dividend payments to the Company, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, the Group's actual and projected financial performance and position, restrictions on payment of dividend that may be imposed by financing arrangements (if any), general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group and such other factors that the Board considers relevant.

As the Company suffered a loss for the financial year ended 31 December 2014, the Company will not be paying dividends for the financial year ended 31 December 2014.

Pursuant to Bye-law 57 of the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda (as amended from time to time).

## DEALINGS IN SECURITIES

In line with the rules of the SGX-ST Listing Manual, the Company has adopted a policy prohibiting its officers from dealing in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The Company also discourages trading on short-term considerations.

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

The Company has made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard as set out in the Model Code.

## 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 2014.

## INTERESTED PERSON TRANSACTIONS

All interested person transactions under the SGX-ST Listing Manual and Connected Transactions under the Hong Kong Listing Rules are considered and reviewed by our Audit Committee, and to the extent required by the SGX-ST Listing Manual, the Hong Kong Listing Rules and/or Bermuda Companies Act, by our Board Audit Committee. 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 entered into by the Group were as follows:

| Name of interested person | Nature of Transaction | Aggregate value of all interested person transactions during the financial year under review |
|---|---|---|
| Ms. Chou Hsiu-Ma (Spouse of our previous non-executive Director, Mr. Chang Shun-Chi). | Rental income from lease of office space in Shanghai to our Company | US$28,000 |
| Maxmart Shipping & Trading Co., Ltd. | Commission on disposal of vessel paid | US$44,000 |

The transaction value was not over 1% of the Net Tangible Assets of our Company as at 31 December 2014 and the stipulated thresholds for reporting and approval requirements under Rule 14A.31 of the Hong Kong 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 SEHK ("HK Listing Document"), the independent non-executive Director had held an independent board committee meeting, at the end of each financial year, to consider reports and proposals presented by the Management relating to the exercise of the Option or the Rights of First Refusal (as respectively defined in the HK Listing Document).

The independent non-executive Directors have considered the reports and proposals of the Management and the factors set out in (i) to (iii) on p.154 of the HK Listing Document, resolved that (i) there shall be no exercise of the Option because Mr. Hsu'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 has fully complied with the Deed of Non-Competition, the First Undertaking and the Second Undertaking (as respectively defined in the HK Listing document).

# 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 40 to 91 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 2014, 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

25 March 2015

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF COURAGE MARINE GROUP LIMITED**
**勇利航業集團有限公司**
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 40 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 auditor's judgment, 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 give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
27 February 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | NOTES | 2014 US$'000 | 2013 US$'000 |
|---|---|---|---|
| **Revenue** | 8 | 16,535 | 24,963 |
| **Cost of sales** | | (19,732) | (22,313) |
| **Gross (loss) profit** | | (3,197) | 2,650 |
| Other income | 9 | 341 | 609 |
| Other gains and losses | 10 | 1,437 | 80 |
| Administrative expenses | | (3,212) | (3,644) |
| Impairment loss on property, plant and equipment | 19 | (2,900) | – |
| Other expenses | 11 | (820) | (167) |
| Finance costs | 12 | (1,363) | (1,300) |
| **Loss before tax** | | (9,714) | (1,772) |
| Income tax expense | 13 | (10) | (3) |
| **Loss for the year attributable to owners of the Company** | 14 | (9,724) | (1,775) |
| **Other comprehensive income (expense), net of income tax:** | | | |
| **Item that will not be reclassified subsequently to profit or loss:** | | | |
| Surplus (deficit) on revaluation of leasehold land and building | | 782 | (68) |
| Deferred tax (liability) asset arising on revaluation of leasehold land and building | | (121) | 24 |
| Total other comprehensive income (expense) | | 661 | (44) |
| **Total comprehensive expense for the year** | | | |
| **– attributable to owners of the Company** | | (9,063) | (1,819) |
| **Loss per share (US cents)** | 17 | | |
| – basic and diluted | | (0.92) | (0.17) |

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*AT 31 DECEMBER 2014*

| | NOTES | THE GROUP 2014 US$'000 | THE GROUP 2013 US$'000 | THE COMPANY 2014 US$'000 | THE COMPANY 2013 US$'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 19 | **68,711** | 70,120 | **–** | – |
| Investment property | 20 | **–** | 914 | **–** | – |
| Interests in subsidiaries | 21 | **–** | – | **8,023** | 20,047 |
| Interest in a joint venture | 22 | **5,330** | 5,330 | **–** | – |
| Amounts due from subsidiaries | 21 | **–** | – | **31,055** | 53,584 |
| Long-term receivables and deposits | 23 | **5,329** | 5,015 | **–** | – |
| Deposit paid for acquisition of a vessel | | **–** | 860 | **–** | – |
| Available-for-sale investment | 24 | **79** | 79 | **–** | – |
| Total non-current assets | | **79,449** | 82,318 | **39,078** | 73,631 |
| **Current assets** | | | | | |
| Trade receivables | 25 | **156** | 1,329 | **–** | – |
| Other receivables and prepayments | 23 | **3,160** | 3,775 | **28** | 27 |
| Amount due from a joint venture | 26 | **553** | 412 | **–** | – |
| Held-for-trading investments | 27 | **444** | 450 | **–** | – |
| Pledged bank deposits | 28 | **4,361** | 4,330 | **–** | – |
| Cash and cash equivalents | 29 | **8,883** | 13,152 | **65** | 108 |
| Total current assets | | **17,557** | 23,448 | **93** | 135 |
| **Total assets** | | **97,006** | 105,766 | **39,171** | 73,766 |
| **Current liabilities** | | | | | |
| Other payables and accruals | 30 | **2,193** | 2,205 | **860** | 892 |
| Borrowings – due within one year | 31 | **4,024** | 5,646 | **–** | – |
| Total current liabilities | | **6,217** | 7,851 | **860** | 892 |

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*AT 31 DECEMBER 2014*

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | NOTES | **2014** | 2013 | **2014** | 2013 |
| | | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Capital and reserves** | | | | | |
| Share capital | 32 | **19,059** | 19,059 | **19,059** | 19,059 |
| Share premium | | **28,027** | 28,027 | **28,027** | 28,027 |
| Revaluation reserve | 33 | **1,734** | 1,073 | **–** | – |
| Other reserve | | **1,531** | 1,531 | **–** | – |
| Retained profits (accumulated loss) | | **7,971** | 17,695 | **(8,775)** | 25,788 |
| Total equity | | **58,322** | 67,385 | **38,311** | 72,874 |
| **Non-current liabilities** | | | | | |
| Deferred taxation | 34 | **311** | 190 | **–** | – |
| Borrowings – due more than one year | 31 | **32,156** | 30,340 | **–** | – |
| Total non-current liabilities | | **32,467** | 30,530 | **–** | – |
| **Total liabilities and equity** | | **97,006** | 105,766 | **39,171** | 73,766 |
| **Net current assets (liabilities)** | | **11,340** | 15,597 | **(767)** | (757) |
| **Total assets less current liabilities** | | **90,789** | 97,915 | **38,311** | 72,874 |

The consolidated financial statements on pages 40 to 91 were approved and authorised for issue by the board (the "Board") of Directors (the "Directors") of the Company on 27 February 2015 and are signed on its behalf by:

*DIRECTOR*

*DIRECTOR*

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | Share capital US$'000 | Share premium US$'000 | Property revaluation reserve US$'000 | Other reserve US$'000 | Retained profits US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **THE GROUP** | | | | | | |
| At 1 January 2013 | 19,059 | 28,027 | 1,117 | – | 19,470 | 67,673 |
| Loss for the year | – | – | – | – | (1,775) | (1,775) |
| Deficit on revaluation of leasehold land and building | – | – | (68) | – | – | (68) |
| Deferred tax asset arising on revaluation of leasehold land and building | – | – | 24 | – | – | 24 |
| Total comprehensive expense for the year | – | – | (44) | – | (1,775) | (1,819) |
| Reserve arising from the settlement of deferred consideration by way of transfer of property interest to a joint venture | – | – | – | 1,531 | – | 1,531 |
| At 31 December 2013 | 19,059 | 28,027 | 1,073 | 1,531 | 17,695 | 67,385 |
| Loss for the year | – | – | – | – | (9,724) | (9,724) |
| Surplus on revaluation of leasehold land and building | – | – | 782 | – | – | 782 |
| Deferred tax liability arising on revaluation of leasehold land and building | – | – | (121) | – | – | (121) |
| Total comprehensive income for the year | – | – | 661 | – | (9,724) | (9,063) |
| At 31 December 2014 | **19,059** | **28,027** | **1,734** | **1,531** | **7,971** | **58,322** |

Note: Other reserve represents excess of the fair value of a property interest transferred to the Group over the carrying amount of a deferred consideration receivable which was to be settled by an independent third party. Background of this deferred consideration was detailed in Note 23 to the consolidated financial statements for the year ended 31 December 2014.

| | Share capital US$'000 | Share premium US$'000 | Retained profits/ (accumulated loss) US$'000 | Total US$'000 |
|---|---|---|---|---|
| **THE COMPANY** | | | | |
| At 1 January 2013 | 19,059 | 28,027 | 25,356 | 72,442 |
| Total comprehensive income for the year | – | – | 432 | 432 |
| At 31 December 2013 | 19,059 | 28,027 | 25,788 | 72,874 |
| Total comprehensive expense for the year | – | – | (34,563) | (34,563) |
| At 31 December 2014 | **19,059** | **28,027** | **(8,775)** | **38,311** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

| | 2014<br>US$'000 | 2013<br>US$'000 |
|---|---|---|
| **Operating activities** | | |
| Loss before income tax | (9,714) | (1,772) |
| Adjustments for: | | |
| Dividend income from listed investments | (20) | (20) |
| Interest income | (62) | (85) |
| Interest expense | 1,363 | 1,300 |
| Gain on disposal of property, plant and equipment | (1,475) | – |
| Change in fair value of held-for-trading investments | 6 | (59) |
| Change in fair value of investment property | (15) | 41 |
| Change in fair value of structured deposit | – | (38) |
| Depreciation of property, plant and equipment | 2,289 | 1,692 |
| Discount effect on long-term loan receivable | 246 | – |
| Imputed interest income on long-term receivable | (237) | (225) |
| Impairment loss on deposits paid | 476 | 167 |
| Impairment loss on other receivables | 98 | – |
| Impairment loss on property, plant and equipment | 2,900 | – |
| Operating (loss) profit before movements in working capital | (4,145) | 1,001 |
| Decrease (increase) in trade receivables | 1,173 | (438) |
| Increase in other receivables and prepayments | (12) | (290) |
| (Decrease) increase in other payables and accruals | (82) | 430 |
| Cash (used in) from operations | (3,066) | 703 |
| Income tax paid | (10) | (3) |
| Income tax refund | – | 58 |
| Interest income received | 62 | 85 |
| Interest expense paid | (1,363) | (1,300) |
| Dividends received from listed investments | 20 | 20 |
| Net cash used in operating activities | (4,357) | (437) |
| **Investing activities** | | |
| Deposits for acquisition of property, plant and equipment and investment properties | (253) | (957) |
| Deposit paid for acquisition of a vessel | – | (860) |
| Purchase of property, plant and equipment | (8,075) | (8,451) |
| Proceeds on disposal of property, plant and equipment | 8,394 | – |
| Placement of pledged bank deposits | (31) | (32) |
| Withdrawal of structured deposit | – | 1,000 |
| Advance to a joint venture | (141) | – |
| Net cash used in investing activities | (106) | (9,300) |
| **Financing activities** | | |
| New loans raised | 10,000 | 4,000 |
| Repayment of loans | (7,331) | (3,051) |
| (Decrease) increase in bank overdraft | (2,475) | 68 |
| Net cash from financing activities | 194 | 1,017 |
| Net decrease in cash and cash equivalents | (4,269) | (8,720) |
| Cash and cash equivalents at beginning of the year | 13,152 | 21,872 |
| **Cash and cash equivalents at end of the year** | 8,883 | 13,152 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 1. GENERAL

Courage Marine Group Limited (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 ("SEHK"). The consolidated 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 and a joint venture are set out in Note 21 and Note 22 respectively.

There are no significant changes to the principal activities of the Company and its subsidiaries (the "Group") during the year ended 31 December 2014.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied for the first time in the current year the following new and revised International Financial Reporting Standards ("IFRSs").

| | |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27 | Investment entities |
| Amendments to IAS 32 | Offsetting financial assets and financial liabilities |
| IAS 36 | Recoverable amount disclosures for non-financial assets |
| IAS 39 | Novation of derivatives and continuation of hedge accounting |
| IFRIC 21 | Levies |

### AMENDMENTS TO IAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirement applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

The application of the other 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 consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

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

### AMENDMENTS TO IAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS (cont'd)

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

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 14 | Regulatory Deferral Accounts[2] |
| IFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to IAS 1 | Disclosure Initiative[5] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010 – 2012 Cycle[6] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011 – 2013 Cycle[4] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012 – 2014 Cycle[5] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements[5] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception[5] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (cont'd)

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The Directors do not anticipate that the application of the other new and revised IFRSs will have a material effect on the Group's consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the SEHK (the "Hong Kong Listing Rules") and the disclosure requirements by the Hong Kong Companies Ordinance.

The consolidated 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 below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### BASIS OF CONSOLIDATION (cont'd)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 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 Company 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 are presently exercisable are taken into account. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### INTEREST IN A JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint venture exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognised in the Group' consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### 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 which is determined on the time proportion method of each individual voyage, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 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 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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. 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 deferred tax 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 and interest in a joint venture 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### TAXATION (cont'd)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

In preparing the financial statements of each individual group entity, 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land 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. No transfer is made from the revaluation reserve to retained profits except when an asset is derecognised.

Depreciation is recognised so as 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 estimated at 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 dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from 2.5 to 5 years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking 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.

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use. The transferred properties are depreciated over their unexpired lease term.

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

| | |
|---|---|
| Vessels | 30 years from the date of initial delivery from the shipyard |
| Dry-docking | 2.5 to 5 years |
| Furniture, fixtures and equipment | 5 years |
| Leasehold improvement | 5 years |
| Leasehold land and buildings | 45 years |

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.

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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### 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 lease term.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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 statement of financial position and is released 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 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"), available-for-sale financial asset ("AFS") 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.

*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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

*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 term;
- on initial recognition 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;
- 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 remeasurement 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 profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 6.

*AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

*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, amount due from a joint venture, trade receivables, other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty;
- 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.

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 (see the accounting policy below).

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

*Impairment of financial assets* (cont'd)

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 Company 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 for debt instruments.

*Financial liability*

Financial liability (including borrowings) is 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 FVTPL 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### FINANCIAL INSTRUMENTS (cont'd)

#### 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 other entity.

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.

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

### 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. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors 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.

### 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 19)

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group determines the recoverable amount of the vessels based on the higher of value in use relating and fair value less cost to sell. At 31 December 2014, since the recoverable amount of the vessels is lower than their carrying amounts, an impairment on property, plant and equipment amounting to US$2,900,000 (2013: nil) was recognised in the profit or loss. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was US$68,711,000 (2013: US$70,120,000).

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

#### Estimated impairment of trade and other receivables

The Group regularly conducts assessments on possible losses resulting from the inability of debtors to settle the amounts due to the Group. The assessment is based, inter alia, on the age of the debt and the credit-worthiness of the debtors. For trade receivables, allowances are applied where events or changes in circumstance indicate that the balances may not be collectible. The identification of impairment 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 impairment in the year in which such estimate has changed. As at 31 December 2014, the carrying amount of trade and other receivables is US$7,597,000 (2013: US$8,708,000).

#### Impairment assessment on interests and amounts due from subsidiaries

The Company reviews the carrying amount of its interests in subsidiaries and amounts due from subsidiaries amounting to US$8,023,000 (2013: US$20,047,000) and US$20,047,000 (2013: US$53,584,000) respectively 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. 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 subsidiaries were to deteriorate, resulting in an impairment of the Company's investment in subsidiaries and amounts due from subsidiaries, the carrying value of those investment in subsidiaries and amounts due from subsidiaries may be required to be impaired as of 31 December 2014. On the above basis, an impairment loss interests in subsidiaries and amounts due from subsidiaries amounting to US$14,213,000 (2013: nil) and US$21,312,000 (2013: nil) were recognised in the profit or loss during the year.

#### Fair value of leasehold land and building included in property, plant and equipment

Leasehold land and building included in property, plant and equipment is carried in the consolidated statement of financial position at its revalued amount. Details of which are disclosed in Note 19.

The fair values of these properties were determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the revaluated amount of the Group's leasehold land and building included in property, plant and equipment included in the consolidated statement of financial position. For the leasehold land and building included in property, plant and equipment, it will also result in the corresponding adjustments to depreciation recognised in profit or loss, and the change in fair value and the corresponding deferred tax impact recognised in other comprehensive income and accumulated in equity.

#### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board and the chief financial officer of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The chief financial officer of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer of the Company reports the findings to the Board every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and leasehold land and building and investment property. Note 20 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in Note 31 offset by cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, property revaluation reserve and retained profits. The capital structure of the Company consists of share capital, share premium and retained profits.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group and the Company 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 and the Company's overall strategy remains unchanged from prior year.

## 6. FINANCIAL INSTRUMENTS

### (A) CATEGORIES OF FINANCIAL INSTRUMENTS

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| **Financial assets** | | | | |
| Available-for-sale investment | **79** | 79 | **–** | – |
| FVTPL: | | | | |
| Held-for-trading investments | **444** | 450 | **–** | – |
| Loans and receivables | | | | |
| (including bank balances and cash) | **18,097** | 23,459 | **31,120** | 53,692 |
| **Financial liability** | | | | |
| Amortised cost | **36,180** | 35,986 | **–** | – |

## 6. FINANCIAL INSTRUMENTS (cont'd)

### (B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade receivables, other receivables, deposits, interest-free loan to Santarli Realty Pte. Ltd. ("Santarli Realty"), interest-free loan to Santarli Corporation Pte Ltd. ("Santarli Corp"), amount due from a joint venture, held-for-trading investment, available-for-sale investment, pledged bank deposits, bank balances and cash and borrowings. The Company's financial instruments include amounts due from subsidiaries and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with the Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The risks associated with the Company's financial instruments include market risk (currency 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 conducted in United States dollars, the functional currency of relevant group companies, and the operating expenses incurred are mainly denominated in United States dollars, with a small extent in New Taiwan dollars ("NTD"), Hong Kong dollars, Singapore dollars and Renminbi. 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. Held-for-trading investments and certain bank balances which are mainly denominated in NTD and Renminbi as disclosed in Notes 27, 28 and 29, 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.

The Company's operations are mainly in United States dollars. In both years, the Company has no significant exposures to currency risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to pledged bank deposits, certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in Notes 28, 29 and 31, 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.

The Group's exposures to interest rates on financial liability are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of London Interbank Offered Rate ("LIBOR") arising from the Group's variable-rate borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 6. FINANCIAL INSTRUMENTS (cont'd)

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

#### (ii) Interest rate risk (cont'd)

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate borrowings as at 31 December 2013 and 2014. The Directors consider that the changes in interest rates of pledged bank deposits and bank balances 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 2014 would increase/decrease by US$362,000 (2013: US$360,000).

#### (iii) Price risk

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

#### (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 statement 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 statement of financial position and the amount of contingent liabilities in relation to the financial guarantee provided by the Company as disclosed in Note 36.

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 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 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 consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to the loan to Santarli Realty, the subsidiary of Santarli Corp as disclosed in Note 23. The Directors consider the credit risk over the interest-free loan to Santarli Realty is low because Santarli Holdings Pte Ltd., the holding company of Santarli Realty, has provided corporate guarantee to the Group and Santarli Holdings Pte Ltd. is engaged in property development, construction, civil engineering work in Singapore and Malaysia while Santarli Realty is engaged in property development in Singapore and both have good reputation in the industry and have a long-established trading relationship with the Group.

## 6. FINANCIAL INSTRUMENTS (cont'd)

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

#### (iv) Credit risk (cont'd)

The Directors consider that the credit risk on liquid funds 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 majority of the underlying subsidiaries are in net asset position and cash settlement will be made by the subsidiaries to settle the amounts due from subsidiaries. In view of the sound financial position of majority 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 36, the Company provided corporate guarantee to subsidiaries to obtain loan facilities from third parties. The loans are secured by vessels of the Group that the directors of the Company considered that the credit risk of the Company is minimal.

#### (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 borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liability. The table has been drawn up based on the undiscounted cash flows of financial liability, 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 to 12 months | 1 to 2 years | 2 to 5 years | > 5 years | Total undiscounted cash flows | Carrying amounts |
|---|---|---|---|---|---|---|---|---|
| | % | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| At 31 December 2014 | | | | | | | | |
| Borrowings | 2.99 – 4.03 | 2,593 | 2,561 | 5,121 | 23,013 | 7,550 | 40,838 | 36,180 |
| Financial guarantee contract | – | 9,252 | – | – | – | – | 9,252 | – |
| At 31 December 2013 | | | | | | | | |
| Borrowings | 2.69 – 3.32 | 4,621 | 2,123 | 4,162 | 12,987 | 17,229 | 41,122 | 35,986 |
| Financial guarantee contract | – | 9,678 | – | – | – | – | 9,678 | – |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 6. FINANCIAL INSTRUMENTS (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 US$'000 | 6 to 12 months US$'000 | 1 to 2 years US$'000 | 2 to 5 years US$'000 | > 5 years US$'000 | Total undiscounted cash flows US$'000 | Carrying amounts US$'000 |
|---|---|---|---|---|---|---|---|---|
| At 31 December 2014 | | | | | | | | |
| Financial guarantee contract | – | 56,180 | – | – | – | – | 56,180 | – |
| At 31 December 2013 | | | | | | | | |
| Financial guarantee contract | – | 46,180 | – | – | – | – | 46,180 | – |

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 values of financial assets and financial liability 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 other financial assets and financial liability are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

## 6. FINANCIAL INSTRUMENTS (cont'd)

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

(vi) Fair values

*Fair value of the Group's financial asset that is measured at fair value on a recurring basis*

Some of the Group's financial asset is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial asset is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

| Financial asset | Fair value as at 31 December 2014 | Fair value as at 31 December 2013 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Held-for-trading investments | Listed equity securities in Republic of China:<br><br>– Shipping industry<br>– US$444,000 | Listed equity securities in Republic of China:<br><br>– Shipping industry<br>– US$450,000 | Level 1 | Quoted bid prices in an active market | N/A | N/A |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 7. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation service. The executive Director 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 executive Director).

The Board reviews the loss for the year of the Group prepared in accordance with accounting policies set out in Note 3 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.

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

### FOR THE YEAR ENDED 31 DECEMBER 2014

| | Voyage charter US$'000 | Time charter US$'000 | Total US$'000 |
|---|---|---|---|
| Dry bulk carriers | | | |
| – Capesize | 3,039 | – | 3,039 |
| – Supermax | 9,752 | 187 | 9,939 |
| – Panamax | 3,557 | – | 3,557 |
| | 16,348 | 187 | 16,535 |

### FOR THE YEAR ENDED 31 DECEMBER 2013

| | Voyage charter US$'000 | Time charter US$'000 | Total US$'000 |
|---|---|---|---|
| Dry bulk carriers | | | |
| – Capesize | 12,530 | – | 12,530 |
| – Handysize | – | – | – |
| – Supermax | 12,373 | – | 12,373 |
| | 24,903 | – | 24,903 |

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.

## 7. SEGMENT INFORMATION (cont'd)

### INFORMATION ABOUT MAJOR CUSTOMERS

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

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Customer A | **3,742** | –[1] |
| Customer B | **1,886** | –[1] |
| Customer C | **–** | 2,565 |
| Customer D | **–** | 14,986 |
| | **5,628** | 17,551 |

[1] As the revenue arising from this customer did not contribute over 10% of the total revenue of the Group, comparative figure is not shown.

## 8. REVENUE

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Marine transportation services income: | | |
| – Vessel voyage charter | **16,348** | 24,903 |
| – Time charter | **187** | – |
| | **16,535** | 24,903 |
| Ship management service income | **–** | 60 |
| | **16,535** | 24,963 |

## 9. OTHER INCOME

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Dividend income from listed investments | **20** | 20 |
| Rental income | **14** | 37 |
| Interest income from banks | **62** | 85 |
| Insurance compensation | **–** | 240 |
| Imputed interest income on long-term receivable (Note 23 (i)) | **237** | 225 |
| Sundry income | **8** | 2 |
| | **341** | 609 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 10. OTHER GAINS AND LOSSES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Gain on disposal of property, plant and equipment | **1,475** | – |
| Change in fair value of held-for-trading investments | **(6)** | 59 |
| Change in fair value of investment property | **15** | (41) |
| Change in fair value of structured deposit | **–** | 38 |
| Net foreign exchange (loss) gain | **(47)** | 24 |
| | **1,437** | 80 |

## 11. OTHER EXPENSES

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Impairment loss on deposits paid | **476** | 167 |
| Impairment loss on other receivables | **98** | – |
| Discount effect on long-term loan advanced to Santarli Corp (Note 23(i)) | **246** | – |
| | **820** | 167 |

## 12. FINANCE COSTS

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Interest expenses from borrowings wholly repayable within five years | **18** | 63 |
| Interest expenses from borrowings not wholly repayable within five years | **1,301** | 1,153 |
| Bank charges | **–** | 84 |
| Other finance costs | **44** | – |
| | **1,363** | 1,300 |

## 13. INCOME TAX EXPENSE

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Current tax: | | |
| Enterprise income tax of the People's Republic of China ("PRC") | **10** | 3 |

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

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

Details of deferred tax are set out in Note 34.

Income tax expense for the year can be reconciled to loss before income tax per the Group's results as follows:

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Loss before tax | **(9,714)** | (1,772) |
| Tax at the applicable income tax rate of 16.5% (Note) | **(1,603)** | (292) |
| Tax effect of offshore income not taxable for tax purpose | **(1,977)** | (4,368) |
| Tax effect of expenses not deductible for tax purpose | **3,025** | 4,573 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **2** | 3 |
| Tax losses not recognised | **545** | 83 |
| Others | **18** | 4 |
| Income tax expense for the year | **10** | 3 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 14. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Auditor's remuneration: | | |
| – paid to auditors of the Company | **313** | 311 |
| Non audit assurance services fees: | | |
| – paid to other auditors | **27** | 13 |
| Employee benefits expense (including directors' emoluments): | | |
| – Contributions to retirement benefits scheme | **34** | 35 |
| – Salaries and other benefits | **1,621** | 1,553 |
| Total employee benefits expense | **1,655** | 1,588 |
| Marine crew expenses | **2,723** | 2,505 |
| Fuel expenses | **9,703** | 13,364 |
| Depreciation for property, plant and equipment | **2,289** | 1,692 |

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of eleven (2013: seven) directors, which include the chief executive, were as follows:

### 2014

| | Director's fees US$'000 | Basic salaries and allowance US$'000 | Discretionary bonus US$'000 | Contributions to retirement benefits scheme US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Mr. Wu Chao-Huan | 20 | 130 | 30 | – | 180 |
| Mr. Wu Jian (appointed on 29 April 2014) | 20 | 60 | – | – | 80 |
| | 40 | 190 | 30 | – | 260 |
| **Non-Executive Directors** | | | | | |
| Mr. Sun Hsien-Long (retired on 29 April 2014) | 3 | – | 5 | – | 8 |
| Mr. Hsu Chih-Chien | 8 | – | 42 | – | 50 |
| Mr. Chang Shun-Chi (retired on 29 April 2014) | 3 | – | 5 | – | 8 |
| Mr. Tsoi Wai Kwong (appointed on 29 April 2014) | 20 | – | – | – | 20 |
| | 34 | – | 52 | – | 86 |
| **Independent Non-Executive Directors** | | | | | |
| Mr. Chu Wen Yuan | 38 | – | – | – | 38 |
| Mr. Lui Chun Kin Gary (resigned on 25 February 2014) | 8 | – | – | – | 8 |
| Mr. Sin Boon Ann (resigned on 25 February 2014) | 9 | – | – | – | 9 |
| Mr. Ngiam Zee Moey (appointed on 29 April 2014) | 25 | – | – | – | 25 |
| Mr. Foo Meng Kee (appointed on 29 April 2014) | 25 | – | – | – | 25 |
| | 105 | – | – | – | 105 |
| Total | 179 | 190 | 82 | – | 451 |

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (cont'd)

### 2013

| | Director's fees US$'000 | Basic salaries and allowance US$'000 | Discretionary bonus US$'000 | Contributions to retirement benefits scheme US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Mr. Wu Chao-Huan | 20 | 130 | 30 | – | 180 |
| **Non-Executive Directors** | | | | | |
| Mr. Sun Hsien-Long (retired on 29 April 2014) | 10 | – | 15 | – | 25 |
| Mr. Hsu Chih-Chien | 8 | – | 42 | – | 50 |
| Mr. Chang Shun-Chi (retired on 29 April 2014) | 10 | – | 15 | – | 25 |
| | 28 | – | 72 | – | 100 |
| **Independent Non-Executive Directors** | | | | | |
| Mr. Chu Wen Yuan | 40 | – | – | – | 40 |
| Mr. Lui Chun Kin Gary (resigned on 25 February 2014) | 48 | – | – | – | 48 |
| Mr. Sin Boon Ann (resigned on 25 February 2014) | 55 | – | – | – | 55 |
| | 143 | – | – | – | 143 |
| Total | 191 | 130 | 102 | – | 423 |

Mr. Wu Chao-Huan is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

## 16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors and the chief executive of the Company whose emoluments are included Note 15 above. The emoluments of the remaining two (2013: two) individuals were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Salaries and allowance | **228** | 121 |
| Contributions to retirement benefits scheme | **2** | 5 |
| | **230** | 126 |

The emoluments of the two (2013: two) highest paid individuals (other than the Directors) were within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **2014** | 2013 |
| Nil to HK$1,000,000 | **2** | 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.

## 17. LOSS PER SHARE

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

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| **Loss** | | |
| Loss for the year attributable to owners of the Company, for the purpose of calculation of basic loss per share | **(9,724)** | (1,775) |

| | **2014** | 2013 |
|---|---|---|
| | **'000** | '000 |
| **Number of shares** | | |
| Number of ordinary shares in issue during the year, for the purpose of calculation of basic loss per share | **1,058,829** | 1,058,829 |

No diluted loss 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.

## 18. DIVIDEND

No dividend was paid, declared or proposed, nor has any dividend been proposed by the Directors for both years since the end of reporting period.

## 19. 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 |
| **THE GROUP** | | | | | | |
| **COST OR VALUATION** | | | | | | |
| At 1 January 2013 | 59,850 | – | 156 | 272 | 3,616 | 63,894 |
| Additions | 7,500 | 938 | 13 | – | – | 8,451 |
| Transferred from investment properties | – | – | – | – | 1,400 | 1,400 |
| Deficit on revaluation | – | – | – | – | (139) | (139) |
| At 31 December 2013 | 67,350 | 938 | 169 | 272 | 4,877 | 73,606 |
| Additions | 8,600 | 326 | 9 | – | – | 8,935 |
| Disposal | (6,650) | (335) | (1) | – | – | (6,986) |
| Transferred from investment properties | – | – | – | – | 929 | 929 |
| Surplus on revaluation | – | – | – | – | 733 | 733 |
| At 31 December 2014 | **69,300** | **929** | **177** | **272** | **6,539** | **77,217** |
| **Comprising** | | | | | | |
| At cost | 69,300 | 929 | 177 | 272 | – | 70,678 |
| At valuation 2014 | – | – | – | – | 6,539 | 6,539 |
| | 69,300 | 929 | 177 | 272 | 6,539 | 64,139 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | |
| At 1 January 2013 | 1,541 | – | 122 | 202 | – | 1,865 |
| Depreciation expense | 1,495 | 85 | 15 | 26 | 71 | 1,692 |
| Eliminated on revaluation | – | – | – | – | (71) | (71) |
| At 31 December 2013 | 3,036 | 85 | 137 | 228 | – | 3,486 |
| Depreciation expense | 1,841 | 305 | 15 | 26 | 102 | 2,289 |
| Impairment loss recognised in profit or loss | 2,900 | – | – | – | – | 2,900 |
| Disposal | – | (66) | (1) | – | – | (67) |
| Eliminated on revaluation | – | – | – | – | (102) | (102) |
| At 31 December 2014 | **7,777** | **324** | **151** | **254** | **–** | **8,506** |
| **CARRYING VALUES** | | | | | | |
| At 31 December 2014 | **61,523** | **605** | **26** | **18** | **6,539** | **68,711** |
| At 31 December 2013 | 64,314 | 853 | 32 | 44 | 4,877 | 70,120 |

## 19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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.

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

The details of the pledge of property, plant and equipment are set out in Note 37.

During the year, the Group continued to experience unfavourable market conditions as demonstrated by the decrease in Baltic Dry Index in 2014 as compared to that of 2013, which contributed to the significant decrease in revenue of the vessels of the Group. In light of these considerations, the Directors conducted a review of the Group's vessels. In 2014, the Group determines the recoverable amounts of the vessels to be the fair value less cost to sell. The fair value less cost to sell was determined based on direct comparison approach by making reference to the recent transactions of similar vessels with similar ages and conditions (Level 2 hierarchy). In estimating the fair value of the properties, the highest and best use of the properties was their current use. There were no transfers into or out of Level 2 during both years. Since the recoverable amounts of the vessels is lower than their carrying amounts, impairment loss of US$2,900,000 (2013: Nil) has been recognised in the profit or loss in current year.

The fair value of the Group's leasehold land and buildings at 31 December 2014 and 2013 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("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 surplus of US$782,000 (2013: deficit of US$68,000) arising on revaluation has been recognised in other comprehensive income and accumulated in equity.

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

| | Level 1 US$'000 | Level 2 US$'000 | Level 3 US$'000 | Fair value as at 31.12.2014 US$'000 |
|---|---|---|---|---|
| Leasehold land and buildings located in Hong Kong | – | 6,539 | – | 6,539 |

| | Level 1 US$'000 | Level 2 US$'000 | Level 3 US$'000 | Fair value as at 31.12.2013 US$'000 |
|---|---|---|---|---|
| Leasehold land and buildings located in Hong Kong | – | 4,877 | – | 4,877 |

There were no transfers into or out of Level 2 during both years.

Had the leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts would have been US$4,470,000 (2013: US$3,640,000).

## 20. INVESTMENT PROPERTY

| | THE GROUP |
|---|---|
| | US$'000 |
| **FAIR VALUE** | |
| At 1 January 2013 | 2,355 |
| Transferred to property, plant and equipment | (1,400) |
| Decrease in fair value recognised in profit or loss | (41) |
| At 31 December 2013 | 914 |
| Increase in fair value recognised in profit or loss | 15 |
| Transferred to property, plant and equipment | (929) |
| At 31 December 2014 | – |

During the year, the investment property has been transferred to property, plant and equipment due to the changes of use evidenced by commencement of owner-occupation for office use. The fair value of the date of change in use is the deemed cost for the property.

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

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

The fair value of the Group's investment property as at 31 December 2013 had been arrived at on the basis of a valuation carried out on the respective dates by RHL, independent qualified professional valuers not connected to the Group.

The fair value was determined based on direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing conditions. In estimating the fair value of the properties, the highest and best use of the properties was their current use.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 were as follows:

| | Level 1 | Level 2 | Level 3 | Fair value as at 31.12.2013 |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Office units located in Hong Kong | – | 914 | – | 914 |

There were no transfers into or out of Level 2 in prior year.

The property rental income from the Group's investment property which is generated under operating leases, amounted to US$14,000 (2013: US$37,000) for the year. No material direct operating expenses arise from the investment property.

## 21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

| | THE COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Unquoted equity shares, at cost | **22,236** | 20,047 |
| Less: impairment | **(14,213)** | – |
| | **8,023** | – |

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The imputed interest income on the amounts due from subsidiaries of US$2,189,000 (2013: US$2,086,000) is recognised for the year. No guarantees have been given or received.

During the year, the Directors reviewed the carrying values of the interests in subsidiaries and the amounts due from subsidiaries. The recoverable amounts of these investments and the amounts due are determined with reference to the Directors' estimate of discounted future cash flows of these investments as at the end of reporting period. Accordingly, an impairment loss on interests in subsidiaries and amounts due from subsidiaries amounting to US$14,213,000 (2013: nil) and US$21,312,000 (2013: nil) were recognised in the profit or loss during the year.

The Company has the following subsidiaries:

| Name of subsidiary | Place of incorporation/ establishment | Class of shares/ registered capital held | Proportion of nominal value of issued share/ registered capital held by the Company 2014 % | 2013 % | Principal activities |
|---|---|---|---|---|---|
| **Held by the Company** | | | | | |
| Courage Marine Holdings (BVI) Limited ("Courage Marine BVI") | The British Virgin Islands ("BVI") | Ordinary | **100** | 100 | Investment holding |
| **Held by Courage Marine BVI** | | | | | |
| Courage Marine (Holdings) Co. Limited ("Courage Marine Holdings") | Hong Kong | Ordinary | **100** | 100 | Investment holding |
| **Held by Courage Marine Holdings** | | | | | |
| Bravery Marine Holding Inc. | Republic of Panama | Ordinary | **100** | 100 | Inactive |
| Courage Marine Co. Ltd. | BVI | Ordinary | **100** | 100 | Provision of marine transportation services |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

| Name of subsidiary | Place of incorporation/ establishment | Class of shares/ registered capital held | Proportion of nominal value of issued share/ registered capital held by the Company 2014 % | 2013 % | Principal activities |
|---|---|---|---|---|---|
| **Held by Courage Marine Holdings (cont'd)** | | | | | |
| 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 Marine Overseas Limited ("CM Overseas") | BVI | Ordinary | **100** | 100 | Provision of property development business |
| Courage-New Amego Shipping Corp. ("Courage-New Amego") | Republic of Panama | Ordinary | **100** | 100 | Provision of marketing and operating services to Group companies |
| Midas Shipping Navigation Corp. | Republic of Panama | Ordinary | **100** | 100 | Provision of operating services to Group companies |
| New Hope Marine, S.A. | Republic of Panama | Ordinary | **100** | 100 | Inactive |
| Panamax Mars Marine Co. Ltd. | BVI | Ordinary | **100** | 100 | Inactive |
| 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 | Inactive |

## 21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

| Name of subsidiary | Place of incorporation/ establishment | Class of shares/ registered capital held | Proportion of nominal value of issued share/ registered capital held by the Company 2014 % | 2013 % | Principal activities |
|---|---|---|---|---|---|
| **Held by Courage Marine Holdings (cont'd)** | | | | | |
| Raffles Marine Corp. | Republic of Panama | Ordinary | **100** | 100 | Inactive |
| Zorina Navigation Corp. | Republic of Panama | Ordinary | **100** | 100 | Provision of marine transportation services |
| Courage Energy Resources Limited | BVI | Ordinary | **100** | 100 | Provision of trading of coal |
| Cape Ore Marine Corp. | Republic of Panama | Ordinary | **100** | 100 | Provision of marine transportation services |
| Belcastro Pte. Ltd. ("Belcastro") | Singapore | Ordinary | **100** | 100 | Inactive |
| Panamax Leader Marine Corp. | Republic of Panama | Ordinary | **100** | 100 | Inactive |
| **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 | Inactive |
| Harmony Century Group Limited ("Harmony") (Note i) | BVI | Ordinary | **41.7** | 41.7 | Inactive |
| **Held by Courage Marine HK** | | | | | |
| Courage Marine Property Investment Limited | Hong Kong | Ordinary | **100** | 100 | Property holding |
| Jade Management ("Jade") and Consultant (Shanghai) Co. Ltd. (Note ii) | PRC | Registered | **100** | 100 | Provision of management and consulting services |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (cont'd)

| Name of subsidiary | Place of incorporation/ establishment | Class of shares/ registered capital held | Proportion of nominal value of issued share/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | 2014 % | 2013 % | |
| **Held by Jade** | | | | | |
| 上海吉進企業管理諮詢有限公司 (Note ii) | PRC | Registered | 100 | 100 | Provision of management and consulting services |
| **Held by Belcastro** | | | | | |
| PT Courage Tech-Logi Indonesia | Indonesia | Ordinary | 100 | 100 | Provision of trading of coal |
| **Held by CM Overseas** | | | | | |
| Diamond Plus Limited | BVI | Ordinary | 100 | 100 | Property investment |
| Triple Diamond Limited | BVI | Ordinary | 100 | 100 | Property investment |
| Target Win Limited | BVI | Ordinary | 100 | 100 | Property investment |

Notes:

(i) Harmony is considered as the subsidiary of the Company as the Group has effective control of voting power of the board of directors of Harmony.

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

(iii) All the above subsidiaries operate in the PRC, Singapore, Republic of China and Hong Kong.

None of the subsidiaries had issued any debt securities at the end of the year.

## 22. INTEREST IN A JOINT VENTURE

| | THE GROUP | |
|---|---|---|
| | 2014 US$'000 | 2013 US$'000 |
| Cost of unlisted investment in a joint venture | 5,330 | 5,330 |

## 22. INTEREST IN A JOINT VENTURE (cont'd)

| Name of entity | Place of establishment/ operation | Class of capital held | Proportion of nominal values of issued registered capital held by the Group | | Principal activity |
|---|---|---|---|---|---|
| | | | 2014 % | 2013 % | |
| 上海悦勇投資管理公司 | PRC | Registered capital | **41.7** | 41.7 | Property investment |

The summarised financial information in respect of the Group's interest in the joint ventures which is accounted for using the equity method is set out below:

| | 2014 US$'000 | 2013 US$'000 |
|---|---|---|
| Current assets | **549** | 1,152 |
| Non-current assets | **14,437** | 13,932 |
| Current liabilities | **(1,627)** | (2,196) |
| Non-current liabilities | **–** | – |

The above amounts of assets and liabilities include the following:

| | 2014 US$'000 | 2013 US$'000 |
|---|---|---|
| Cash and cash equivalents | **20** | 326 |
| Current financial liabilities (excluding trade and other payables and provisions) | **(1,627)** | (2,196) |
| Revenue | **–** | – |
| Profit (loss) and total comprehensive income (expense) for the year | **790** | 70 |
| Other comprehensive expense for the year | **–** | – |
| Total comprehensive expense for the year | **790** | 70 |

The above loss for the year include the following:

| | 2014 US$'000 | 2013 US$'000 |
|---|---|---|
| Interest income | **–** | 11 |
| Interest expense | **(57)** | (63) |
| Income tax expense | **–** | – |

## 22. INTEREST IN A JOINT VENTURE (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | 2014 | 2013 |
|---|---|---|
| | US$'000 | US$'000 |
| Net assets of the joint venture | 13,359 | 12,888 |
| Proportion of the Group's ownership interest in the joint venture | 5,571 | 5,374 |
| Others | (241) | (44) |
| Carrying amount of the Group's interest in the joint venture | 5,330 | 5,330 |

## 23. OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES AND DEPOSITS

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

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | NOTES | 2014 | 2013 | 2014 | 2013 |
| | | US$'000 | US$'000 | US$'000 | US$'000 |
| Interest-free loan to Santarli Realty | (i) | 4,048 | 4,058 | – | – |
| Other receivables | | 59 | 141 | 28 | 27 |
| Prepayments | | 1,379 | 1,411 | – | – |
| Deposit for acquisition of property, plant and equipment and investment properties | | 1,281 | 957 | – | – |
| Other deposits | (ii) | 1,722 | 2,223 | – | – |
| | | 8,489 | 8,790 | 28 | 27 |
| Less: Non-current portion | | (5,329) | (5,015) | – | – |
| Amounts due within one year shown under current assets | | 3,160 | 3,775 | 28 | 27 |

## 23. OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES AND DEPOSITS (CONT'D)

Notes:

(i) On 14 September 2012, CM Overseas, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corp, an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty, (which constitutes 10% of the issued share capital of Santarli Realty) at a cash consideration of S$100,000 and shareholder's loans of not exceeding the principal amount of S$5,400,000 (collectively referred to as the "Consideration"). Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore. At 31 December 2014 and 2013, CM Overseas has advanced an interest-free loan amounting to S$5,500,000 (equivalent to US$4,373,000) (2013: S$5,500,000 (equivalent to US$4,373,000)) to Santarli Corp and this interest-free loan will be used to offset the Consideration. On 14 September 2012, Santarli Holdings Pte Ltd., the holding company of Santarli Corp has executed a guarantee in favour of CM Overseas of all the liabilities due by Santarli Corp to CM Overseas.

The acquisition was approved by the independent shareholders of the Company in the special general meeting held on 16 July 2013 and was completed on that day accordingly.

Concurrent with the completion of the acquisition by CM Overseas of a 10% shareholding interest in Santarli Realty from Santarli Corp on 16 July 2013 (following approval of the same by the independent shareholders of the Company), CM Overseas acquired from Santarli Corp, an interest-free shareholders' loan of S$5,400,000 granted by Santarli Corp to Santarli Realty, where the consideration for both acquisitions was satisfied by offsetting against an interest-free loan of S$5,500,000 previously advanced by CM Overseas to Santarli Corp.

The interest free loan to Santarli Realty is expected by the Group to be repaid over 1 year from the end of the reporting period, the balance is classified as non-current receivable and is carried at an effective interest rate of 5.73% per annum. Imputed interest income on the long-term receivable of US$237,000 (2013: US$225,000) is recognised in profit or loss for the year ended 31 December 2014.

(ii) Other deposits included US$1,910,000 (2013: US$2,186,000) paid to a third party for the purchase of coal. During the year, due to drop in coal price, US$476,000 (2013: US$167,000) impairment is made in respect of deposits paid.

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

## 24. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Unlisted investment, at cost: | | |
| – Equity securities (Note) | **79** | 79 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **79** | 79 |

Note: The Group holds 10% (2013: 10%) of the ordinary share capital of Santarli Realty, a company involved in property development business in Singapore. The Directors do not believe that the Group is able to exercise significant influence over Santarli Realty as the Group does not have any board seat in Santarli Realty.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 25. TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (31 December 2013: 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:

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| 0 to 30 days | **156** | 1,329 |

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$156,000 (2013: US$1,329,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| 0 to 30 days | **156** | 1,329 |

The Group has not provided for the trade receivables which are past due but not impaired because the management of the Group considers 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.

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 are also the functional currency of the respective entities in the Group.

## 26. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest-free and repayable on demand.

## 27. HELD-FOR-TRADING INVESTMENTS

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Listed securities: | | |
| – Equity securities listed in Republic of China | **444** | 450 |

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 bid prices on the last trading day of the financial year.

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

## 28. PLEDGED BANK DEPOSITS

As at 31 December 2014, the Group has placed a fixed deposit of US$2,037,000 (2013: US$2,027,000) in the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") with a term of one year, to secure against the ICBC short-term banking facilities of US$2,100,000 (2013: US$2,000,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.60% (2013: 0.60%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2014, the Group has placed a fixed deposit of US$250,000 (2013: US$250,000) in PT Bank Negara Indonesia, to secure against short-time banking facilities of US$2,500,000 (2013: US$2,500,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.05% (2013: 0.05%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2014, the Group has placed a fixed deposit of US$2,074,000 (2013: US$2,053,000) in Bank of Communications, to secure against short-time banking facilities of US$5,100,000 (2013: US$5,100,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.90% (2013: 0.90%) per annum. No balance (2013: US$2,475,000) was drawn by the Group as bank overdraft at 31 December 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise bank balances and cash held by the Group of approximately US$6,770,000 (2013: US$11,415,000) and short-term fixed bank deposits of approximately US$2,113,000 (2013: US$1,737,000) 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 0.05% to 0.88% (2013: 0.05% to 2.05%) per annum and for a remaining tenure of approximately 152 days (2013: 69 days).

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Hong Kong dollars | **92** | 91 | **–** | – |
| NTD | **264** | 324 | **–** | – |
| Singapore dollars | **12** | 86 | **–** | – |
| Renminbi | **92** | 54 | **–** | – |

## 30. OTHER PAYABLES AND ACCRUALS

| | THE COMPANY | | THE COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **US$'000** | US$'000 | **US$'000** | US$'000 |
| Customers and rental deposits | **–** | 508 | **–** | – |
| Accrued vessel related expenses | **1,355** | 873 | **–** | – |
| Accrued staff related expenses | **468** | 563 | **410** | 442 |
| Other accrued operating expenses | **370** | 261 | **450** | 450 |
| | **2,193** | 2,205 | **860** | 892 |

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

## 31. BORROWINGS

| | THE GROUP | |
|---|---|---|
| | 2014 | 2013 |
| | US$'000 | US$'000 |
| Secured bank overdraft (Note 28) | – | 2,475 |
| Secured other loans | 36,180 | 33,511 |
| | 36,180 | 35,986 |
| Carrying amount repayable: | | |
| Within one year | 4,024 | 5,646 |
| More than one year, but not exceeding two years | 4,024 | 3,171 |
| More than two years, but not exceeding five years | 21,054 | 10,752 |
| More than five years | 7,078 | 16,417 |
| | 36,180 | 35,986 |
| Less: Amounts due within one year shown under current liabilities | (4,024) | (5,646) |
| Amounts shown under non-current liabilities | 32,156 | 30,340 |
| Effective interest rate (%) per annum | 2.99 – 4.03 | 2.69 – 3.32 |

The carrying amounts of borrowings approximate to their fair value.

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

During the current year, the Group obtained a new loan amounting to US$10,000,000 (31 December 2013: US$4,000,000) and US$7,331,000 (31 December 2013: US$1,465,000) were repaid. The bank loans carry interest at LIBOR plus certain basis points and are repayable over a period ranging from 4-10 years (2013: 7-10 years).

The borrowings at the end of the reporting period are secured by the followings: –

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

(ii) First preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp., Courage Marine Co. Ltd. and Sea Pioneer Marine Corp., named "ZORINA", "HEROIC" and "CAPE PIONEER", respectively; and

(iii) Assignment of insurance proceeds in respect of ZORINA, HEROIC, COURAGE and CAPE PIONEER.

The proceeds arising from the loans were used to finance the acquisition of vessels included in property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2014*

## 32. SHARE CAPITAL

| | Number of shares '000 | Amount US$'000 |
|---|---|---|
| Ordinary shares of US$0.018 each | | |
| **Authorised:** | | |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | 10,000,000 | 180,000 |
| **Issued and fully paid:** | | |
| At 1 January 2013, 31 December 2013 and 31 December 2014 | 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.

## 33. PROPERTY REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of leasehold land and building. When revalued land and 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.

## 34. DEFERRED TAXATION

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

| | Accelerated tax depreciation US$'000 | Revaluation of leasehold land and building US$'000 | Tax losses US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 1 January 2013, as restated | 7 | 213 | (6) | 214 |
| (Credited) charged to profit or loss | (2) | – | 2 | – |
| Credited to other comprehensive income | – | (24) | – | (24) |
| At 31 December 2013 | 5 | 189 | (4) | 190 |
| (Credited) charged to profit or loss | (5) | – | 5 | – |
| Charged to other comprehensive income | – | 121 | – | 121 |
| **At 31 December 2014** | **–** | **310** | **(4)** | **311** |

At the end of the reporting period, the Group has unused tax losses of US$4,500,000 (2013: US$1,196,000). A deferred tax asset has been recognised in respect of US$5,000 (2013: US$24,000) of such losses. No deferred tax asset has been recognised in respect of US$4,495,000 (2013: US$1,172,000) due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

## 35. OPERATING LEASE COMMITMENTS

### THE GROUP AS LESSEE

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Minimum lease payments paid under operating leases recognised as an expense in the year of rented premises | **136** | 139 |

At the end of the reporting period, the Group had commitments of US$80,000 (2013: US$109,000) for future minimum lease payments under non-cancellable operating leases which fall due within one year (2013: two years).

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from one to two years (2013: one to two years) and rentals are fixed for a term ranging from one to two years (2013: one to two years).

### THE GROUP AS LESSOR

Property rental income earned during the year was US$14,000 (2013: US$37,000).

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

| | THE GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **US$'000** | US$'000 |
| Within one year | – | 25 |
| In the second to fifth year inclusive | – | 22 |
| | – | 47 |

## 36. CONTINGENT LIABILITIES

As at the end of the current year, the Group has contingent liabilities in respect of joint and several back-to-back guarantee with other shareholders of Santarli Realty Pte Ltd. in proportion to their respective equity holdings in favour of bank covering the loan granted to Santarli Realty. The Group's portion of this guarantee amounted to S$12,250,000 (equivalent to US$9,252,000) (31 December 2013: US$9,678,000).

At 31 December 2014, the Company provided corporate guarantee to subsidiaries to obtain loan facilities amounting to US$56,180,000 (2013: US$46,180,000) from certain financial institution and third parties and US$36,180,000 (2013: US$35,986,000) of such loan facilities was utilised by the subsidiaries.

The Directors consider that the fair value of the corporate guarantee granted to the subsidiaries at 31 December 2014 was insignificant.

## 37. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks and third parties to secure against the loan facilities granted to the Group:

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Property, plant and equipment | **60,240** | 61,997 |
| Investment property | **–** | 914 |
| Pledged bank deposits | **4,361** | 4,330 |
| | **64,601** | 67,241 |

## 38. CAPITAL AND OTHER COMMITMENTS

| | **2014** | 2013 |
|---|---|---|
| | **US$'000** | US$'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| – addition of dry docking | **70** | – |
| – acquisition of a vessel | **–** | 7,740 |
| – acquisition of investment properties | **889** | 1,015 |
| – acquisition of property, plant and equipment | **927** | 1,054 |

## 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 Hong Kong government regulations.

For the operations in Republic of China and the PRC, the employees of the Group are members of state-managed retirement benefits scheme operated by the Taiwan and the 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. 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:

**The Group**

| Related party | Nature of transaction | Notes | 2014 US$'000 | 2013 US$'000 |
|---|---|---|---|---|
| 周秀曼 ("Ms. Chou") | Rental expense paid | (i) | 28 | 28 |
| Maxmart Shipping & Trading Co., Ltd. ("Maxmart") | Commission on disposal of vessels paid | (ii) | 44 | – |

Notes:

(i) Ms. Chou is the spouse of Mr. Chang Shun-Chi, who was a non-executive Director. In the opinion of the Directors, the monthly rental was negotiated between Ms. Chou and the Group by reference to the market rent.

At the end of the reporting period, the Group had commitments of US$27,606 (2013: US$55,211) for future minimum lease payments under non-cancellable operating leases which fall due within one years (2013: two years).

(ii) Mr. Chang Shun-Chi, who has retired as a non-executive Director with effect from the conclusion of the annual general meeting of the Company on 29 April 2014, is a sole director and a controlling shareholder of Maxmart. 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 15.

## 41. EVENTS AFTER THE REPORTING PERIOD

On 9 March 2015, the Company announced, among other things, the proposal to implement the share consolidation by consolidating ten (10) issued and unissued shares of par value US$0.18 each in authorized share capital and issued share capital of the Company into one issued and unissued shares of par value US$0.18 each (the "Proposed Share Consolidation").

Special general meeting will be convened and held at 11:00 a.m. on at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 308, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Wednesday, 29 April 2015 at 11:00 a.m. (or immediately after the conclusion of the Annual General Meeting) to consider, and if thought fit, to approve, among other things, the Proposed Share Consolidation. A circular containing, among other things, details of the Proposed Share Consolidation will be despatched to Shareholders as soon as practicable.

# STATISTICS OF SHAREHOLDINGS

*AS AT 12 MARCH 2015*

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 1 | 0.03 | 25 | 0.00 |
| 100 - 1,000 | 67 | 2.11 | 65,188 | 0.01 |
| 1,001 - 10,000 | 1,120 | 35.20 | 7,854,500 | 0.74 |
| 10,001 - 1,000,000 | 1,966 | 61.78 | 132,448,087 | 12.51 |
| 1,000,001 AND ABOVE | 28 | 0.88 | 918,461,508 | 86.74 |
| **TOTAL** | **3,182** | **100.00** | **1,058,829,308** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | HKSCC NOMINEES LIMITED | 722,627,697 | 68.25 |
| 2 | SEA-SEA MARINE COMPANY LIMITED | 142,081,611 | 13.42 |
| 3 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 6,578,000 | 0.62 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 4,932,000 | 0.47 |
| 5 | TAN LOO LEE | 2,767,000 | 0.26 |
| 6 | UOB KAY HIAN PRIVATE LIMITED | 2,711,000 | 0.26 |
| 7 | RHB SECURITIES SINGAPORE PTE. LTD. | 2,602,000 | 0.25 |
| 8 | LIM & TAN SECURITIES PTE LTD | 2,600,000 | 0.25 |
| 9 | DBS NOMINEES (PRIVATE) LIMITED | 2,564,000 | 0.24 |
| 10 | RAFFLES NOMINEES (PTE) LIMITED | 2,390,000 | 0.23 |
| 11 | NETWORK ARCHITECTS PTE LTD | 2,355,000 | 0.22 |
| 12 | PHILLIP SECURITIES PTE LTD | 2,108,000 | 0.20 |
| 13 | YEAP CHEOW SOON | 1,924,200 | 0.18 |
| 14 | NG HWEE KOON | 1,893,000 | 0.18 |
| 15 | YANG WEI LYN | 1,840,000 | 0.17 |
| 16 | LEE SEAK SUNG @ LEE SEAK SONG | 1,790,000 | 0.17 |
| 17 | LIM KIM HUAT | 1,687,000 | 0.16 |
| 18 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,559,000 | 0.15 |
| 19 | CHEANG CHUNG KIT | 1,416,000 | 0.13 |
| 20 | QUEK SENG LONG | 1,280,000 | 0.12 |
| | **TOTAL** | **909,705,508** | **85.93** |

## SUBSTANTIAL SHAREHOLDERS

| Name | Capacity | Number of issued shares | Approximate percentage of issued shares (%) |
|---|---|---|---|
| Sea-Sea Marine | Beneficial owner | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Besco (Note 2) | Interest in controlled corporation | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Summit Trust International SA (Note 2) | Trustee | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Summit Trustees (Cayman) Limited (Note 2) | Interest in controlled corporation | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Hsu Chih-Chien (Note 2) | Founder of a discretionary trust | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Yeh Wan-Yao (Note 4) | Interest of spouse | 142,081,611 | 13.419% |
| China Lion | Beneficial owner | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Wu Chao-Huan (Note 5) | Interest in controlled corporation | 142,081,611/ 148,818,611 (Note 1) | 13.419%/14.06% |
| Wang Ho (Note 5) | Interest of spouse | 142,081,611 (Note 2) | 13.419% |
| Zhou Xunlan | Beneficial owner | 85,952,000 | 8.12% |

# STATISTICS OF SHAREHOLDINGS

Notes:

1. Sea-Sea Marine, China Lion and China Harvest are deemed to be interested in the 6,737,000 Shares held by Pilot Assets Group Limited only under the SFA.

2. Sea-Sea Marine is wholly-owned by Besco Holding Limited ("Besco"), which in turn is wholly-owned by Summit Trustees (Caymen) Limited ("Summit Trustees") in its capacity as trustee of the Lowndes Foundation with Mr. Hsu Chih-Chien as settlor of the trust. Summit Trustees is a wholly-owned subsidiary of Summit Trust International SA ("Summit Trust International") and Summit Trust International is deemed to have an interest in the Shares of the Company which Summit Trustees has an interest in Besco, Summit Trustees in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor, Summit Trsut International and Mr. Hsu Chih-Chien are all deemed in the interested in the Shares held by Sea-Sea Marine under SFO and the SFA.

3. Ms. Yeh Wen-Yao is the spouse of Mr. Hsu Chih-Chien and is deemed to be interested in the Shares held by Sea-Sea Marine under the SFO.

4. These Shares are registered in the name of China Lion, the entire issued share capital of which is owned by Mr. Wu Chao-Huan as to 60% and by Ms. Wang Ho as to 40%. Ms. Wang Ho is the spouse of Mr. Wu Chao-Huan. Mr. Wu Chao-Huan and Ms. Wang Ho are deemed to be interested in the Shares held by China Lion under the SFO and the SFA.

The Company does not hold any treasury shares.

## SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 66.8% of the shareholding of the Company is held in the hands of the public as at 12 March 2015. Accordingly, Rule 723 of the SGX-ST Listing Manual and Rule 8.08 of the Hong Kong Listing Rules have been complied with.

# FOUR YEARS FINANCIAL SUMMARY

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 |
| | **US$'000** | US$'000 | US$'000 | US$'000 |
| **RESULTS** | | | | |
| Revenue | **16,535** | 24,963 | 18,758 | 21,691 |
| Loss before income tax | **(9,714)** | (1,772) | (10,671) | (29,488) |
| Income tax expense | **(10)** | (3) | (6) | (26) |
| Loss for the year | **(9,724)** | (1,775) | (10,677) | (29,514) |
| Attributable to: | | | | |
| Owners of the Company | **(9,063)** | (1,819) | (10,362) | (28,864) |

| | At 31 December | | | |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 |
| | **US$'000** | US$'000 | US$'000 | US$'000 |
| **ASSETS AND LIABILITIES** | | | | |
| Total assets | **97,006** | 105,766 | 104,631 | 96,921 |
| Total liabilities | **(38,684)** | (38,381) | (36,958) | (18,886) |
| | **58,322** | 67,385 | 67,673 | 78,035 |
| Equity attributable to owners of the Company | **58,322** | 67,385 | 67,673 | 78,035 |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting ("**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 Wednesday, 29 April 2015 at 10:00 a.m. for the following purposes (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 25 March 2015 of which the notice of this Annual General Meeting forms part):–

## ORDINARY BUSINESS

1. To receive and adopt the Directors' report and audited accounts for the year ended 31 December 2014 and the auditors' report thereon.

2. To re-elect Mr. Hsu Chih-Chien, who being eligible, offers himself for re-election as a non-executive Director.

3. To re-elect Mr. Wu Jian, who being eligible, offers himself for re-election as executive Director.

4. To re-elect Mr. Ngiam Zee Moey, who being eligible, offers himself for re-election as independent non-executive Director.

5. To further appoint and re-elect Mr. Chu Wen Yuan as an independent non-executive Director.

6. To approve the payment of Directors' fees of US$179,148 for the year ended 31 December 2014 (FY2013: US$ 190,631).

7. To re-appoint Deloitte Touche Tohmatsu as auditors of the Company and to authorise the Directors to fix their remuneration.

8. To transact any other business of the Annual General Meeting.

## SPECIAL BUSINESS

To consider and, if thought fit, passing with or without any modifications, the resolution set out below as an ordinary resolution:–

9. Authority to issue shares

   That pursuant to the Bye-laws of the Company, the SGX-ST Listing Manual and the Hong Kong Listing Rules, authority be and is hereby given to the Directors to:

   (i) issue Shares 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 SEHK:

(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 50% of the issued Shares (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 20% of the issued Shares (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 SGX-ST Listing Manual; 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 SGX-ST Listing Manual 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, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

Singapore and Hong Kong, 25 March 2015

By Order of the Board
**Lee Pih Peng**
*Company Secretary*
Singapore

# NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY NOTES:

*Resolution 6* – includes Directors' fees and remuneration payable to former Directors, Mr. Sin Boon Ann and Mr. Lui Chun Kin who retired on 28 February 2014 and Mr. Sun Hsien Long and Mr. Chang Shun Chi who retired on 29 April 2014.

*Resolution 9* – 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% 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% 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 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 Annual General Meeting.

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the Annual General Meeting.

5. 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 Annual General Meeting.

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

7. 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.

8. 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.

9. 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*
WU Jian (Appointed on 29 April 2014)
*Executive Director*
CHANG Shun-Chi (Retired on 29 April 2014)
*Non-Executive Director*
SUN Hsien-Long (Retired on 29 April 2014)
*Non-Executive Director*
TSOI Wai Kwong (Appointed on 29 April 2014)
*Non-Executive Director*
CHU Wen Yuan
*Independent Non-Executive Director*
FOO Meng Kee (Appointed on 29 April 2014)
*Independent Non-Executive Director*
LUI Chun Kin, Gary (Resigned on 25 Feb 2014)
*Independent Non-Executive Director*
NGIAM Zee Moey
*Independent Non-Executive Director*
SIN Boon Ann (Resigned on 25 Feb 2014)
*Independent Non-Executive Director*

## AUDIT COMMITTEE

LUI Chun Kin, Gary (Chairman) (Resigned on 25 Feb 2014)
NGIAM Zee Moey (Chairman) (Appointed on 29 April 2014)
CHU Wen Yuan
FOO Meng Kee (Appointed on 29 April 2014)
SIN Boon Ann (Resigned on 25 Feb 2014)

## REMUNERATION COMMITTEE

CHU Wen Yuan (Chairman)
HSU Chih-Chien
NGIAM Zee Moey (Appointed on 29 April 2014)
SIN Boon Ann (Resigned on 25 Feb 2014)

## NOMINATING COMMITTEE

SIN Boon Ann (Chairman) (Resigned on 25 Feb 2014)
CHU Wen Yuan (Chairman)
HSU Chih-Chien
LUI Chun Kin, Gary (Resigned on 25 Feb 2014)
NGIAM Zee Moey (Appointed on 29 April 2014)

## FINANCIAL CALENDAR

Financial Year End
31 December 2014

## 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 REGISTRAR

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
Level 22
Hopewell Centre,
183 Queen's Road East,
Hong Kong

## BERMUDA REGISTRAR

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

## AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Partner-in-charge:
Benny Lam
Appointed in 2013

## DESPATCH OF ANNUAL REPORTS TO SHAREHOLDERS

25 March 2015

## ANNUAL GENERAL MEETING

29 April 2015