



Great Harvest Maeta Group Holdings Limited  
榮豐聯合控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3683



2012 Annual Report

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## GLOSSARY

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<b>“Ablaze Rich”</b>	Ablaze Rich Investments Limited (耀豐投資有限公司), a company incorporated in the BVI on 1 July 2008 and the holding company of the Company
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Baltic Capesize Index”</b>	an index of the shipping prices of capesize vessels made up of 10 daily capesize vessel assessments including voyage and time charter rates published by the Baltic Exchange in London
<b>“Baltic Dry Index”</b>	an index of the daily average of international shipping prices of various dry bulk cargoes made up of 20 key dry bulk routes published by the Baltic Exchange in London
<b>“Board”</b>	the board of Directors
<b>“Bryance Group”</b>	Bryance Group Limited, a company incorporated in the BVI on 28 September 2006 and a wholly-owned subsidiary of the Company
<b>“BVI”</b>	the British Virgin Islands
<b>“CG Code”</b>	the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules then prevailing prior to 1 April 2012
<b>“Company”</b>	Great Harvest Maeta Group Holdings Limited (榮豐聯合控股有限公司), an exempted company incorporated in the Cayman Islands on 21 April 2010 under the Companies Laws of the Cayman Islands with limited liability
<b>“Daily TCE”</b>	an acronym for daily time charter equivalent, a standard industry measurement of the average daily revenue performance of a vessel. Daily TCE is calculated by dividing the voyage revenues (net of expenses such as port, canal and bunker costs) by the available days (being the number of days that the vessel was operated by the Group during the charter period minus days without charter hire due to repair and maintenance and between two charter periods and days agreed with the charterers due to the speed claims or any other reasonable claims arising from the under-performance of the vessel) for the relevant time period
<b>“Director(s)”</b>	director(s) of the Company
<b>“First Loan”</b>	a term loan for the aggregate principal amount of US\$65 million for the purpose of refinancing the former bank borrowings for the acquisitions of GH FORTUNE and GH RESOURCES, and for working capital purpose. US\$35 million of the principal amount of such term loan shall be repaid by 36 quarterly instalments, and US\$30 million thereof shall be repaid by 16 quarterly instalments, commencing 3 months from 9 January 2008
<b>“Great Ocean”</b>	Great Ocean Shipping Limited (浩洋船務有限公司), a company incorporated in the BVI on 29 September 2006 and a wholly-owned subsidiary of the Company
<b>“Greater Shipping”</b>	Greater Shipping Co., Ltd. (榮達船務有限公司), a company incorporated in the BVI on 31 May 2002 and a wholly-owned subsidiary of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$” and “HK cents”</b>	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

## GLOSSARY

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<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Joy Ocean”</b>	Joy Ocean Shipping Limited (悦洋船務有限公司), a company incorporated in the BVI on 21 October 2004 and a wholly-owned subsidiary of the Company
<b>“Listing Date”</b>	the date on which trading of the Shares on the Main Board first commenced, i.e. 11 October 2010
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
<b>“Main Board”</b>	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market of the Stock Exchange and the options market
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
<b>“Mr. Yan”</b>	Mr. YAN Kim Po (殷劍波先生), the chairman of the Board, an executive Director and the husband of Ms. Lam
<b>“Ms. Lam”</b>	Ms. LAM Kwan (林群女士), the chief executive officer of the Company, an executive Director and the wife of Mr. Yan
<b>“Nomination Committee”</b>	the nomination committee of the Board
<b>“PRC” or “China”</b>	the People’s Republic of China which, for the purposes of this annual report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Remuneration Committee”</b>	the remuneration committee of the Board
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Revised CG Code”</b>	The CG Code as amended with effect from 1 April 2012
<b>“Second Loan”</b>	a term loan for the principal amount of US\$39 million for the acquisition of GH POWER. The principal amount shall be repaid by 40 quarterly instalments commencing 3 months from 11 February 2008
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Share Option Scheme”</b>	the share option scheme of the Company approved and adopted by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 19 August 2011
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

## GLOSSARY

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<b>"Third Loan"</b>	a term loan for the principal amount of US\$26 million for the acquisition of GH GLORY. 70% of the principal amount of the bank loan shall be repayable by 28 consecutive quarterly instalments of US\$650,000 commencing three months from the drawdown date, and the remaining 30% of the principal amount of the loan to be repaid together with the last quarterly instalment
<b>"Union Apex"</b>	Union Apex Mega Shipping Limited (聯合佳成船務有限公司), a company incorporated in Hong Kong on 2 December 2009 and a wholly-owned subsidiary of the Company
<b>"US\$" and "US cents"</b>	United States dollars and cents, respectively, the lawful currency of the US
<b>"Way Ocean"</b>	Way Ocean Shipping Limited, a company incorporated in the BVI on 8 October 2010 and a wholly-owned subsidiary of the Company

## CORPORATE INFORMATION

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**Board of Directors****Executive Directors**

Mr. YAN Kim Po (殷劍波) (*Chairman*)  
 Ms. LAM Kwan (林群) (*Chief Executive Officer*)  
 Mr. CAO Jiancheng (曹建成)

**Independent non-executive Directors**

Mr. CHEUNG Kwan Hung (張鈞鴻)  
 Mr. CHAN Chung Bun, Bunny (陳振彬)  
 Mr. WAI Kwok Hung (韋國洪)

**Audit Committee**

Mr. CHEUNG Kwan Hung (張鈞鴻)  
 (*Chairman of Audit Committee*)  
 Mr. CHAN Chung Bun, Bunny (陳振彬)  
 Mr. WAI Kwok Hung (韋國洪)

**Remuneration Committee**

Mr. CHAN Chung Bun, Bunny (陳振彬)  
 (*Chairman of Remuneration Committee*)  
 Mr. YAN Kim Po (殷劍波)  
 Mr. CHEUNG Kwan Hung (張鈞鴻)

**Nomination Committee**

Mr. YAN Kim Po (殷劍波)  
 (*Chairman of Nomination Committee*)  
 Mr. CHAN Chung Bun, Bunny (陳振彬)  
 Mr. WAI Kwok Hung (韋國洪)

**Company secretary**

Mr. LAU Ying Kit (劉英傑)  
*Certified Public Accountant*

**Authorised representatives**

Mr. CAO Jiancheng (曹建成)  
 Mr. LAU Ying Kit (劉英傑)  
 Ms. LAM Kwan (林群)  
 (*alternate to the authorised representatives*)

**Registered office**

Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman  
 KY1-1111  
 Cayman Islands

**Headquarters and principal place of business in Hong Kong**

12th Floor  
 200 Gloucester Road  
 Wanchai  
 Hong Kong

**Principal share registrar and transfer office in the Cayman Islands**

Codan Trust Company (Cayman) Limited  
 Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman  
 KY1-1111  
 Cayman Islands

**Hong Kong share registrar and transfer office**

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

**Compliance adviser**

Haitong International Capital Limited

**Auditors**

Deloitte Touche Tohmatsu

**Legal advisers as to Hong Kong law**

Chiu & Partners

**Principal bankers**

Standard Chartered Bank (Hong Kong) Limited  
 DVB Group Merchant Bank (Asia) Limited  
 HSH Nordbank AG  
 Bank of China (Hong Kong) Limited  
 The Hongkong and Shanghai Banking Corporation Limited

**Stock code**

3683

**Website address**

[www.greatharvestmg.com](http://www.greatharvestmg.com)

## FINANCIAL HIGHLIGHTS

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#### Consolidated/Combined statements of comprehensive income

	Year ended 31 March				
	2012 US\$'000	2011 US\$'000	2010 US\$'000	2009 US\$'000	2008 US\$'000
Revenue	25,202	30,555	41,782	52,203	34,577
Cost of services	20,595	(21,251)	(21,159)	(23,731)	(17,845)
Gross profit	4,607	9,304	20,623	28,472	16,732
Other income	339	381	543	355	778
General and administrative expenses	(2,568)	(2,530)	(269)	(622)	(513)
Listing expenses	—	(1,863)	—	—	—
Other losses	—	(4)	(177)	(941)	—
Impairment loss recognised on property, plant and equipment	(7,707)	—	—	—	—
Finance costs	(1,580)	(1,157)	(1,361)	(3,641)	(3,513)
(Loss)/profit before tax	(6,909)	4,131	19,359	23,623	13,484
Taxation	—	—	—	—	—
(Loss)/profit for the year and total comprehensive (expense)/income for the year	(6,909)	4,131	19,359	23,623	13,484

#### Assets and liabilities

	At 31 March				
	2012 US\$'000	2011 US\$'000	2010 US\$'000	2009 US\$'000	2008 US\$'000
Total assets	159,853	177,749	136,756	151,500	171,495
Total liabilities	(49,831)	(61,101)	(64,065)	(98,168)	(141,786)
Net assets	110,022	116,648	72,691	53,332	29,709

## CHAIRMAN'S STATEMENT

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Dear shareholders,

2011 was a challenging and uncertain year for the world's economy. The freight market hovered at low levels throughout the year as the dry bulk freight market was under volatile and uncertain economic conditions as well as pressure due to adverse industry factors such as oversupply of vessels and historic high delivery of newly built vessels. The Baltic Dry Index fell to 647 points on 3 February 2012, marking a record low since the financial turmoil in 2008. None of the vessel types was an exception in the difficult operating environment with plunging spot rates. Despite the growth in trading volume and demand for marine transportation of various types of dry bulk cargoes, such growth was insufficient to balance and offset the actual expansion in fleet size. In addition, fuel oil prices reached a historic high point as a result of the overall increase in crude oil prices, undermining further the operating revenue of ship owners under the same freight rates. There is no short-term nor shortcut solutions to the various adverse market factors but only gradual absorption and adaptation by the market over time. Rock bottom freight rates have speeded up the demolition of aged vessels among the dry bulk fleet. In 2011, 388 dry bulk vessels had been demolished, more than triple the number of demolition of 123 vessels in 2010, according to market statistics. Though the rapid expansion in fleet size continued, the worsening spot market conditions were relieved to some extent by the favorable impacts brought by the demolition of aged dry bulk vessels.

Amidst unfavorable market conditions, the Group managed to uphold its proactive and prudent operating strategies with its fleet size maintaining at 418,230 dwt for the year ended 31 March 2012, which was in line with the corresponding period last year. The Group's fleet maintained an occupancy rate at approximately 97% with a total of approximately 1,775 days of occupancy, carried an aggregate of 3,122,387 tonnes of cargoes, achieved an average daily charter rate per vessel of US\$13,331, and recorded a recovery rate of close to 100% for receipt of charter hire during the year.

Looking forward to the coming year, under the shadow of the depressing and plunging spot rate market in 2011, the dry bulk marine transportation market is expected to face another difficult and challenging year, and oversupply of vessels will remain a major issue in the market in 2012. According to the forecast published by authoritative institutions, the shipping market will continue to stay in an oversupply condition despite an anticipated growth in overall economy and world trade and accordingly increase in demand for dry bulk marine transportation, as such growth will be smaller than the expansion in fleet size. The current excessive supply situation in the shipping market may be changed and the freight market may resume to normal operation only if the demand for marine transportation increases to an extent that is sufficient to offset the expansion in fleet size. As forecasted by the International Monetary Fund, trade in goods will grow merely at 3.7% for the coming year, less than the actual growth of 5% in 2011 and the forecasted growth of 5.6% in 2013. Accordingly, it is unlikely that demand for marine transportation will see a growth that is sufficient to balance the expansion in fleet size, and recovery of the freight market will be subject to the recovery and development of the overall economy.

In the face of the current difficult market and operating conditions, the Group is committed to generate higher operating revenue by adhering to its prudent operating strategies, enhancing day-to-day management of vessels, optimizing transportation to better service its customers, and strictly controlling operating costs. Our vessels mainly carry cargoes containing iron ore, coal, bauxite and grains. On top of that, our management also has extensive knowledge on the upstream market to the Group's shipping business, such as the mining industry and the customers of the market thereof. In a bid to consolidate and expand our scope of business, we currently intend to identify more new development opportunities and/or expand our scope of business and diversify our income streams by actively considering expansion into other businesses, such as the upstream business.



## CHAIRMAN'S STATEMENT

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Lastly, on behalf of the Board, I would like to express my gratitude to all the shareholders who have been rendering their support to the Group, and all the staff who have been working hard and dedicated to the Group. On behalf of the Group, I would also like to express my sincere thanks to our customers, business partners, suppliers and bankers for their confidence and trust in the Group.

**YAN Kim Po**

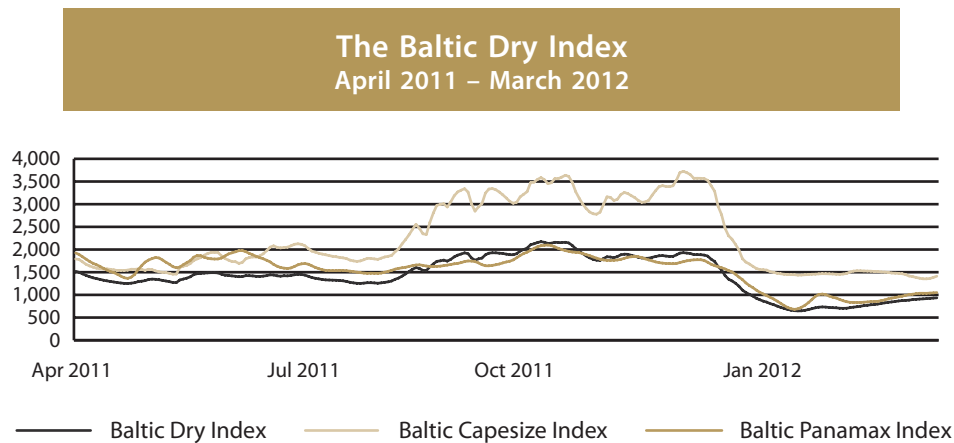
*Chairman*

28 June 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

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### Market review



The Baltic Dry Index fluctuated significantly ranging from 647 points to 2,173 points during the year ended 31 March 2012 as the dry bulk freight market was under the pressure of oversupply of vessels. The Baltic Dry Index fell to 647 points on 3 February 2012, marking a record low since the financial turmoil in 2008. Ship owners were forced to accept lower freight rates and less favorable terms as they were unable to secure new shipping orders for many of their vessels immediately after the last order. There was no exception to any of the vessel types in the difficult operating environment with plunging spot rates. For instance, Panamax vessels, which form the majority of the Group's fleet, recorded an average daily charter rate of approximately US\$12,292 during the year ended 31 March 2012, down approximately 42% over that of approximately US\$21,275 for the corresponding period last year. During the year ended 31 March 2012, oversupply of vessels in the dry bulk marine transportation market became worse despite the growth in trading volume and demand for marine transportation of major types of dry bulk cargoes, since such growth was not significant enough to balance and offset the actual expansion in fleet size.

Although the first and fourth quarters of each year are traditionally bullish seasons for dry bulk freight rates, during the year ended 31 March 2012, the seasonal increase in demand for transportation did not show a positive effect on the freight market due to the large number of delivery and usage of newly built vessels. The Baltic Dry Index has been continuously decreasing shortly after reaching 2,100 points in October 2011. In the meantime, fuel oil prices for ships surged continuously and reached a historic high in 2011 as a result of the overall increase in world crude oil prices, further undermining the operating revenue of ship owners under the same freight rates.

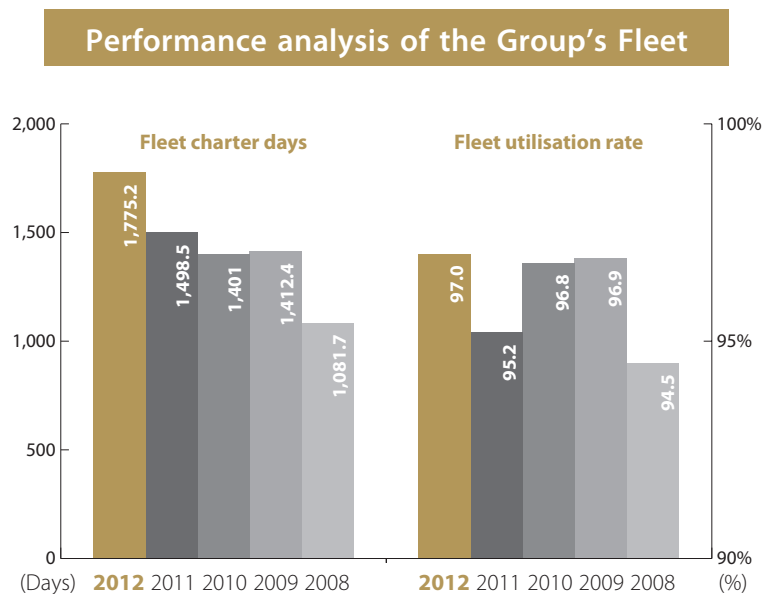
Time charterers adopted a wait-and-see attitude towards vessel chartering as a result of the falling spot market rates. According to the statistics from ship brokers, there were merely 118 time charter contracts with charter periods of more than a year in 2011, which represents approximately 45% of the figures recorded in the corresponding period in 2010. Rock bottom freight rates and adverse operating conditions have speeded up the demolition of aged vessels in the world dry bulk fleet. According to market statistics, 388 dry bulk vessels were demolished in 2011, more than triple the number of dry bulk vessels demolished during the corresponding period in 2010. Though the rapid expansion in fleet size continued, the worsening spot market condition was relieved to some extent by the favorable impacts brought by the demolition of aged dry bulk vessels. In addition, in view of the high fuel oil prices and extremely low freight rates, ship owners ran their vessels at economic speed to lower the actual utilization rate and reduce the market supply of vessels, thereby further enhancing occupancy rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

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**Business overview**

Amidst unfavorable market conditions, the Group managed to uphold its proactive and prudent operating strategies with its fleet maintaining an aggregate carrying capacity of approximately 418,230 dwt for the year ended 31 March 2012, which was in line with the corresponding period last year.



Given the fact that the spot market was under huge pressure, the shrunken transaction volume in the time charter market and the lower charter rates for charter periods of more than a year as compared to short-term charters, the Group's fleet was unable to secure time charters for charter periods of more than a year at higher charter rates and four of our vessels thus switched to operate in the spot market. Nonetheless, leveraging upon its strengths including younger fleet and better design parameters, the Group sought to charter out its vessels to reputable and reliable charterers and tapped on the seasonal bullish market to enter into two short-term charters at relatively higher charter rates, generating higher revenue for the Group's fleet as a whole.

For the year ended 31 March 2012, the average daily charter rate per vessel of the Group's fleet was approximately US\$13,331, higher than the average daily charter rate of the Baltic Panamax Index of approximately US\$12,292. Meanwhile, the Group's fleet maintained a higher occupancy rate at approximately 97% with a total of approximately 1,775.2 days of occupancy during the period from 1 April 2011 to 31 March 2012. The Group recorded a growth both in terms of days of occupancy and occupancy rate of its vessels, securing more stable revenue for the Group. Our vessels carried an aggregate of approximately 3,122,387 tonnes of cargoes, which mainly consisted of coal (accounting for approximately 64% of the total cargo volume), for the year ended 31 March 2012. At the same time, the Group strove to improve its operating efficiency by strictly controlling operating expenses and reducing unnecessary expenditures.

**Market outlook**

Given the depressed and plunging spot rate market in general in 2011, the dry bulk marine transportation market is expected to face another difficult and challenging year in 2012. Changes in macro-economic factors across the world, in addition to the major oversupply issue, will exert impact on and lead to fluctuation in the dry bulk marine transportation market. According to forecast published by various authoritative institutions, oversupply of vessels will continue to

## MANAGEMENT DISCUSSION AND ANALYSIS

adversely affect the spot rate market in 2012 despite the increase in demand for marine transportation as a result of an anticipated growth in overall economy and world trade, since such growth will not offset the effect of the expansion in fleet size which will exert downward pressure on the spot rate market. While the adverse spot market condition will be relieved to some extent taking into account factors such as delay in delivery of newly built vessels, speeding up of demolition and retirement of aged vessels and vessels running at economic speed to lower efficiency of the existing fleet, the market landscape cannot be changed fundamentally. In general, it is anticipated that spot rate will be lower in 2012 as compared with that of last year. The current market landscape may be changed and the freight market may resume to normal operation only with the combined effect of market absorption of excessive vessel supply over time and increase in demand for marine transportation.

From the market supply perspective, according to market statistics, orders for newly built dry bulk vessels to be delivered in 2012 amounted to approximately 1,700 vessels (representing approximately 140 million dwt), accounting for approximately 19.5% of the existing fleet size. Notwithstanding factors such as delay in delivery of orders, vessels will continue to operate under oversupply condition as a result of the expected double-digit growth in fleet size. Given the strengthened bargaining power of charterers, both cargo owners and charterers will raise their requirements on various aspects, such as vessel speed, fuel consumption, carrying capacity, draft mark and vessel age etc., when negotiating the terms for chartering of vessels. Thus, excellent vessel design, quality service and outstanding operating record are the keys for ship owners to sustain normal operation and generate higher revenue in the current challenging market environment. From the market demand perspective, trade in goods will grow merely at 3.7% in 2012, less than the actual growth of 5% in 2011 and the forecasted growth of 5.6% in 2013 by the International Monetary Fund. Accordingly, it is unlikely that demand for marine transportation will achieve double-digit growth, making 2012 a tough and challenging year ahead.

Amidst the current difficult and volatile market and operating condition, the Group is committed to generate higher operating revenue by adhering to its prudent operating strategies, enhancing day-to-day management of vessels and optimizing transportation to better service its customers. Apart from striving to charter out our vessels to reputable and reliable customers, we will also work on to identify market opportunities to charter out our vessels at higher charter rates as well as exercise stringent control on operating expenses and reduce unnecessary expenses. In a bid to consolidate and expand our scope of business, the Group currently intends to identify new development opportunities and/or expand our business and diversify our income streams by actively considering expansion into other businesses, such as the upstream business, apart from the shipping business.

### Financial review

#### *Revenue*

Revenue of the Group decreased from approximately US\$30.6 million for the year ended 31 March 2011 to approximately US\$25.2 million for the year ended 31 March 2012, representing a decrease of approximately US\$5.4 million, or approximately 17.5%. It comprised time charter income of approximately US\$16.2 million (constituted approximately 64.3% of the revenue of the Group), voyage charter income of approximately US\$2.3 million (constituted approximately 9.2% of the revenue of the Group) and service income of approximately US\$6.7 million (constituted approximately 26.5% of the revenue of the Group) for the year ended 31 March 2012. The decrease in time charter income was mainly attributable to the decrease in average Daily TCE of the Group's fleet from approximately US\$21,217 for the year ended 31 March 2011 to approximately US\$13,331 for the year ended 31 March 2012. The increase in voyage charter income was mainly due to the income for the year ended 31 March 2012 being derived from completion of voyage charters (aggregate shipping volume of 233,600 metric tonnes of iron ore) as compared with partial recognition of income derived on a percentage of completion basis from a voyage charter of 119,300 metric tonnes of iron ore for the year ended 31 March 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### ***Cost of services***

Cost of services of the Group decreased from approximately US\$21.3 million for the year ended 31 March 2011 to approximately US\$20.6 million for the year ended 31 March 2012, representing a decrease of approximately US\$0.7 million or approximately 3.1%. The decrease of cost of services was mainly due to (i) the decrease in the dry-docking expenses accrued for GREAT HARVEST, one of the Group's Panamax dry bulk vessels; and (ii) partial offset by the increase in crew expenses.

### ***Gross profit***

Gross profit of the Group decreased from approximately US\$9.3 million for the year ended 31 March 2011 to approximately US\$4.6 million for the year ended 31 March 2012, representing a decrease of approximately US\$4.7 million or approximately 50.5%, while the gross profit margin decreased from approximately 30.5% for the year ended 31 March 2011 to approximately 18.3% for the year ended 31 March 2012. The decrease in gross profit margin of the Group was mainly attributable to the decrease in average Daily TCE of the Group's vessels.

### ***General and administrative expenses***

General and administrative expenses of the Group increased from approximately US\$2.5 million for the year ended 31 March 2011 to approximately US\$2.6 million for the year ended 31 March 2012, representing an increase of approximately US\$38,000 or approximately 1.5%, mainly due to the share-based payments amortized during the year.

### ***Finance costs***

Finance costs of the Group increased from approximately US\$1.2 million for the year ended 31 March 2011 to approximately US\$1.6 million for the year ended 31 March 2012, representing an increase of approximately US\$0.4 million or approximately 36.6%. Such increase was mainly attributable to the interest expenses of GH GLORY which was acquired by the Group in November 2010.

### ***Loss and total comprehensive expense for the year***

The Group incurred a loss of approximately US\$6.9 million for the year ended 31 March 2012 as compared with a profit of approximately US\$4.1 million for the year ended 31 March 2011. Such decline was mainly due to (i) the impairment loss of approximately US\$7.7 million of the Group's capesize vessel; and (ii) decrease in gross profit of approximately US\$4.7 million. As the decrease in gross profit and the increase in finance costs during the year ended 31 March 2012 were rather significant, the absence of listing expenses during the year ended 31 March 2012, which amounted to approximately US\$1.9 million for the year ended 31 March 2011, was still insufficient to offset the decrease in the profit of the Group during the year ended 31 March 2012.

### ***Liquidity, financial resources, capital structure and gearing ratio***

As at 31 March 2012, the Group's bank balances and cash amounted to approximately US\$5.9 million (as at 31 March 2011: approximately US\$5.8 million), of which approximately 98.7% was denominated in US\$ and approximately 1.3% in HK\$. Outstanding bank loans amounted to approximately US\$47.2 million (31 March 2011: approximately US\$57.7 million), of which 100% (31 March 2011: 100%) was denominated in US\$.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2011 and 31 March 2012, the Group had a gearing ratio (being the bank loans of the Group divided by the total assets of the Group) of approximately 32.4% and 29.5% respectively. The decrease in gearing ratio as at 31 March 2012 was mainly due to the repayment of the principal amount of the Group's bank loans.

The Group's net current assets/liabilities value position had improved from net current liabilities of approximately US\$1.2 million as at 31 March 2011 to net current assets of approximately US\$5.9 million as at 31 March 2012. Such improvement was mainly due to the repayments of bank loans by the Group.

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from working capital arising from operating activities and bank loans. The Group also monitors the current and expected liquidity requirements regularly to mitigate the effects of fluctuations in cash flows.

### ***Exposure to fluctuations in exchange rate risk and related hedges***

The Group's transactions and monetary assets were primarily denominated in US\$. Operating expenses of the Group's Hong Kong subsidiary were primarily denominated in HK\$ and the bank loans of the Group were denominated in US\$. As the Group does not have significant foreign currency transactions or balances, the Directors consider that the level of foreign currency exposure for the Group is relatively minimal.

During the year ended 31 March 2012, the Group had not adopted any financial instruments for hedging purposes.

### ***Bank loans and disclosure under Rules 13.13 to 13.19 of the Listing Rules***

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer. As at 31 March 2012, the Group recorded outstanding bank loans of approximately US\$47.2 million and all the bank loans carry interest at floating rate. The bank loans, namely the First Loan, the Second Loan and the Third Loan, were for financing the acquisition of vessels of the Group and were secured by, inter alia, the following:

- Corporate guarantee from the Company;
- First preferred mortgages over the vessels held by Bryce Group, Joy Ocean, Great Ocean, and Way Ocean respectively;
- Assignment of the charter-hire income and insurance in respect of the vessels held by Bryce Group, Joy Ocean, Great Ocean and Way Ocean respectively;
- Charges over shares of each of Bryce Group, Joy Ocean, Great Ocean and Way Ocean.

The above bank loans were provided to the Group on the conditions that, inter alia, Mr. Yan, Ms. Lam and/or any company controlled by them shall jointly hold at least 51% shareholding interests in the Company.

In relation to the Second Loan, it would be an event of default if any two of Mr. Yan, Ms. Lam and Mr. Cao Jiancheng cease to be the executive Director of the Company without the lender's prior consent.

## MANAGEMENT DISCUSSION AND ANALYSIS

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Save as disclosed above, the Directors have confirmed that, as at the date of this annual report, there are no other circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

#### *Charges on assets*

As at 31 March 2012, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	<b>2012</b> <b>US\$'000</b>	2011 US\$'000
Property, plant and equipment	<b>141,153</b>	159,534
Pledged bank deposits	<b>1,966</b>	3,598
	<b>143,119</b>	163,132

#### *Contingent liabilities*

The Group had no contingent liabilities as at 31 March 2012.

#### *Employees' remuneration and retirement scheme arrangements*

As at 31 March 2012, the Group had 120 employees (2011: 120 employees). For the year ended 31 March 2012, the total salaries and related cost (including Directors' fees and share-based payments) amounted to approximately US\$5.2 million (2011: US\$4.1 million). It is the Group's policy to remunerate its employees according to the relevant market situation, and accordingly the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance. Other benefits offered by the Group include mandatory provident fund scheme and medical insurance.

## BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The updated biographies of the Directors and senior management of the Company are set out as below:

### Board of Directors

#### *Executive Directors*

**Mr. YAN Kim Po (殷劍波)**, aged 50, is the chairman of the Company, an executive Director and the co-founder of the Group. Mr. Yan is the spouse of Ms. Lam. Mr. Yan is primarily responsible for the operation of the Board and is the key decision-maker of the Group. He is responsible for the Group's overall strategic planning and the management and development of the Group's businesses. Mr. Yan is also a director of each of the subsidiaries of the Company. Mr. Yan is an experienced entrepreneur and has extensive experience in the marine transportation industry and in the investment, development, production, processing, operation and trading of the mining and steel industry. Mr. Yan was appointed as Justice of Peace and was granted a Doctor of Philosophy Honoris Causa from Lansbridge University, Canada. He was also honoured as World Outstanding Chinese in 2010. He is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. He is also a fellow of the Hong Kong Institute of Directors and the chairman of the Hong Kong Energy and Minerals United Associations (International) Limited. He is also active in social affairs and was appointed as the Honorary Chairman of Hong Kong Association of Youth Development, the Honorary President of the Junior Police Call, the Honorary President of the Fire Safety Ambassador Club and a member of the Friends of the Community Chest Shatin District Committee. Mr. Yan is currently a director of Ablaze Rich, which has an interest in such number of Shares under Divisions 2 and 3 of Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares and underlying Shares of the Company" of this annual report.

**Ms. LAM Kwan (林群)**, aged 44, is the chief executive officer of the Company, an executive Director and the co-founder of the Group. Ms. Lam is the spouse of Mr. Yan. Ms. Lam is primarily responsible for the Group's day-to-day management and overall business operations as well as its finance and administrative management. She is also a director of each of the subsidiaries of the Company. Ms. Lam has extensive experience in the marine transportation industry. Ms. Lam is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. She is also a director of Pok Oi Hospital and a fellow of the Hong Kong Institute of Directors. She graduated from Dongbei University of Finance and Economics in 1990 with a bachelor's degree in English for finance in the Department of Foreign Language for Finance. Ms. Lam is currently a director of Ablaze Rich, which has an interest in such number of Shares under Divisions 2 and 3 of Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares and underlying Shares of the Company" of this annual report.

**Mr. CAO Jiancheng (曹建成)**, aged 55, has been serving as an executive Director of the Company since June 2010. Mr. Cao is responsible for the Group's overall operational management. Mr. Cao has more than 29 years of experience in the marine transportation industry. Mr. Cao has been a captain of ocean-going cargo ships since around 1982. Before joining the Group, he had worked for 廣州海順船務有限公司 (Guangzhou Hai Shun Shipping Corporation) as a captain from 1985 to 1989. Mr. Cao also worked for Hong Kong Ming Wah Shipping Company Limited from 1989 to 2000 as an operator, chartering member, deputy manager, manager and vice-president during that period. He also held management position as a manager at Valles Steamship Company Limited from 2001 to 2002. Mr. Cao completed the training course for international shipping professional education and obtained a certificate of completion from 上海海運學院 (Shanghai Maritime Institute) in December 1991 through long distance learning, and graduated from Murdoch University with a Master degree of Business Administration in March 1999. Mr. Cao had also been a captain as recognised by the Maritime Affairs Inspection Bureau of the PRC, the Directorate General of Consular and Maritime Affairs of The Republic of Panama and the Bureau of Maritime Affairs of the Ministry of Transport of The Republic of Liberia. Mr. Cao has an interest in such number of Shares under Divisions 2 and 3 of Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares and underlying Shares of the Company" of this annual report.



## BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

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#### *Independent non-executive Directors*

**Mr. CHEUNG Kwan Hung (張鈞鴻)**, aged 60, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Cheung obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic in 1978, and is a qualified accountant in both United Kingdom and Hong Kong. Mr. Cheung has extensive experience in the investment banking, corporate management and consultancy profession. Mr. Cheung is currently also an independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely PetroAsian Energy Holdings Limited (Stock Code: 850), NewOcean Energy Holdings Limited (Stock Code: 342), and Mobile Telecom Network (Holdings) Limited (Stock Code: 8266) which is listed on the Growth Enterprise Market of the Stock Exchange.

**Mr. CHAN Chung Bun, Bunny (陳振彬)**, aged 54, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Chan has extensive experience in commerce and is currently the chairman of Prospectful Holdings Limited. Mr. Chan is active in community affairs in Hong Kong. He is the chairman of the Commission of Youth of Hong Kong since 1 April 2009. Mr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004 and Silver Bauhinia Star medal in 2009 by the government of Hong Kong. Mr. Chan was awarded the title of Honorary University Fellow by the Open University of Hong Kong in 2008. In November 2010, Mr. Chan was appointed as the member of the Steering Committee on Community Care Fund.

**Mr. WAI Kwok Hung (韋國洪)**, aged 57, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Wai has been an independent director of a Hong Kong listed company, Town Health International Investments Limited (Stock code: 3886) since July 2002. He is active in the affairs of the Shatin community and is currently the chairman of the Shatin District Council of Hong Kong and the president of Shatin Sports Association Limited. Mr. Wai was appointed as Justice of Peace in July 2002 and was awarded the Silver Bauhinia Star medal in 2008 by the government of Hong Kong.

#### **Senior management**

**Mr. SUNG Lik Man (宋力文)**, aged 40, the vice general manager of the Group. Mr. Sung is responsible for the Group's overall operational management. He obtained his bachelor's degree in maritime management from Dalian Maritime University (大連海事大學) in July 1995. Mr. Sung has extensive experiences in the marine transportation industry and he joined the Group in June 2010 as the vice general manager of Union Apex. Before joining Union Apex, Mr. Sung was the chartering manager of Million Miles Shipping (Hong Kong) Limited from March 2003 to June 2010. Before joining Million Miles Shipping (Hong Kong) Limited, Mr. Sung also worked for COSCO (Hong Kong) Shipping Co., Ltd., a subsidiary of China COSCO Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1919), from February 2000 to February 2003.

**Mr. LAU Ying Kit (劉英傑)**, aged 38, has been serving as the chief financial officer and company secretary of the Company since August 2010. Mr. Lau is responsible for the oversight of the Group's financial and accounting operations, and company secretarial and internal control function. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a master degree in finance from the City University of Hong Kong. Mr. Lau gained extensive experience in auditing, accounting and financing across the PRC and Hong Kong. Prior to joining the Group, Mr. Lau has worked as the chief financial officer and company secretary in several listed companies in Hong Kong. He is currently also a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada and an independent non-executive director of Kingdom Holdings Limited (Stock Code: 528), a company listed on the Main Board of the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

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The Board and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, healthy corporate culture, successful business growth, balance of business risk and enhancement of shareholders' value.

### The CG Code

The Company had adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as the Company's code on corporate governance practices for the year under review. With the introduction of the Revised CG Code with effect from 1 April 2012, the Company's code on corporate governance practices was also revised to be in line with the principles and code provisions of the Revised CG Code. As this Corporate Governance Report covers the period from 1 April 2011 to 31 March 2012 (the "Reporting Period") before the Revised CG Code took effect, all the corporate governance principles and code provisions mentioned herein shall refer to those stated in the CG Code as applied before 1 April 2012, but not the Revised CG Code. During the Reporting Period, the Company had been in compliance with the provisions of the CG Code.

### The Board

The Board assumes responsibility for leadership and control of the Company, and is responsible and has general powers for management and conduct of the business of the Company. The Directors, individually and collectively, are committed to act in good faith in the best interests of the Company and its shareholders. To assist in the discharge of their duties, the Directors have free and direct access to both the Company's external auditors and procedures are in place to allow the Directors to obtain independent professional advice at the Company's expense. Besides, the Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate management activities which is stated in the CG Code as one of the recommended best practices.

### Board composition

As at the date of this annual report, the Board is composed of three executive Directors and three independent non-executive Directors:

#### Executive Directors

Mr. YAN Kim Po (殷劍波) (*Chairman*)  
Ms. LAM Kwan (林群) (*Chief Executive Officer*)  
Mr. CAO Jiancheng (曹建成)

#### Independent non-executive Directors

Mr. CHEUNG Kwan Hung (張鈞鴻)  
Mr. CHAN Chung Bun, Bunny (陳振彬)  
Mr. WAI Kwok Hung (韋國洪)

The biographies of and the relationship between the Directors are set out under the section headed "Board of Directors and the Senior Management" of this annual report.

## CORPORATE GOVERNANCE REPORT

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### *Roles and responsibilities of the Board*

The position of the Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties and a balanced judgment of views.

Mr. Yan is the Chairman of the Company. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

Ms. Lam is the Chief Executive Officer of the Company. The Chief Executive Officer is responsible for managing the Group's business, including the development and implementation of major strategies and initiatives adopted by the Board with the support from other executive Directors and senior management, and within those authorities delegated by the Board.

The experience and views of our independent non-executive Directors are held in high regard and contribute to the effective direction of the Group.

### **Appointment and election of Directors**

The appointment of a new Director must be approved by the Board. The Board has delegated to the Nomination Committee to identify and recommend individuals suitably qualified to become Board members when necessary. The Nomination Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to assess the independence of the independent non-executive Directors, having regard to the requirements under the Listing Rules.

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years commencing from the Listing Date. The Group has also entered into a letter of appointment with each of the independent non-executive Directors for a term of three years commencing on 13 September 2010. Each of the Directors is subject to retirement by rotation in accordance with the articles of association of the Company ("the Articles"). According to article 84, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with the Articles, Mr. CAO Jiancheng and Mr. WAI Kwok Hung will retire by rotation at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

The Company's circular containing, among others, detailed information of the Directors standing for re-election at the forthcoming annual general meeting of the Company will be dispatched to the shareholders in due course.

### **Independent non-executive Directors**

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors on the Board. Among the three independent non-executive Directors, Mr. Cheung Kwan Hung has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received from each of its independent non-executive Directors the written confirmation of his independence with reference to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers all three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Mr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung to be independent.

## CORPORATE GOVERNANCE REPORT

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### Induction and development of Directors

Every Board member has received a director's handbook upon joining the Group, which lays down the guidelines on conduct for the Board and Board committee members and other key governance issues, including but not limited to Board procedures and all applicable laws, rules and regulations that they are required to observe during their service in the Board. The director's handbook will be updated from time to time as and when appropriate.

A formal and tailored induction programme will be arranged for each new Director, which includes a briefing on the Group's structure, businesses and governance practices by the senior management. To seek continuous improvement, the Directors are encouraged to attend relevant training sessions, particularly on corporate ethics and integrity matters, risk management, and relevant new laws and regulations, from time to time.

### Board committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the CG Code:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Each committee has authority to engage outside consultants or experts as it considers necessary to discharge the committee's responsibilities. The Board and each Director also have separate and independent access to the management whenever necessary. The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Minutes of all committee meetings are circulated to all Board members. The Board committees' member list is set out in the section "Corporate Information" of this annual report.

### Audit Committee

The Audit Committee was established to review the Group's financial and other reporting, internal control, external and internal audits and such other matters as the Board determines and as required by the Listing Rules as amended from time to time. The Audit Committee shall assist the Board in fulfilling its responsibilities by providing independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal control of the Group. The written terms of reference of the Audit Committee were adopted by the Board on 13 September 2010 and revised on 29 March 2012 and have been posted on the websites of the Stock Exchange and the Company.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Cheung Kwan Hung, Mr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung. Mr. Cheung Kwan Hung is the chairman of the Audit Committee. Meetings of the Audit Committee shall be held at least two times a year.

## CORPORATE GOVERNANCE REPORT

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The Audit Committee held two meetings during the year ended 31 March 2012 to review with the management and the Company's external auditors the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast), the Group's significant internal control and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The Company's annual results and continuing connected transactions for the year ended 31 March 2012 have been reviewed by the Audit Committee.

#### **Nomination Committee**

The Nomination Committee was established to recommend to the Board on the appointment of Directors, evaluate the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, and assess the independence of the independent non-executive Directors and the management of board succession, having regards to the requirements under the Listing Rules. The written terms of reference of the Nomination Committee were adopted by the Board on 13 September 2010 and revised on 29 March 2012 and have been posted on the websites of the Stock Exchange and the Company.

The Nomination Committee consists of an executive Director and two independent non-executive Directors, namely Mr. Yan, Mr. Chan Chung Bun, Bunny and Mr. Wai Kwok Hung. Mr. Yan is the chairman of the Nomination Committee. Meetings of the Nomination Committee shall be held at least once a year and as and when required or as requested by the responsible Director or the Chairman.

The Nomination Committee held one meeting during the year ended 31 March 2012.

#### **Remuneration Committee**

The Remuneration Committee was established to recommend to the Board from time to time on the Company's remuneration policy and structure for all remuneration of the Directors and the senior management of the Company, and to ensure that the Directors and the senior management of the Company are fairly rewarded in light of their contribution to the Company and their performance and that they receive appropriate incentives to maintain high standards of performance and to improve their performance and the Company's performance. The written terms of reference of the Remuneration Committee were adopted by the Board on 13 September 2010 and revised on 29 March 2012 and have been posted to the websites of the Stock Exchange and the Company.

The Remuneration Committee consists of an executive Director and two independent non-executive Directors, namely Mr. Yan, Mr. Cheung Kwan Hung and Mr. Chan Chung Bun, Bunny. Mr. Chan Chung Bun, Bunny is the chairman of the Remuneration Committee. Meetings of the Remuneration Committee shall be held not less than once a year.

The Remuneration Committee held one meeting during the year ended 31 March 2012.

#### **Remuneration of Directors**

The remuneration of the Directors is determined by the Remuneration Committee with reference to the duties, responsibilities, performance of the Directors and the results of the Group.

## CORPORATE GOVERNANCE REPORT

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**Board and committee meetings**

The Board aims to meet in person or by means of electronic communication as appropriate. With respect to regular meetings of the Board and the Board committees, Directors usually receive at least 14 days prior written notice of the meeting. Meeting agenda with relevant supporting documents are sent to all Directors before each Board meeting or committee meeting.

Senior management is invited to join all Board meetings to enhance the Board and management communication. External auditor of the Company will be invited to attend the forthcoming annual general meeting of the Company to answer any questions from the shareholders on the audit of the Company.

The individual attendance record of each Director at the meetings of the Board, and the Board committees during the year ended 31 March 2012 is set out below.

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. YAN	5/5	—	1/1	1/1
Ms. LAM	5/5	—	—	—
Mr. CAO Jiancheng	5/5	—	—	—
Mr. CHEUNG Kwan Hung	5/5	2/2	1/1	—
Mr. CHAN Chung Bun, Bunny	5/5	2/2	1/1	1/1
Mr. WAI Kwok Hung	5/5	2/2	—	1/1

**Auditors' remuneration**

During the year ended 31 March 2012, the remuneration payable/paid to Deloitte Touche Tohmatsu, the external auditor of the Company, is set out as follows:

Services rendered	Year ended 31 March 2012 US\$'000
— Audit services	113
— Non-audit services	32
	145

**The Model Code**

The Company has adopted the Model Code as its code of conduct regarding Directors' securities transactions.

The Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards as set out in the Model Code for the year ended 31 March 2012 and up to the date of this annual report.

## CORPORATE GOVERNANCE REPORT

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### **Internal control**

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group and to review their effectiveness to safeguard shareholders' investment and the Group's assets, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. In addition, the Group has exercised risk management procedures to identify and prioritize risks for the business to be addressed by the management. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud, and to manage and minimize rather than eliminate the risk of failure in the Group's operational systems.

During the year ended 31 March 2012, the Board has conducted a review of the effectiveness of the system of internal control of the Group and is satisfied with the scope and effectiveness of the system. The Board also reviewed on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, its training programmes and budget for the year ended 31 March 2012.

### **Management function**

The management team of the Company meets regularly to review and discuss with the executive Directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure that the management is carrying out the directions and strategies set by the Board properly.

### **Responsibilities in respect of the consolidated financial statements**

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. To discharge this responsibility, the Board regularly reviews the reports prepared by the management on the Group's financial and operational performance as well as the development of major initiatives.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2012.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 35.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

### **Shareholders' rights and investor relations**

The rights of shareholders are contained in the Articles. A resolution put to the vote of a general meeting of the Company shall be decided by way of a poll. Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

## CORPORATE GOVERNANCE REPORT

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong. Shareholders are also welcome to discuss matters of business substance with the Board and the management and to give us valuable advice on both operational and governance matters.

In accordance with article 58 of the Articles, any one or more members of the Company 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 company secretary of the Company, to require an extraordinary 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 two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

If a shareholder wishes to make proposals at shareholders' meeting, the requisition must state the purpose of the meeting, and must be signed by the requisitionist(s) and deposited at the Company's principal place of business in Hong Kong attention to the company secretary of the Company. In compliance with Rule 13.51D of the Listing Rules, the Company has also published the procedures for shareholders to propose a person for election as a Director on the Company's website.



## AUDIT COMMITTEE REPORT

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For the year ended 31 March 2012, the Audit Committee's review covered the audit plans and findings of the external auditors and internal control consultant, external auditor's independence and performance, the Group's accounting principles and practices, Listing Rules and statutory compliance, connected transactions, internal control, risk management, treasury, financial reporting matters (including the interim and annual reports for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the audited consolidated financial information for the year ended 31 March 2012. In carrying out this review, the Audit Committee has relied on the audit conducted by the Group's external auditor in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Based on this review and discussions with the management, the Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 March 2012. The Audit Committee therefore recommended the consolidated financial statements for the year ended 31 March 2012 to be approved by the Board.

The Audit Committee has also reviewed the internal control to ensure compliance with relevant legislations and regulations. An internal audit review has been conducted by an independent internal control consultant which covered the Group's internal control, risk management, adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget and the internal control consultant was satisfied with their adequacy and effectiveness.

The Audit Committee also reviewed the "Continuing Connected Transactions" as set out in the Directors' Report of this annual report and confirmed that the continuing connected transactions entered into by the Group were entered into in the ordinary and usual course of business of the Company and on normal commercial terms that were fair and reasonable and in the interests of the shareholders as a whole.

The consolidated financial statements of the Company for the year ended 31 March 2012 have been audited by Deloitte Touche Tohmatsu.

#### **Members of the Audit Committee**

Mr. CHEUNG Kwan Hung (*Chairman of Audit Committee*)

Mr. CHAN Chung Bun, Bunny

Mr. WAI Kwok Hung

Hong Kong, 28 June 2012

## DIRECTORS' REPORT

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The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Company for the year ended 31 March 2012.

### Principal activities

The principal activity of the Company is investment holding. The principal business of the Group is chartering out of the Group's own dry bulk vessels.

The principal activities and other particulars of the subsidiaries of the Company are set out in Note 28 to the consolidated financial statements.

### Results and appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 37.

The Directors do not recommend payment of any final dividend to the shareholders for the year ended 31 March 2012 (2011: US\$Nil).

### Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 39 to the consolidated financial statements.

### Distributable reserves

As at 31 March 2012, the Company has distributable reserves of US\$99 million in total available for distribution.

### Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

### Share capital

Details of the movements in the share capital of the Company are set out in Note 22 to the consolidated financial statements.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

## DIRECTORS' REPORT

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### **Group financial summary**

A summary of the Group's results and assets and liabilities for the preceding five financial years is set out on page 6 of this annual report.

### **Purchase, sale or redemption of listed securities**

Neither the Company nor any of its subsidiaries had purchased, redeemed or cancelled any of the Company's listed securities for the year ended 31 March 2012.

### **Directors**

The Directors of the Company during the year under review were:

#### *Executive Directors*

Mr. YAN Kim Po (殷劍波) (*Chairman*)

Ms. LAM Kwan (林群) (*Chief Executive Officer*)

Mr. CAO Jiancheng (曹建成)

#### *Independent non-executive Directors*

Mr. CHEUNG Kwan Hung (張鈞鴻)

Mr. CHAN Chung Bun, Bunny (陳振彬)

Mr. WAI Kwok Hung (韋國洪)

In accordance with the Articles, Mr. CAO Jiancheng and Mr. WAI Kwok Hung will retire by rotation at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

### **Biographical details of Directors and senior management**

The biographical details of the Directors and the senior management of the Group are set out in the section headed "Board of Directors and the Senior Management" of this annual report.

### **Directors' service contracts**

Each of the executive Directors of the Company has entered into a service contract with the Company. No Director or senior management of the Company has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' REPORT

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**Directors' interests in Shares and underlying Shares of the Company**

As at 31 March 2012, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

**Interest in Shares and underlying Shares of the Company:**

Name of Director	Capacity/nature of interest	Number of shares held (Note 1)	Approximate percentage of interest (%)
Mr. Yan	Interest in a controlled corporation (Note 2)	615,265,000 (L)	74.13%
	Beneficial owner (Note 3)	2,100,000 (L)	0.25%
	Interest of spouse (Note 3)	2,100,000 (L)	0.25%
Ms. Lam	Interest in a controlled corporation (Note 2)	615,265,000 (L)	74.13%
	Beneficial owner (Note 3)	2,100,000 (L)	0.25%
	Interest of spouse (Note 3)	2,100,000 (L)	0.25%
Mr. CAO Jiancheng	Beneficial owner (Note 4)	6,000,000 (L)	0.72%

Note(s):

- (1) The letter "L" denotes the person's long position in the Shares and underlying Shares of the Company.
- (2) These 615,265,000 Shares were held by Ablaze Rich, the entire issued share capital of which was owned as to 51% by Mr. Yan and as to 49% by Ms. Lam, who were also directors of Ablaze Rich. Each of Mr. Yan and Ms. Lam was deemed to be interested in the Shares held by Ablaze Rich by virtue of the SFO.
- (3) On 21 October 2011, each of Mr. Yan and Ms. Lam was granted share options of the Company in respect of 2,100,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2012. As they have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in such number of Shares beneficially held by each other by virtue of the SFO.
- (4) On 21 October 2011, Mr. Cao Jiancheng was granted share options of the Company in respect of 6,000,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2012.

## DIRECTORS' REPORT

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### *Interest in shares and underlying shares of an associated corporation:*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of shares held</b> <i>(Note)</i>	<b>Approximate percentage of interest</b> <i>(%)</i>
Mr. Yan	Ablaze Rich	Beneficial owner	10,200 (L)	51.00%
Ms. Lam	Ablaze Rich	Beneficial owner	9,800 (L)	49.00%

Note: The letter "L" denotes the person's long position in the shares and underlying shares of an associated corporation.

Save as disclosed above, as at 31 March 2012, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or 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 and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### **Substantial shareholders' interests in Shares and underlying Shares of the Company**

As at 31 March 2012, the following person (other than a Director or chief executive of the Company) was interested in 5% or more of the issued share capital of the Company which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO and the Listing Rules:

<b>Name of shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number of shares held</b> <i>(Note)</i>	<b>Approximate percentage of interest</b> <i>(%)</i>
Ablaze Rich	Beneficial owner	615,265,000 (L)	74.13%

Note: The letter "L" denotes the person's long position in the Shares of the Company.

Save as disclosed above, as at 31 March 2012, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## DIRECTORS' REPORT

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**Share Option Scheme**

The Company has adopted the Share Option Scheme on 19 August 2011 to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme includes: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any entity in which any member of the Group holds any equity interests ("Invested Entity"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (i) any company wholly owned by one or more eligible participants as referred to in (a) to (h) above.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. Subject to the early termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 19 August 2011.

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the share capital of the Company in issue from time to time (the "Overriding Limit"). No share options may be granted under the Share Option Scheme or any other share option scheme adopted by the Group if the grant of such share options will result in the Overriding Limit being exceeded.

The total number of Shares which may be allotted and issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any share option scheme of the Group must not in aggregate exceed 83,000,000 Shares, representing 10% of the Shares in issue as at 19 August 2011 (i.e. the date on which the Share Option Scheme was adopted by the Company) and as at the date of this annual report (the "General Scheme Limit"). The General Scheme Limit is also subject to the Overriding Limit, the refreshment of the General Scheme Limit (as described below) and the grant of share options beyond the General Scheme Limit (as described below).

Subject to the Overriding Limit and the grant of share options beyond the General Scheme Limit (as described below), the Company may refresh the General Scheme Limit at any time subject to shareholders' approval by ordinary resolution at a general meeting, and the General Scheme Limit as "refreshed" must not exceed 10% of the Shares in issue as at the date of the aforesaid shareholders' approval and for the purpose of calculating the "refreshed" limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.

## DIRECTORS' REPORT

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Subject to the Overriding Limit, the Company may also seek shareholders' approval by ordinary resolution at a general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit, or, if applicable, the General Scheme Limit as "refreshed", to eligible participants specifically identified by the Company before such approval is sought.

The total number of Shares issued and which may fall to be issued upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors of the Company.

In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates (as defined under the Listing Rules) would result in the Shares issued or to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue and (b) having an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, such further grant of share options must be approved by shareholders' in general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. The Directors will determine the minimum period, if any, for which share options must be held before such share options can be exercised.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

## DIRECTORS' REPORT

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During the year ended 31 March 2012, 17,700,000 share options (each entitling the holder to subscribe for one Share) were granted under the Share Option Scheme. Movements of these share options during the year ended 31 March 2012 are summarized as follows and details of which are set out in note 23 to the consolidated financial statements:

List of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					Outstanding as at 31 March 2012	
				Outstanding as at 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year		
<b>Directors</b>										
Mr. Yan	21 October 2011	21 October 2012– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
				—	2,100,000	—	—	—	—	2,100,000
Ms. Lam	21 October 2011	21 October 2012– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2013– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
	21 October 2011	21 October 2014– 20 October 2021	1.15	—	700,000	—	—	—	—	700,000
				—	2,100,000	—	—	—	—	2,100,000
Mr. CAO Jiancheng	21 October 2011	21 October 2012– 20 October 2021	1.15	—	2,000,000	—	—	—	—	2,000,000
	21 October 2011	21 October 2013– 20 October 2021	1.15	—	2,000,000	—	—	—	—	2,000,000
	21 October 2011	21 October 2014– 20 October 2021	1.15	—	2,000,000	—	—	—	—	2,000,000
				—	6,000,000	—	—	—	—	6,000,000
Sub-total				—	10,200,000	—	—	—	—	10,200,000
<b>Employees</b>	21 October 2011	21 October 2012– 20 October 2021	1.15	—	2,500,000	—	—	—	—	2,500,000
	21 October 2011	21 October 2013– 20 October 2021	1.15	—	2,500,000	—	—	—	—	2,500,000
	21 October 2011	21 October 2014– 20 October 2021	1.15	—	2,500,000	—	—	—	—	2,500,000
Sub-total				—	7,500,000	—	—	—	—	7,500,000
<b>Total</b>				—	17,700,000	—	—	—	—	17,700,000



## DIRECTORS' REPORT

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## Continuing connected transactions

Certain related party transactions as disclosed in note 26 to the consolidated financial statements also constituted continuing connected transactions within the meaning of the Listing Rules. Details of such transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and summarised below:

	2012 US\$'000	2011 US\$'000
Rental expenses paid to a related company ( <i>Note 1</i> )	267	216
Voyage charter income received from a related company ( <i>Note 2</i> )	676	567
	<b>943</b>	783

- (1) Prior to the Listing Date, the Group entered into a lease agreement dated 10 June 2010 (the "Lease Agreement") with Toprich (Asia) Limited (the "Lessor"), which is ultimately wholly-owned by Mr. Yan and Ms. Lam, for the leasing of a property located at 12th Floor, No. 200 Gloucester Road, Wanchai, Hong Kong (the "Property") with an exclusive office floor area of about 2,260 square feet and the right to use the common area and ancillary facilities. The term of the Lease Agreement commenced on 10 June 2010 and shall continue until 31 March 2013. The Property has been occupied by the Group as its office.

Pursuant to the Lease Agreement, the Group (but not the Lessor) has the unilateral right: (i) to renew the Lease Agreement for a further term of three years by giving not less than two months prior written notice to the Lessor before the expiration of the initial term of the Lease Agreement; and (ii) to terminate the Lease Agreement at any time after the expiration of the initial term and at any time during the renewed term by giving not less than two months' prior written notice or paying two months' rental in lieu of such notice to the Lessor to terminate the Lease Agreement on the expiration of such notice or upon making such payment in lieu of notice.

As the Lessor is an associate of Mr. Yan and Ms. Lam, who are substantial shareholders and executive Directors of the Company, the Lessor is therefore a connected person of the Company under the Listing Rules. The leasing of the Property by the Group pursuant to the Lease Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 March 2012, the total consideration paid by the Group to the Lessor under the Lease Agreement amounted to HK\$2,085,192 which did not exceed the annual cap of HK\$2,090,000.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transaction contemplated under the Lease Agreement (on an annualized basis) is less than 5%, the leasing of the Property under the Lease Agreement constitutes a continuing connected transaction for the Company that is only subject to the announcement and reporting requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules and are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

Further details of the Lease Agreement are set out in the section headed "Connected Transaction" of the prospectus of the Company dated 27 September 2010.

## DIRECTORS' REPORT

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- (2) On 25 February 2011, the Group entered into chartering agreements (the "Chartering Agreements") with each of Great Harvest (Holdings) Limited and Top Gains Minerals Macao Commercial Offshore Limited (the "Charterers"), both of which are wholly-owned by Mr. Yan and Ms. Lam, pursuant to which the Group has agreed to charter out its capesize dry bulk vessel, GH RESOURCES, to the Charterers on voyage charter basis for a single voyage for the delivery of iron ore fines in bulk from India to China. The Charterers shall pay the freight in full to the Group within 7 banking days after completion of the loading at the loading port. Demurrage, at the rate of US\$12,000 per day or pro rata for any part of a day, at the loading or discharge port shall be payable by the Charterers.

Since each of the Charterers is an associate of Mr. Yan and Ms. Lam, who are substantial shareholders and executive Directors of the Company, each of the Charterers is therefore a connected person of the Company under the Listing Rules. The chartering of GH RESOURCES by the Charterers pursuant to the Chartering Agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The total consideration paid by the Charterers to the Group under the Chartering Agreements on an aggregated basis amounted to about US\$0.7 million, which did not exceed the aggregate annual cap of US\$1.5 million for the year ended 31 December 2011.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under each of the Chartering Agreements (on an annualized, aggregated basis) is less than 5%, the chartering of GH RESOURCES by the Charterers under the Chartering Agreements constitutes continuing connected transactions for the Company that is only subject to the announcement and reporting requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules and is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

Further details of the Chartering Agreements are set out in the Company's announcement dated 25 February 2011.

The transactions under the Chartering Agreements had already been completed in 2011.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or a controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted for the year ended 31 March 2012.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 32 of this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to Stock Exchange.

## DIRECTORS' REPORT

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### Use of proceeds

The net proceeds (after deduction of related issuance costs) from the Company's initial public offering in October 2010 had been fully applied up to 31 March 2012 in accordance with the proposed applications set out in the Prospectus of the Company dated 27 September 2010.

### Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

### Major customers and suppliers

For the year ended 31 March 2012, the Group's five largest customers together accounted for about 73% of its total revenue and the largest customer accounted for about 26%. The relatively high concentration of revenue attributable to a few customers during the year was due to the relatively small fleet size of the Group and that one of the vessels was chartered to a customer for charter terms of over one year.

For the year ended 31 March 2012, the Group's five largest suppliers together accounted for about 90% of its costs of services, and the largest supplier accounted for about 25%. The Group's key suppliers include insurance underwriters, ship managers, shipbrokers, bunker fuel providers and shipyards.

Save as disclosed in the paragraph headed "Continuing connected transactions" on page 32, none of the Directors or their respective associates, and, to the best knowledge of the Directors, none of the existing shareholders who owns more than 5% of the issued share capital of the Company, had any interest in any of the five largest customers or suppliers of the Group during the year.

### Corporate governance

The Company's principal corporate governance practices are set out in the Corporate Governance Report and Audit Committee Report of this annual report.

### Auditor

The consolidated financial statements of the Group for the year ended 31 March 2012 have been audited by Deloitte Touche Tohmatsu.

On behalf of the Board

**YAN Kim Po**

*Chairman*

Hong Kong, 28 June 2012

## INDEPENDENT AUDITOR'S REPORT

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# Deloitte.

## 德勤

TO THE MEMBERS OF  
**GREAT HARVEST MAETA GROUP HOLDINGS LIMITED**  
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Great Harvest Maeta Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 76, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 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.

## INDEPENDENT AUDITOR'S REPORT

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### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 June 2012

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

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	NOTES	2012 US\$'000	2011 US\$'000
Revenue	7	25,202	30,555
Cost of services		(20,595)	(21,251)
Gross profit		4,607	9,304
Other income	9	339	381
General and administrative expenses		(2,568)	(2,530)
Listing expenses		—	(1,863)
Other losses		—	(4)
Impairment loss recognised on property, plant and equipment	16	(7,707)	—
Finance costs	10	(1,580)	(1,157)
(Loss)/profit before tax		(6,909)	4,131
Taxation	11	—	—
<b>(Loss)/profit for the year and total comprehensive (expense)/income attributable to owners of the Company</b>	12	<b>(6,909)</b>	4,131
(Loss)/earnings per share			
Basic (US cents)	15	(0.83)	0.57
Diluted (US cents)	15	(0.83)	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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At 31 March 2012

	NOTES	2012 US\$'000	2011 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	141,166	159,534
Finance lease receivable	17	1,685	1,521
Restricted bank deposits	18	3,000	4,000
		<b>145,851</b>	165,055
<b>Current assets</b>			
Trade receivables and prepayment	19	6,090	3,292
Pledged bank deposits	18	1,966	3,598
Bank balances and cash	18	5,946	5,804
		<b>14,002</b>	12,694
<b>Current liabilities</b>			
Other payables and accruals	20	2,623	3,437
Bank loans — due within one year	21	5,485	10,456
		<b>8,108</b>	13,893
<b>Net current assets/(liabilities)</b>			
		<b>5,894</b>	(1,199)
<b>Total assets less current liabilities</b>			
		<b>151,745</b>	163,856
<b>Non-current liability</b>			
Bank loans — due after one year	21	41,723	47,208
		<b>110,022</b>	116,648
<b>Capital and reserves</b>			
Share capital	22	1,064	1,064
Reserves		108,958	115,584
<b>Equity attributable to owners of the Company</b>			
		<b>110,022</b>	116,648

The consolidated financial statements on pages 37 to 76 were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

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 DIRECTOR

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 DIRECTOR

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

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	<b>Share capital</b>	<b>Share premium</b>	<b>Share option reserve</b>	<b>Special reserve</b>	<b>Other reserve</b>	<b>Retained profits</b>	<b>Total</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
					(Note)		
At 1 April 2010	40	—	—	—	—	72,651	72,691
Profit for the year and total comprehensive income	—	—	—	—	—	4,131	4,131
Issue of new shares	6	—	—	—	—	—	6
Special reserve arising from exchange of shares upon group reorganisation	(46)	—	—	46	—	—	—
Capitalisation of the amounts due to directors	—	—	—	—	13,636	—	13,636
Capitalisation issue	821	(821)	—	—	—	—	—
Issue of shares pursuant to the public offer and the placing	243	27,282	—	—	—	—	27,525
Expenses incurred in connection with issue of shares	—	(1,341)	—	—	—	—	(1,341)
At 31 March 2011	1,064	25,120	—	46	13,636	76,782	116,648
Loss for the year and total comprehensive expense	—	—	—	—	—	(6,909)	(6,909)
Recognition of equity-settled share-based payments	—	—	283	—	—	—	283
At 31 March 2012	1,064	25,120	283	46	13,636	69,873	110,022

Note: Other reserve represents capitalisation of amounts due to directors, who are the ultimate controlling shareholders of the Company.



## CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31 March 2012

	2012 US\$'000	2011 US\$'000
<b>Operating activities</b>		
(Loss)/profit before tax	(6,909)	4,131
Adjustments for:		
Finance costs	1,580	1,157
Interest income	(13)	(3)
Finance income	(164)	(148)
Depreciation of property, plant and equipment	11,992	11,838
Trade receivables written off	—	4
Impairment loss recognised on property, plant and equipment	7,707	—
Recognition of equity-settled share-based payments	283	—
Operating cash flows before movements in working capital	14,476	16,979
Increase in trade receivables and prepayment	(2,798)	(2,441)
Decrease in other payables and accruals	(1,135)	(568)
Cash generated from operations	10,543	13,970
Interest received	13	3
<b>Net cash from operating activities</b>	<b>10,556</b>	<b>13,973</b>
<b>Investing activities</b>		
Withdrawal/(placement) of restricted bank deposits	1,000	(1,000)
Withdrawal of pledged bank deposits	1,632	2,097
Purchase of property, plant and equipment	(1,010)	(46,000)
<b>Net cash from/(used in) investing activities</b>	<b>1,622</b>	<b>(44,903)</b>
<b>Financing activities</b>		
Interest paid	(1,436)	(1,467)
New bank loans raised	—	26,000
Repayment of bank loans	(10,600)	(14,450)
Issue of shares, net of expenses	—	26,190
<b>Net cash (used in)/from financing activities</b>	<b>(12,036)</b>	<b>36,273</b>
<b>Net increase in cash and cash equivalents</b>	<b>142</b>	<b>5,343</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>5,804</b>	<b>461</b>
<b>Cash and cash equivalents at end of the year,</b> represented by bank balances and cash	<b>5,946</b>	<b>5,804</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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## 1. General information

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 21 April 2010. The shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 11 October 2010. The ultimate and immediate holding company of the Company is Ablaze Rich Investments Limited, a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling shareholders of Ablaze Rich Investments Limited are Mr. Yan Kim Po and Ms. Lam Kwan. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is 12th Floor, 200 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in United States dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 28.

## 2. Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs 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

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For the year ended 31 March 2012

### 2. Application of new and revised Hong Kong Financial Reporting Standards (continued)

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle <sup>2</sup>
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets <sup>1</sup>
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>5</sup>
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of the new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

### 3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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### 3. Significant accounting policies (continued)

#### Basis of consolidation

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

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

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

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

Time charter income is recognised on a straight-line basis over the period of each charter.

Voyage charter income is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

Service income is recognised when services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time 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.

#### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. When parts of an item of property, plant and equipment have different estimated useful lives, the cost of each part is depreciated separately.

Depreciation of vessels is charged so as to write off the cost of vessels over their remaining estimated useful lives from the date of their acquisition with the initial estimated useful life of 25 years, after allowing for residual values estimated by the directors, using the straight-line method. Each vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 3. Significant accounting policies (continued)

#### Property, plant and equipment (continued)

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. The Group capitalises drydocking costs as they are incurred and depreciates these costs over their estimated useful lives, using the straight-line method over the period of 5 years.

Office equipment is depreciated using the straight-line method over the period of 5 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

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 sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### 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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return of the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### The Group as lessee

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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### 3. Significant accounting policies (continued)

#### Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

#### 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

#### 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 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.

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

#### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 3. Significant accounting policies (continued)

#### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### Financial assets

The Group's financial assets are loans and receivables.

#### 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### 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 trade receivables, restricted bank deposits, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### Impairment of financial assets

Financial assets 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 financial assets have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Impairment of financial assets (continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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, an increase in the number of delayed payments in the portfolio past the average credit period, 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.

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 to profit or loss.

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

##### *Financial liabilities and equity instruments*

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity instruments (continued)*

##### 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 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 liabilities

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

##### 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 relevant group entities are recorded at the proceeds received, net of direct issue costs.

##### *Derecognition*

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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### 3. Significant accounting policies (continued)

#### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted 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 and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 is realised, based on tax rate (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.

Current and deferred tax are recognised in profit or loss, except when it relates 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 arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 3. Significant accounting policies (continued)

#### Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted to employees at the grant date is expensed as staff costs on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

### 4. Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the management has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information 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.

#### Critical judgments in applying accounting policies

##### Finance leases

The Group entered into a memorandum of agreement in disposing of a vessel to a third party at a consideration of US\$41,600,000 in May 2008. Due to the financial turmoil taken place afterwards, the buyer could not complete the transaction, and the original memorandum of agreement was cancelled. In order to secure the original consideration, the Group entered into revised agreements by leasing and disposing of the captioned vessel to the original buyer at the agreed consideration of US\$41,600,000 in December 2008, when the Baltic Dry Index had been significantly dropped as compared with May 2008. The consideration should be settled by (i) the first upfront payment of US\$4,160,000 at the date of signing the revised agreements; (ii) second upfront payment of US\$4,000,000 before 31 March 2010; (iii) US\$31,440,000 over a period of 60 months on a time charter basis, and (iv) a final payment of US\$2,000,000 after 60 months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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### 4. Critical accounting judgments and key sources of estimation uncertainty (continued)

#### Critical judgments in applying accounting policies (continued)

##### Finance leases (continued)

As the Group transferred substantially all the risks and rewards incidental to the ownership of the vessel to the buyer and will provide vessel management services to the buyer, the transactions comprise of a finance lease arrangement and provision of services. In view of the less favourable market environment in December 2008, the directors had exercised judgment and determined that the consideration mentioned in (i), (ii) and (iv) above amounting to US\$10,160,000 should be the gross investment in the finance lease which was used in the calculation of the finance lease receivable and finance income; and the consideration of US\$31,440,000 mentioned in (iii) above was considered as service income to the Group which should be recognised when the services are rendered.

#### 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 period, 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 depreciation 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 determines the estimated residual values for all its vessels. This estimate is based on all relevant factors (including the use of the current scrap values of steels in an active market as a reference value) at each measurement date. 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

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group assessed the impairment loss by comparing the carrying amount of the vessels to the higher of (i) the fair value less costs to sale and (ii) value in use. The value in use calculations require the use of judgment and estimates as detailed in note 16. At 31 March 2012, the carrying amount of the Group's property, plant and equipment was US\$141,166,000 (net of accumulated impairment loss of US\$7,707,000) (2011: US\$159,534,000 (net of accumulated impairment loss of nil)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 4. Critical accounting judgments and key sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty (continued)

##### Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2012, the carrying amount of trade receivable was US\$5,168,000 (2011: US\$830,000).

##### Estimated impairment of finance lease receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2012, the carrying amount of finance lease receivable was US\$1,685,000 (2011: US\$1,521,000).

### 5. Capital risk management

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

The capital structure of the Group consists of debts, which include secured bank loans as disclosed in note 21, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and risks associated with each class of capital, and will balance its overall capital structure through payment of dividends, issuance of new shares as well as the raising of new debts or the repayment of existing debts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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**6. Financial instruments****a. Categories of financial instruments**

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	<b>16,080</b>	14,232
<i>Financial liabilities</i>		
Amortised cost	<b>48,453</b>	58,270

**b. Financial risk management objectives and policies**

The Group's major financial instruments include trade receivables, restricted bank deposits, pledged bank deposits, bank balances and cash, other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant changes to the Group's exposure to financial risk or the manner in which the Group manages and measures the risk throughout the year.

**Interest rate risk**

The Group's cash flow interest rate risk primarily relates to bank deposits and balances carried variable rate (note 18) and variable-rate bank loans (note 21). The Group is also exposed to fair value interest rate risk in relation to its finance lease receivables (note 17). 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 cash flow interest rate risk is mainly concentrated on the fluctuations of London Interbank Offered Rate ("LIBOR") or the cost of funds arising from the Group's variable-rate bank loans. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

### 6. Financial instruments (continued)

#### b. Financial risk management objectives and policies (continued)

##### Interest rate risk (continued)

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate bank loans at the end of the reporting period. 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 (2011: 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 constant, the Group's loss for the year would increase/decrease by US\$479,000 (profit for 2011: decrease/increase by US\$585,000).

##### Foreign exchange risk

The Group's operations are mainly in United States dollars and the operating expenses incurred are denominated in United States dollars with a small extent in Hong Kong dollars and other foreign currencies. In addition, all revenue is denominated in United States dollars. As the Group does not have significant foreign currency transactions and balances, foreign currency sensitivity analysis is not presented.

##### Credit risk

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 amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade receivables. The management reviews the recoverable amount of each individual trade receivable regularly, if any, to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on restricted bank deposits, bank balances and pledged bank deposits which are placed in a financial institution with high credit ratings, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The management considers that the credit risk on liquid funds is low as counterparties are banks with high credit ratings assigned by international credit-rating agencies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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## 6. Financial instruments (continued)

## b. Financial risk management objectives and policies (continued)

## Liquidity risk

In the management of the liquidity risk, the Group maintains sufficient cash inflows from its operations so as to finance its working capital. The Group also monitors the current and expected liquidity requirements regularly to mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

	Weighted average interest rate %	6 months or less US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flows US\$'000	Carrying amounts US\$'000
<b>At 31 March 2012</b>								
Other payables and accruals	—	1,245	—	—	—	—	1,245	1,245
Secured bank loans	2.97	3,470	3,428	5,746	19,554	21,007	53,205	47,208
		<b>4,715</b>	<b>3,428</b>	<b>5,746</b>	<b>19,554</b>	<b>21,007</b>	<b>54,450</b>	<b>48,453</b>

	Weighted average interest rate %	6 months or less US\$'000	6-12 months US\$'000	1-2 years US\$'000	2-5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flows US\$'000	Carrying amounts US\$'000
<b>At 31 March 2011</b>								
Other payables and accruals	—	606	—	—	—	—	606	606
Secured bank loans	2.20	4,199	7,634	6,621	16,281	29,201	63,936	57,664
		<b>4,805</b>	<b>7,634</b>	<b>6,621</b>	<b>16,281</b>	<b>29,201</b>	<b>64,542</b>	<b>58,270</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

**6. Financial instruments (continued)****c. Fair value**

The fair value of financial assets and financial liabilities 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 liabilities recorded at amortised cost approximate their fair values.

**7. Revenue**

Revenue represents the net amounts received and receivable for services rendered by the Group to outside customers and less discounts.

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Time charter income	<b>16,199</b>	24,492
Voyage charter income	<b>2,323</b>	567
Service income	<b>6,680</b>	5,496
	<b>25,202</b>	30,555

**8. Segment information**

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. executive directors) in order to allocate resources to segments and to assess their performance. The information reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment is prepared based on the overall operation of vessels on a combined basis, hence the Group has only one reportable and operating segment in which the related revenue and result are presented in the consolidated statement of comprehensive income.

**Segment assets and liabilities**

No assets and liabilities are included the Group's segment reporting that are submitted to and reviewed by the chief operating decision maker internally. Accordingly, no segment assets and liabilities are presented.

**Geographical information**

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 the financial information by geographical segment. Accordingly, geographical segment revenue for the provision of vessel chartering services is not presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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**8. Segment information (continued)****Information about customers**

Revenue arising from the provision of chartering and other related services for customers during the year individually contributing over 10% of total revenue of the Group is as follows:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Customer A	<b>6,680</b>	5,485
Customer B (Note 1)	<b>5,012</b>	—
Customer C (Note 2)	<b>2,707</b>	—
Customer D (Note 1)	<b>2,681</b>	—
Customer E (Note 3)	—	6,506
Customer F (Note 3)	—	5,460
Customer G (Note 3)	—	4,933
	<b>17,080</b>	22,384

Notes:

1. The revenue generated from customers B and D for the year ended 31 March 2011 was less than 10% of the total revenue of the Group.
2. No revenue was generated from customer C for the year ended 31 March 2011.
3. No revenue was generated from customers E, F and G for the year ended 31 March 2012.

**9. Other income**

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Interest income from bank deposits	<b>13</b>	3
Exchange gain	—	121
Finance income	<b>164</b>	148
Others	<b>162</b>	109
	<b>339</b>	381

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## 10. Finance costs

	2012 US\$'000	2011 US\$'000
Interest on bank loans		
— wholly repayable within five years	299	141
— not wholly repayable within five years	1,137	908
Loan arrangement fee	144	108
	<b>1,580</b>	1,157

## 11. Taxation

No provision for Hong Kong Profits Tax has been made for the Group's overseas subsidiaries as the income neither arises in, nor is derived from, Hong Kong for the current and prior years.

No provision for Hong Kong Profit Tax has been made for the Group's subsidiary incorporated in Hong Kong as the subsidiary has no assessable profits for both years.

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

The tax for the year can be reconciled to the (loss)/profit before tax as follows:

	2012 US\$'000	2011 US\$'000
(Loss)/profit before tax	<b>(6,909)</b>	4,131
Tax (credit)/charge at income tax rate of 16.5% (2011:16.5%)	<b>(1,140)</b>	682
Tax effect of offshore income not taxable for tax purpose	<b>(4,212)</b>	(5,085)
Tax effect of income not taxable for tax purpose	<b>(2)</b>	—
Tax effect of expenses not deductible for tax purpose	<b>4,988</b>	3,831
Tax losses not recognised	<b>366</b>	572
Tax for the year	—	—

At the end of the reporting period, the Group has unused tax losses of US\$5,688,000 (2011: US\$3,467,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 12. (Loss)/profit for the year

	2012 US\$'000	2011 US\$'000
(Loss)/profit for the year has been arrived at after charging:		
Auditor's remuneration	113	146
Bad debt written off	—	4
Crew expenses (included in cost of services)	3,742	2,990
Depreciation of property, plant and equipment	11,992	11,838
Operating lease rental in respect of rented premises	267	216
Staff costs (including directors' emoluments)		
Fees, salaries and other benefit costs	1,194	1,146
Contributions to retirement benefit plans	18	13
Share-based payments	283	—
	<b>1,495</b>	1,159

Crew expenses represent salaries and allowances of crew members worked for the Group but were employed by an independent ship management company on behalf of the Group.

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For the year ended 31 March 2012

## 13. Directors' and employees' emoluments

## (a) Directors' emoluments

The emoluments paid or payable to each of the six (2011: six) directors were as follows:

## For the year ended 31 March 2012

	Fees US\$'000	Salaries and other benefits US\$'000	Performance related bonuses US\$'000 (Note)	Retirement benefits scheme contributions US\$'000	Share-based payments US\$'000	Total US\$'000
<b>Executive directors</b>						
Mr. Yan Kim Po	—	231	—	2	37	270
Ms. Lam Kwan	—	192	—	2	37	231
Mr. Cao Jiancheng	—	171	—	2	104	277
<b>Independent non-executive directors</b>						
Mr. Cheung Kwan Hung	19	—	—	—	—	19
Mr. Chan Chung Bun, Bunny	19	—	—	—	—	19
Mr. Wai Kwok Hung	13	—	—	—	—	13
	<b>51</b>	<b>594</b>	<b>—</b>	<b>6</b>	<b>178</b>	<b>829</b>

## For the year ended 31 March 2011

	Fees US\$'000	Salaries and other benefits US\$'000	Performance related bonuses US\$'000 (Note)	Retirement benefits scheme contributions US\$'000	Share-based payments US\$'000	Total US\$'000
<b>Executive directors</b>						
Mr. Yan Kim Po	—	154	64	1	—	219
Ms. Lam Kwan	—	128	64	1	—	193
Mr. Cao Jiancheng	—	123	73	1	—	197
<b>Independent non-executive directors</b>						
Mr. Cheung Kwan Hung	11	—	—	—	—	11
Mr. Chan Chung Bun, Bunny	11	—	—	—	—	11
Mr. Wai Kwok Hung	7	—	—	—	—	7
	<b>29</b>	<b>405</b>	<b>201</b>	<b>3</b>	<b>—</b>	<b>638</b>

Note: The performance related bonus is determined primarily based on the performance of each director and the profitability of the Group.

No directors of the Company waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011.

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For the year ended 31 March 2012

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## 13. Directors' and employees' emoluments (continued)

## (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) were executive directors of the Company whose emoluments are included in the disclosures in note (a) above. The remuneration of the remaining two (2011: two) individuals were as follows:

	2012 US\$'000	2011 US\$'000
Salaries and allowance	273	176
Discretionary performance bonus	—	71
Retirement benefit scheme contributions	3	2
Share-based payments	105	—
	<b>381</b>	249

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK\$nil to HK\$1,000,000 (equivalent to US\$nil to US\$128,205)	—	1
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,206 to US\$192,308)	2	1

During the year, no emoluments were paid to any of the directors or the five highest paid upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

**14. Dividend**

The directors do not recommend the payment of final dividend for the year ended 31 March 2012.

**15. (Loss)/earnings per share**

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

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
<b>(Loss)/earnings</b>		
(Loss)/profit for the year attributable to owners of the Company	<b>(6,909)</b>	4,131
	<b>2012</b>	2011
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of (loss) earnings per share	<b>830,000,000</b>	729,452,055

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2011 had been determined on the basis that the ordinary shares of the Company issued upon the corporate reorganisation had been in issue on 1 April 2009 and 639,999,500 ordinary shares issued pursuant to the capitalisation issue completed on 13 September 2010 as disclosed in note 22 had been adjusted retrospectively.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding shares options since their exercise would result in a decrease in the loss per share for the year ended 31 March 2012.

No diluted earnings per share has been presented for 2011 as the Company has no potential ordinary shares outstanding during the year ended 31 March 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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## 16. Property, plant and equipment

	Vessels	Office equipment	Total
	US\$'000	US\$'000	US\$'000
Cost			
At 1 April 2010	158,948	—	158,948
Additions	46,000	—	46,000
At 31 March 2011	204,948	—	204,948
Additions	1,315	16	1,331
At 31 March 2012	206,263	16	206,279
Accumulated depreciation and impairment			
At 1 April 2010	33,576	—	33,576
Provided for the year	11,838	—	11,838
At 31 March 2011	45,414	—	45,414
Provided for the year	11,989	3	11,992
Impairment loss recognised	7,707	—	7,707
At 31 March 2012	65,110	3	65,113
Carrying values			
At 31 March 2012	141,153	13	141,166
At 31 March 2011	159,534	—	159,534

The Group's vessels have been mortgaged as security for credit facilities as detailed in note 21.

During the year, the business of the Group has experienced negative impact as demonstrated by the decrease in Baltic Dry Index for the year ended 2012 as compared to that for the year 2011, which also brought decreases in revenue of the Group. The directors of the Company considered these as impairment indicators and conducted impairment review on the Group's vessels, an impairment loss of US\$7,707,000 has been recognised in respect of the vessels.

The recoverable amount of the vessels has been determined on the basis of value in use calculation for each vessel. Value in use calculation uses cash flow projections based on financial budgets for each vessel approved by management covering a three-year period and at a suitable discount rate applicable to the Group. All sets of cash flows beyond the three-year period are extrapolated with a standard growth rate. The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and expected changes to freight income and direct costs during the budget period which have been determined based on past performance and management's expectations for the market development.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2012

## 17. Finance lease receivables

	2012 US\$'000	2011 US\$'000
Analysed as:		
Current	—	—
Non-current	1,685	1,521
	<b>1,685</b>	1,521

	Minimum lease payments		Present value of minimum lease payments	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Within one year	—	—	—	—
In more than one year but not more than two years	2,000	—	1,685	—
In more than two years but not more than five years	—	2,000	—	1,521
	<b>2,000</b>	2,000	<b>1,685</b>	1,521
Less: unearned future finance lease income	<b>(315)</b>	(479)	<b>N/A</b>	N/A
Present value of minimum lease payments receivable	<b>1,685</b>	1,521	<b>1,685</b>	1,521

As described in note 4, the Group entered into a 5-year finance lease contract for leasing of a vessel. The vessel was derecognised during the year ended 31 March 2009 at the carrying amount of US\$9,841,000 while the value at the inception of the lease was US\$8,900,000.

The effective interest rate is approximately 10.8% per annum for the years ended 31 March 2012 and 2011. Finance lease receivable balance is secured over the leased vessel. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The maximum exposure to credit risk of finance lease receivable for the current and prior years is the carrying amount as the Group has no allowance for doubtful debts. The finance lease receivable is neither past due nor impaired.

The consideration of US\$31,440,000 to be recognised as service income over a period of 60 months on a time charter basis as mentioned in note 4 is payable by the charterer for a period of 60 months commencing from December 2008 until the later of (i) 4 calendar months after the delivery of vessel to lessee and (ii) the receipt of the second upfront payment of US\$4,000,000, at a daily rate of US\$19,300; and then at the daily rate of US\$18,630 for the rest of the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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**18. Restricted bank deposits/pledged bank deposits/bank balances and cash**

The restricted bank deposits represent minimum deposits to be maintained throughout the terms of the bank loans.

The pledged deposits have been placed in designated banks as part of the securities provided for long-term bank loans granted to the Group. However, the balances can be withdrawn by the Group from time to time and so classified as current assets.

The restricted bank deposits, pledged bank deposits and bank balances carry interest at prevailing market deposit rates which range from 0.001% to 1.7% per annum (2011: 0.001% to 0.35%).

**19. Trade receivables and prepayment**

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Trade receivables	<b>5,168</b>	830
Prepayment and deposit	<b>922</b>	2,462
	<b>6,090</b>	3,292

An analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Trade receivables		
0–30 days	<b>3,898</b>	571
31–365 days	<b>1,148</b>	218
Over 365 days	<b>122</b>	41
	<b>5,168</b>	830

Time charter income is prepaid in advance by the charterers. The credit period granted by the Group to the customers of voyage charter is within 7 days after completion of loading, signing and/or releasing bill of lading. At 31 March 2011, included in the Group's trade receivable balances are trade amount due from a related company (aged 0–30 days) of US\$567,000, controlled by Mr. Yan Kim Po and Ms. Lam Kwan, the ultimate controlling shareholders and directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**19. Trade receivables and prepayment (continued)**

Trade receivables disclosed below are amounts past due at the end of the reporting period for which the Group has not recognised an impairment loss. The Group does not hold any collateral over these balances.

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
0–30 days	<b>6</b>	60
31–365 days	<b>51</b>	218
Over 365 days	<b>122</b>	41
	<b>179</b>	319

The Group has not provided for an impairment on the trade receivables which are past due because the directors of the Company consider that these receivables are recoverable based on the good settlement track record of the customers. No interest is charged on the trade receivables.

Movement in the allowance for doubtful debts is as follows:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Balance at beginning of the year	—	—
Impairment losses recognised on trade receivables	—	4
Amounts written off as uncollectible	—	(4)
Balance at end of the year	—	—

The trade receivables and prepayment are mainly denominated in United States dollars.

**20. Other payables and accruals**

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Other payables and accruals	<b>1,245</b>	606
Receipts in advance from charterers	<b>1,378</b>	2,831
	<b>2,623</b>	3,437

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21. Bank loans

	2012 US\$'000	2011 US\$'000
Bank loans	47,850	58,450
Loan arrangement fee	(642)	(786)
	<b>47,208</b>	57,664
Bank loans are repayable as follows:		
Within one year	5,485	10,456
More than one year, but not exceeding two years	4,486	5,485
More than two years, but not exceeding five years	16,659	13,556
Over five years	20,578	28,167
	<b>47,208</b>	57,664
Less: Amounts due within one year shown under current liabilities	<b>(5,485)</b>	(10,456)
Amounts due after one year	<b>41,723</b>	47,208
Weighted average effective interest rate	<b>2.97%</b>	2.20%

The Group's bank loans are denominated in United States dollars and carrying at variable rates.

- (a) In relation to the bank loan of US\$39,000,000 granted on 3 January 2008 for financing the purchase of a vessel, the loan carries interest at the rate of LIBOR plus 1.25% per annum and is repayable by 40 consecutive quarterly instalments commencing from 11 February 2008 followed by a final payment of US\$11,200,000 on 11 February 2018. The loan is secured by the following:
- (i) Corporate guarantee from the Company;
  - (ii) First preferred mortgage over the vessel held by, a wholly-owned subsidiary of the Company, Bryce Group Limited, named "GH POWER";
  - (iii) Charge over the shares of Bryce Group Limited; and
  - (iv) Assignment of charter-hire income and insurance in respect of the vessel named "GH POWER".

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### 21. Bank loans (continued)

- (b) In relation to the bank loan of US\$65,000,000 granted on 3 January 2008 for financing the purchase of two vessels, the loan carries interest at cost of funds plus 1.275% and 1.35% per annum and repayable by 36 and 16 consecutive quarterly instalments respectively, commencing from 9 January 2008 followed by a final payment of US\$3,000,000 and US\$3,500,000 on 9 January 2017 and 9 January 2012, respectively. The loan is secured by the following:
- (i) Corporate guarantee from the Company;
  - (ii) First preferred mortgage over the vessels held by, wholly-owned subsidiaries of the Company, Joy Ocean Shipping Limited and Great Ocean Shipping Limited, named "GH FORTUNE" and "GH RESOURCES";
  - (iii) Charge over the shares of Joy Ocean Shipping Limited and Great Ocean Shipping Limited; and
  - (iv) Assignment of charter-hire income and insurance in respect of the vessels named "GH FORTUNE" and "GH RESOURCES".

During the year ended 31 March 2012, the bank loan for Great Ocean Shipping Limited in respect of the vessel named "GH RESOURCES" was fully repaid.

- (c) In relation to the bank loan of US\$26,000,000 granted on 19 November 2010 for the financing the purchase of a vessel, the loan carries interest at the rate of LIBOR plus 3.20% per annum and is repayable by 28 consecutive quarterly instalments commencing from 24 February 2011 followed by a final payment of US\$7,800,000 on 24 November 2017. The loan is secured by the following:
- (i) Corporate guarantee from the Company;
  - (ii) First preferred mortgage over the vessel held by, a wholly-owned subsidiary of the Company, Way Ocean Shipping Limited, named "GH GLORY";
  - (iii) Charge over the shares of Way Ocean Shipping Limited; and
  - (iv) Assignment of charter-hire income and insurance in respect of the vessel named "GH GLORY".

The bank loans set out in (a) and (b) above were originally secured by the personal guarantee from Mr. Yan Kam Po and Ms. Lam Kwan. The Group had executed the relevant agreements with the banks to the effect that the personal guarantees from Mr. Yan Kim Po and Ms. Lam Kwan and the corporate guarantee from Greater Shipping Co., Ltd. were released upon the listing of the Company's shares on the Hong Kong Stock Exchange and the bank loans were substituted by corporate guarantee from the Company in favour of these banks.

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## 22. Share capital

	Notes	Number of ordinary shares at HK\$0.01 per share	Amount HK\$
<b>Authorised:</b>			
At 21 April 2010 (date of incorporation)	a	38,000,000	380,000
Increase in authorised share capital	b	962,000,000	9,620,000
At 31 March 2011 and 2012		1,000,000,000	10,000,000
<b>Issued:</b>			
Allotted and issued on 21 April 2010	a	1	—
Issue of shares upon completion of corporate reorganisation on 13 September 2010	b	499	5
Capitalisation issue	c	639,999,500	6,399,995
Issue of shares upon the public offer and the placing	d	190,000,000	1,900,000
At 31 March 2011 and 2012		830,000,000	8,300,000
			US\$'000
<b>Shown in the consolidated financial statements</b>			1,064

Notes:

- The Company was incorporated on 21 April 2010 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one subscriber share was issued.
- On 13 September 2010, the authorised share capital of HK\$380,000 was increased by HK\$9,620,000 divided into 962,000,000 ordinary shares, of which 499 ordinary shares were allotted and issued on the same date. These new shares ranked *pari passu* in all respects with the then existing share.
- The directors of the Company were authorised to capitalise the amount of HK\$6,399,995 (equivalent to US\$821,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 639,999,500 ordinary shares of HK\$0.01 each of the Company for allotment and issue to the then shareholder of the Company on the register of members of the Company on 13 September 2010. On 8 October 2010, the directors of the Company allotted and issued such shares as aforesaid and gave effect on the capitalisation issue.
- On 8 October 2010, 160,000,000 ordinary shares of HK\$0.01 each were issued pursuant to the Company's initial public offering at a price of HK\$1.13 per share. On 11 October 2010, the shares of the Company were listed on the Hong Kong Stock Exchange. On 12 October 2010, a further 30,000,000 ordinary shares of HK\$0.01 each were issued at HK\$1.13 per share pursuant to the exercise of an over-allotment option.

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### 23. Share option scheme

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 19 August 2011. Under the Scheme, the Board of Directors of the Company may grant options to eligible participants (the "Participants"). Participants of the Scheme includes: (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any entity in which any member of the Group holds any equity interests ("Invested Entity"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (i) any company wholly owned by one or more eligible participants as referred to in (a) to (h) above.

At 31 March 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,700,000 shares, representing 2.13% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK\$1 by each Participant. The vesting and exercise period of the share options granted is determinable at the entire discretion of the board of directors with the vesting period not exceeding three years and the exercise period will not exceed a period of ten years immediately after acceptance of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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## 23. Share option scheme (continued)

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings for the year ended 31 March 2012:

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 31 March 2012
				Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	
21 October 2011	1.15	21 October 2011– 20 October 2012	21 October 2012– 20 October 2021	—	5,900,000	—	—	5,900,000
21 October 2011	1.15	21 October 2011– 20 October 2013	21 October 2013– 20 October 2021	—	5,900,000	—	—	5,900,000
21 October 2011	1.15	21 October 2011– 20 October 2014	21 October 2014– 20 October 2021	—	5,900,000	—	—	5,900,000
				—	17,700,000	—	—	17,700,000
Exercisable at the end of the year								—
Weighted average exercise price								1.15

Details of the movements of the share options for the year ended 31 March 2012 held by the directors of the Company included in the above table are as follows:

Date of grant	Exercise price per share HK\$	Vesting period	Exercisable period	Number of share options				Outstanding at 31 March 2012
				Outstanding at 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	
21 October 2011	1.15	21 October 2011– 20 October 2012	21 October 2012– 20 October 2021	—	3,400,000	—	—	3,400,000
21 October 2011	1.15	21 October 2011– 20 October 2013	21 October 2013– 20 October 2021	—	3,400,000	—	—	3,400,000
21 October 2011	1.15	21 October 2011– 20 October 2014	21 October 2014– 20 October 2021	—	3,400,000	—	—	3,400,000
				—	10,200,000	—	—	10,200,000
Exercisable at the end of the year								—
Weighted average exercise price								1.15

Share options were granted on 21 October 2011. The estimated fair values of the options granted on that day amounted to HK\$8,137,000.

There was no share options exercised during the year ended 31 March 2012. All options were granted with a vesting period of one to three years and 33% to 100% of which would be vested annually after the grant date.

The fair values of the share options have been estimated by independent professional valuers who are not connected with the Group.



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**23. Share option scheme (continued)**

The fair values were calculated using the Binomial Option Pricing model. The inputs into the model were as follows:

Stock price as of the date of grant	HK\$1.15
Exercise price	HK\$1.15
Expected volatility (note a)	35%
Expected life	6–9 years
Risk-free rate (note b)	0.985%–1.306%
Expected dividend yield (note c)	0%

Notes:

- (a) Expected volatility was determined with reference to annualised historical weekly volatility of comparable companies' share prices as of the date of grant.
- (b) Risk-free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes as of the date of grant.
- (c) Expected dividend yield was determined with reference to historical dividend payment up to the date of grant.

The Group recognised the total expense of US\$283,000 for the year ended 31 March 2012 in relation to share options granted by the Company.

**24. Pledge of assets**

At the end of the reporting period, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Property, plant and equipment	<b>141,153</b>	159,534
Pledged bank deposits	<b>1,966</b>	3,598
	<b>143,119</b>	163,132

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For the year ended 31 March 2012

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**25. Lease arrangement****The Group as lessor**

The total future minimum lease payments receivable under non-cancellable operating leases at the end of the reporting period of the Group are as follows:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Within one year	<b>1,545</b>	2,833

Leases are negotiated for terms which range from one month to six months. Time charter income is fixed over the respective leases.

**The Group as lessee**

The outstanding commitments for future minimum lease payments under a non-cancellable operating lease are as follows:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Within one year	<b>267</b>	267
In the second to fifth year inclusive	—	267
	<b>267</b>	534

Operating lease payments represent payable by the Group for its office property. The lease is negotiated for a term of two years.

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**26. Related party transactions**

Other than set out aforesaid, the Group has entered into the following related party transactions with the related companies during the year:

	<b>2012</b>	2011
	<b>US\$'000</b>	US\$'000
Agency fee expenses	—	47
Voyage charter income	<b>676</b>	567
Rental expenses	<b>267</b>	216

The related companies are companies controlled by Mr. Yan Kim Po and Ms. Lam Kwan, the ultimate controlling shareholders and directors of the Company.

The agency fee expenses to a related company were ceased after 10 June 2010.

The remuneration of the key management personnel is rendered by the directors, of which the details have been set out in note 13. The emoluments of executive directors are determined by the Remuneration Committee with reference to salaries paid by comparable companies, time commitment, and responsibilities of the directors and senior management, employment conditions, and prevailing market conditions.

**27. Retirement benefits schemes**

The Group operates Mandatory Provident Fund Scheme ("MPF Scheme") for all eligible employees in Hong Kong. These MPF Scheme is registered with the Mandatory Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance.

Contributions are made by both the Group and the employees based on 5% of the employee's salaries (capped at HK\$20,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of independent trustees approved by the MPFA. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to profit or loss of US\$18,000 (2011: US\$13,000) represents the aggregate retirement benefit scheme contributions for the Group's employees, net of forfeited contributions.

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## 28. Particulars of the subsidiaries

Details of the Company's subsidiaries at 31 March 2012 and 2011 are set out below:

Name	Issued and fully paid share capital	Equity interest attributable to the Company		Principal activity
		2012	2011	
<b>Incorporated in the British Virgin Islands</b>				
<b>Directly held by the Company</b>				
Bryance Group Limited	Ordinary shares US\$10,000	100%	100%	Provision of marine transportation services
Great Ocean Shipping Limited	Ordinary shares US\$10,000	100%	100%	Provision of marine transportation services
Greater Shipping Co., Ltd.	Ordinary shares US\$10,000	100%	100%	Provision of marine transportation services
Joy Ocean Shipping Limited	Ordinary shares US\$10,000	100%	100%	Provision of marine transportation services
Way Ocean Shipping Limited	Ordinary shares US\$10,000	100%	100%	Provision of marine transportation services
<b>Indirectly held by the Company</b>				
Prosperity Plus Enterprises Limited	Ordinary shares US\$10,000	100%	100%	Inactive
<b>Incorporated in Hong Kong</b>				
Union Apex Mega Shipping Limited	Ordinary shares HK\$50,000	100%	100%	Provision of agency services

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## 29. Financial information of the Company

Financial information of the Company at the end of the reporting period includes:

	2012 US\$'000	2011 US\$'000
<b>Assets less liabilities</b>		
Investments in subsidiaries	77,452	77,452
Other receivables and prepayment	83	92
Amounts due from subsidiaries	22,153	22,935
Bank balances and cash	829	819
Other payables and accruals	(45)	(80)
	<b>100,472</b>	101,218
<b>Capital and reserves</b>		
Share capital	1,064	1,064
Reserves	99,408	100,154
	<b>100,472</b>	101,218