ANNUAL REPORT 2012

Courage Marine

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

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

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BIG VISION

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

CORPORATE MISSION

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

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

OUR BUSINESS STRATEGIES

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

CORPORATE PROFILE

ANCHORED ON EXCELLENCE

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

Courage Marine Group, founded in June 2001, is one of Asia's younger dry bulk shipping companies. It owns and operates 4 bulk carriers, deployed around Greater China, Japan, Russia, Vietnam, Indonesia, Bangladesh, and elsewhere in Asia. The vessels, totalling 415,057 deadweight tonnes, transport dry bulk commodities such as coal, sea sand, gravel, cement, clinker, iron ore, minerals, and wood chips. On board to steer the group are five industry veterans with extensive hands-on experience in dry bulk shipping in Asia, particularly in Greater China.

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

CHAIRMAN'S MESSAGE

Dear shareholders,

Global trading conditions continued to be unpredictable in 2012, bringing many challenges to shipping companies such as our Group. The international bulk shipping market has had to struggle with an imbalance between supply and demand. In short, there are currently too many vessels available for the amount of global trade being carried out. In addition, the costs of operation have been rising. We expect this oversupply to continue to depress freight rates in future, which are likely to remain low so long as the global economy remains uncertain. The good news is that the rate at which new vessels are being supplied should slow considerably soon.

While affected by these macro factors, the Group has been proactive in 2012 in streamlining its operations and adapting to the tighter market environment. For instance, we disposed of five of our older vessels during the year and replaced some of them with two younger vessels, a Supermax and a Capesize. This move has made us more competitive and lowered our fixed costs. Some disposal losses were associated with this streamlining, which impacted on the gross profit that we achieved for the year. Overall, however, these moves put the Group on a much better footing to cope with the expected tough trading conditions in 2013 and beyond.

In FY2012, the Group's turnover decreased by 14%, from US$21.7 million in 2011 to US$18.8 million in 2012. The Group recorded a net loss for the year of approximately US$10.7 million, against the previous year's net loss of US$29.6 million. The lower net loss despite decreased turnover year-on-year was the result of lower fixed costs such as insurance, crew fees and depreciation, arising from the disposal of aged vessels. Generally, the dry bulk market remained poor, with further slowing of demand for commodities worldwide in 2012 and especially in the Greater China region.

The Baltic Dry Index ("BDI") moved in a much lower range than in 2011, from highs of around 1200 to lows of around 600. The BDI average was considerably lower than in 2012, dropping by around 40% in total, in a further sign of vessel oversupply and unstable market conditions. It is expected that the BDI will remain volatile in the year to come, with freight rates remaining depressed.

RIDING THE LULL

As mentioned above, the Group has taken measures to move forward in a difficult environment, by continuing to dispose of aged vessels and gradually modernising and streamlining its fleet. These changes are not expected to bring immediate results, but are an investment for the future that we are sure will bring us significant benefits once the market stabilises and begins to recover. At the same time, we are paying close attention to cost control, ensuring that we continue to operate cost-effectively in this challenging environment. We do not expect 2013 to be any easier than 2012 has been, but from our experience, our proactive efforts for change backed by cash in hand will enable us to manage the extended lull effectively.

FINANCIAL POSITION

As at 31 December 2012, the Group was in a net debt position due to loans for the financing of its new vessels. However, we held a cash balance of US$22 million at the end of the year, giving us a healthy amount of working capital on hand with which to manage our activities in the coming year.

DIVIDENDS

In the current unstable market, the Board of Directors does not recommend payment of a dividend in respect of the financial year ended 31 December 2012.

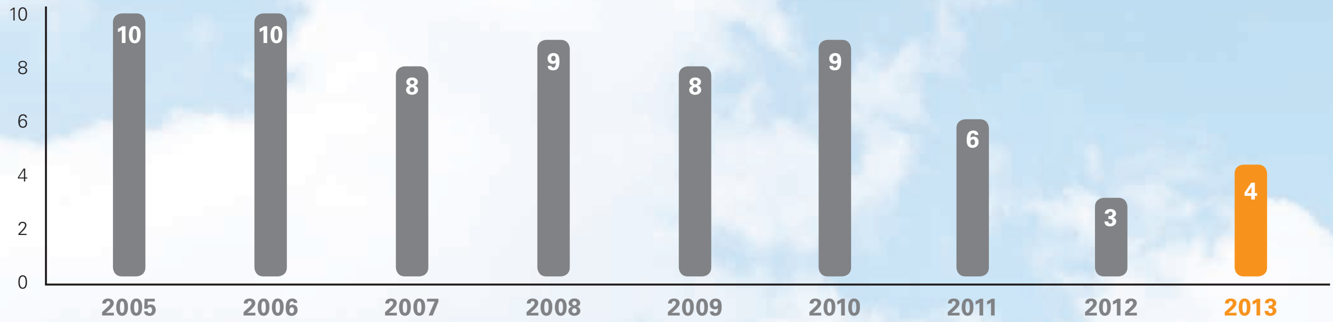
ACKNOWLEDGEMENTS

Following a challenging year, it gives me great pleasure on behalf of the Board to acknowledge the help and support received from our many clients and business associates. Thanks are also due to the dedicated members of the Group at all levels, who have helped us move forward and cope well with the events of the year. With this kind of support, I am confident that the Group will continue to weather storms successfully and emerge into a new phase of growth in due course.

HSU CHIH-CHIEN
CHAIRMAN OF THE BOARD

OUR FLEET

Our Fleet is wholly-owned by the Company. Since the Company began operations in 2001 it has expanded rapidly. We continuously acquire newer vessels while disposing of older ones to update our Fleet. Subsequent to 31 December 2012, we acquired and took delivery of another Capesize vessel, MV Cape Pioneer, in February 2013. The new total tonnage is 415,057 dwt. The following table sets forth the development of our Fleet since 2005:



As of 31 December 2012, our Fleet consisted of 2 Supermax and 1 Capesize dry bulk carriers, with total tonnage of approximately 265,688 dwt with details as follow:

ZORINA

Type : Supermax
Dwt : 57,000
Flag : Panama

CAPE WARRIOR

Type : Capesize
Dwt : 151,688
Flag : Panama

HEROIC

Type : Supermax
Dwt : 57,000
Flag : Panama

CORPORATE STRUCTURE


ZORINA
PANAMA
IMO 9599391

2012 MILESTONES

JAN 2012
Disposal of a Handysize vessel, MV Raffles

FEB 2012
Took delivery of the second new-built Supermax vessel of the Company, MV Heroic

APR 2012
Disposal of a Panamax vessel, MV Valour

MAY 2012
Disposal of a Capesize vessel, MV Cape Warrior

JUN 2012
Disposal of a Panamax vessel, MV Courage

The first anniversary of dual-listing on the Main Board of HKEx

AUG 2012
Took delivery of a second-hand Capesize vessel, MV Cape Warrior

SEP 2012
Disposal of a Panamax vessel, MV Panamax Leader

OCT 2012
The seventh anniversary of launching IPO on Singapore's SGX Mainboard

FINANCIAL HIGHLIGHTS

INCOME STATEMENT (US$'000)	2012	2011
Revenue	18,758	21,691
EBITDA	(7,491)	(21,810)
Net (Loss) Profit	(10,677)	(29,514)
BALANCE SHEET (US$'000)		
Non-current assets	72,095	72,838
Total assets	104,631	96,921
Total current assets	32,536	24,083
Share capital & reserves (US$'000)	67,673	78,035
Net cash/(debt)	(7,837)	21,016
FINANCIAL RATIOS		
Return on equity (%)	(15.80)	(38.00)
Net gearing (%)	54.60	24.30
Interest cover (times)	(9.1)	(75.4)
PER SHARE		
(Loss) earnings (US cents)	(1.01)	(2.80)
Net tangible assets (US cents)	6.39	7.37
ORDINARY DIVIDENDS		
– gross (US cents)	N/A	N/A
Share price at year end (SGD cents)	6.0	8.5
Share price at year end (HKD)	0.36	0.60

OPERATION REVIEW

Courage Marine remains a leading shipping company in Asia, operating a compact modern fleet consisting of Supermax and Capesize vessels.

The Group's results for FY2012 were largely as expected after a year in which the global trading environment remained problematic, and consumer demand weak. Although some of the big economic crises of 2011 have begun to be resolved, including the Eurozone sovereign debt crisis, trading patterns lagged behind, as consumers waited for positive signs of economic recovery. Consequently, the oversupply of vessels and low freight rates experienced in 2011 continued into 2012, impacting on the entire sector.

In light of the tight trading conditions, and in a move to improve its competitiveness, the Group continued its strategy of disposing of less efficient older vessels during 2012. Across the year it disposed of five vessels, recording a disposal loss of about $3.8 million against a similar disposal loss of US$3.5 million in the previous year. On the other hand, the Group also acquired two modern vessels in a move to upgrade its fleet. One of these was a Supermax vessel, and the other a Capesize. As a result of these disposals and acquisitions, the Group's total tonnage amounted to approximately 270,000 dwt as at December 2012. Since that date however, the Group has acquired a further Capesize vessel, raising fleet tonnage to around 415,000 dwt.

The strategic importance of Supermax and Capesize vessels lies in their flexibility for use in a wide variety of port conditions. Supermax vessels are characterized by a shallow draft, a built-in crane, and low fuel consumption; they also typically attract low berthing fees. This makes them especially suitable for use in the ports of developing countries, and also ensures that their value remains steady even in pessimistic market conditions. Since bulk trading is on the increase in developing countries such as China, India, Indonesia, Argentina, and Brazil, the Group's Supermax vessels give it an edge when competing for bulk shipping to and from these countries' ports.

As for Capesize vessels, they are particularly suited to transport of goods such as coal and steel. Yields from Capes have grown recently due to the increasing export of coal and steel cargoes from Australia to China, along with growing amounts of coal imports to Japan.

As a result of disposals and acquisitions of vessels in 2012, at year-end the Group's fleet stood at two Supermax vessels and one Capesize (rising to two Capesize in early 2013). The fleet utilisation rate for FY2012 was approximately 55%, an improvement on the rate of 38% recorded in 2011.

FINANCIAL HIGHLIGHTS

Turnover of the Group for FY2012 amounted to US$18.7 million, falling by 14% from US$21.7 million in FY2011. This was the largely the result of ongoing weakness in the global shipping market due to oversupply and weak demand. By contrast, the Group's cost of sales fell by around 43% to US$18.5 million, from US$32.6 million the previous year. This large reduction came about due to much lower fixed costs for the year, including lower insurance, crew fees and depreciation from the disposal of aged vessels. Partly as a result, the Group was able to achieve a gross profit of approximately US$0.3 million in FY2012, against the gross loss of US$11 million recorded in 2011.

Other operating income of US$0.4 million was recorded in FY2012. This consisted largely of income from a one-off insurance claim received in FY2011, along with some interest income from banks and certificates of deposit. Compared with FY2011, this amount represented a 32% decrease in other operating income.

Other gains and losses were made up of changes in the fair value of investment property and in the fair value of held-for-trading investments, loss on the disposal of property, plant and equipment, and exchange rate gains and losses. Under this category, the Group recorded other losses of approximately US$3.8 million for FY2012, primarily due to its disposal of its five aged vessels. These losses were comparable with the US$3.5 million of other losses recorded in FY2011, also primarily as the result of the disposal of aged vessels.

The three new vessels acquired during the past two years were largely funded by bank borrowings, and this raised the Group's finance costs in FY2012 to US$1.1 million from US$0.4 million the previous year. Meanwhile, administrative costs for the year rose slightly year-on-year, by 6%. However, the Group's other expenses for FY2102 dropped by 50%, from US$2.2 million in FY2011 to US$1.1 million. The FY2012 other expenses were the result of the imputed interest income attributable to the interest-free loan advanced by the Group in connection with a proposed property investment, and a one-off claim against certain subsidiaries in relation to the termination of maintenance arrangements. By contrast, the Group's FY2011 other expenses were largely in connection with the cost of its dual-listing exercise.

Following a review of the Group's vessels, it was determined that a number of these assets were impaired due to the decrease in their utilisation rate and corresponding fall in revenue. The Group therefore recorded an impairment loss of approximately US$1.7 million in FY2012, compared with impairment loss of US$9.5 million in 2011.

Income tax expenses for the Group's subsidiaries for FY2012 was recorded at US$6,000, down from approximately US$26,000 in FY2011. Other comprehensive income for the year included US$0.5 million due to the surplus on revaluation of the Group's leasehold land and building, similar to the US$0.7 million recorded under this category in FY2011.

Overall, the Group recorded a net loss of approximately US$10.7 million for FY2012, primarily as a result of its loss on disposal and impairment loss on vessels. This compares favourably with its US$29.5 million net loss in FY2011.

STEAMING AHEAD

The outlook for FY2013 remains muted, with the oversupply of vessels expected to be a continuing problem and demand for commodities remaining sluggish. The Group is preparing itself for extended tough conditions. Its careful disposal of aged vessels and acquisition of younger and more flexible vessel types represents an important step forward given the tight conditions. As a result of these moves and of its care in controlling costs, the Group expects its performance to remain stable over the coming twelve months. This will be achieved by keeping its downsized fleet running efficiently and optimally deployed, while maintaining its current cost-effective business structure. It will also remain on the lookout for opportunities to acquire second-hand or brand new vessels if the price is right and market conditions are favourable. Additionally, if opportunities arise, the Group will look at the possibility of diversifying its investment.

In terms of competitiveness in a difficult market, the Group retains advantages of low operating costs, extensive industry experience, and strong customer relationships. These are factors that have enabled it to ride out a particularly challenging couple of years, and these are factors too that will see it quick to grasp any upswing in market conditions in the future.

BOARD OF DIRECTORS

HSU CHIH-CHIEN

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Hsu Chih-Chien (許志堅), aged 56, is the Chairman and a non-executive Director of our Company. He was one of the co-founders of our Group in 2001. His responsibilities include strategic planning and future development of our Company but he does not participate in our day-to-day operations. Mr. Hsu comes from the Taiwan operations of an old shipping family dating back to the early 20th century that began in Shanghai. Since 1980, Mr. Hsu has inherited the interest in Eddie Steamship Co. Ltd, a family-owned business. In 2000, he was the person-in-charge of Waywiser Marine Shipping Agency Co. Ltd. which previously rendered shipping agency services to our Group. Mr. Hsu has an extensive network of business contacts among the major shippers in Asia, and is very experienced in the area of international ship purchasing and sales. Mr. Hsu is active in the shipping community and has served in numerous maritime organizations. Currently he is a director of American Steamship Owners Mutual Protection and Indemnity Association (The American Club). He is also a director of China Corporation Register of Shipping (財團法人中國驗船中心) and a member of the Hong Kong Committee of Bureau Veritas and a member of Taiwan technical committee of American Bureau of Shipping. He graduated from Colby College, State of Maine in the United States of America in 1980.

WU CHAO-HUAN

MANAGING DIRECTOR

Wu Chao-Huan (吳超寰), aged 62, is the Managing Director and an executive Director of our Company. Mr. Wu was one of the co-founders of our Group in 2001. Mr. Wu co-founded New Amego Shipping Corp. with Chen Shin-Yung in 1998. From 1998 to 2001, Mr. Wu acted as the general manager of New Amego Shipping Corp. which engaged in vessel chartering business. In June 2001, Mr. Wu co-founded our Group with other co-founders. Since 2001, Mr. Wu continued his vessel chartering business with us and has been responsible for the overall management of our Company covering mainly sales and marketing, schedule planning, purchase and sale of ships, personnel and general management.

SUN HSIEN-LONG

NON-EXECUTIVE DIRECTOR

Sun Hsien-Long (孫賢隆), aged 63, was appointed as a non-executive Director of our Company on 13 August 2010 and he does not participate in our day-to-day operations. He was one of the co-founders of the Group in 2001. He was in military service in Taiwan in or around 1974. In 1988, he started his own business and acted as the Managing Director of Trans Companions Inc. that was engaged in the trading of heavy lifting equipment until now. He graduated from Marine Engineering Department of China Maritime College in 1971.

CHANG SHUN-CHI

NON-EXECUTIVE DIRECTOR

Chang Shun-Chi (張順吉), aged 56, was appointed as a non-executive Director of our Company on 13 August 2010 and he does not participate in our day-to-day operations. Mr. Chang founded Maxmart Shipping & Trading Corp in Taipei and acted as its Chairman and General Manager since 1987. Mr. Chang has diverse experience in the maritime industry including ship brokerage, sale and purchase of ships and chartering.

BOARD OF DIRECTORS

CHU WEN YUAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Chu Wen Yuan (朱文元), aged 53, has been an independent non-executive Director of our Company since 24 August 2005. Mr. Chu is also a supervisor on the board of directors of Walsin Lihwa Corporation and Hannstar Board Corporation. From June 2010 to June 2011, he was an independent director of Global Brand Manufacture Ltd. From 2005 to 2008, he was a non-executive director of Walsin Lihwa Corporation. From 2001 to 2008, Mr. Chu was the general manager overseeing the Singapore and Malaysia operations of Xcellink Pte Ltd. which is a recruitment and information technology outsourcing service provider. Prior to that, he was General Manager of HTL Manufacturing, Integral Chemical Co, Walsin International Management, Composers & Authors Society of Singapore, and Financial Controller of Citicorp Insurance Brokers (S) Pte Ltd.. Mr. Chu is a graduate in Bachelor of Science and Business Administration (Accounting) degree from San Francisco State University, USA in 1984 and obtained his Master of Business Administration (Finance) degree from University of Oregon, USA in 1986.

LUI CHUN KIN, GARY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Lui Chun Kin, Gary (呂春建), aged 52, has been an independent non-executive Director of our Company since 24 August 2005. Currently, he is the executive director and chief financial officer of New Territories Investments Pty Ltd, in charge of strategic planning, investment advisory, and business development. He is also an non-executive director of both Uber Global Pty Ltd and Citadel Group Ltd. He is also an executive director of NTI (IT No. 1) Pty Ltd, HQH Group Pty Ltd, Roc Holdings (Australia) Pty Ltd and New Territories Migration Pty Ltd. During 2004 to 2007, he worked in Shenzhen Huaqiang Holdings Limited, where he was responsible for management, strategic planning, investment and corporate restructuring. Prior to that, he was the chief financial officer of Fanatech Inc., the vice president and chief financial officer of CBR Brewing Company Inc, project controller with First Shanghai Investments Limited, a Hong Kong-listed company, general manager of GKC Inc., general manager of Winmail Development Ltd., assistant financial controller of Chung Wah Shipbuilding & Engineering (Holdings) Co., Ltd. and a senior accountant with Arthur Andersen & Co. Mr. Lui has over 25 years experience in various accounting, financial and managerial positions in a variety of industries in Hong Kong, Singapore, China and Australia. Mr. Lui obtained a Bachelor of Social Sciences (Hons) from The University of Hong Kong in 1987. He also obtained his Master of Applied Finance degree from Charles Sturt University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), Australian Institute of Company Directors (MAICD), fellow member of the Association of Chartered Certified Accountants (FCCA), associate member of the Institute of Chartered Accountants in England and Wales (ICAEW), and Institute of Certified Public Accountants of Singapore (ICPAS).

SIN BOON ANN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Sin Boon Ann (陳文安), aged 55, joined the Board on 24 August 2005 as an independent non-executive Director. Mr. Sin was admitted into the Singapore Bar in February 1987 and he began private practice in the same year. He had been a lecturer at the Faculty of Law, National University of Singapore, before returning to private practice in 1992 when he joined Drew & Napier. He was a partner from 1994 to 2001 and became a director upon the corporatisation of Drew & Napier. Mr. Sin is now the Deputy Managing Director of the corporate & finance department at Drew & Napier LLC. His major area of practice is corporate finance and mergers and acquisitions. He has been an independent director of MFS Technology Ltd, Transview Holdings Limited and CSE Global Limited, all of which are Singapore-listed companies, since 2001, 2002 and 2002 respectively. He has been an independent director of Overseas Union Enterprise Limited, a Singapore-listed company since 2009. He has also been an independent non-executive director of OSIM International Ltd, a Singapore-listed company, since 2010. He was an independent non-executive director of Japan Land Limited, a Singapore-listed company until 2009, an independent non-executive director of Auric Pacific Group Limited, a Singapore-listed company until 2008, and an independent non-executive director of Yongsheng International Holdings Ltd. From 2007 to 2010, Mr. Sin was a board member of the Singapore Totalisator Board, which owns Singapore Pools and Singapore Turf Club. Mr. Sin graduated from National University of Singapore with a Bachelor of Arts and Bachelor of Laws (Honours) in 1986 and from University of London with Master of Laws in 1988.

EXECUTIVE OFFICERS

HON KWOK-PING

FINANCIAL DIRECTOR

Hon Kwok Ping, Lawrence (韓國平), aged 64, is the Group's Director of Finance and is in charge of the Group's finance and accounting controls. He served as accountant, chief accountant, and company secretary in several companies between 1973 and 1984. From 1984 to 1994, he was the financial director and deputy managing director in Modern Printing Equipment Ltd., a company of the Buhrmann-Tellerode Group. During 1994 to 1998 he was the vice president of Sino-Forest Corporation. From 1997 to 2003, he was President and CEO of AgroCan Corp. Acting as an advisor to the Company since January 2004, Mr. Hon was then appointed financial controller in November 2004. He obtained his accounting professional status through the Association of International Accountants, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. As at the Latest Practicable Date, Mr. Hon owned 11,525,000 Shares, representing about 0.927% of the total issued share capital of our Company.

YUEN CHEE LAP, CARL

FINANCIAL CONTROLLER

Yuen Chee Lap, Carl (源自立), aged 39, is the Group's Financial Controller and is in charge of our Group's finance and accounting control, as well as the Group's reporting, SGX and HKEx compliance. Mr. Yuen has rich experience in finance and accounting both in Hong Kong and the United States. He started his career in Houston, Texas. He joined Greensmart Corp., a US listed company in 2000 and served as chief financial officer from 2000 to 2003. Mr. Yuen then joined the Company as the financial manager since January 2004 and was appointed financial controller in May 2006. He received BBA and MBA degrees from University of Houston, Texas in 1997 and 1998 respectively.

CHEN SHIN-YUNG

DIRECTOR OF TECHNICAL REPAIR AND MAINTENANCE

Chen Shin-Yung (陳信用), aged 69, has extensive experience in the shipping industry in the areas of supplies, maintenance and repairing. He was one of the co-founders of our Group and was an executive Director of our Group from 2001 to Mar 2012, responsible for the overall management, repair and maintenance of our Fleet. Mr. Chen has built up good working relationships with the drydocks in Kaohsiung, Keelung, Guangzhou, Shanghai, and Qingdao. From 1998 to 2001, he was the technical manager of New Amego Shipping Corp.

LIN TSAI-SENG

SALES AND MARKETING MANAGER

Lin Tsai-Seng (林財生), aged 63, was one of the co-founders of our Group. He is the Group's Sales and Marketing Manager and is responsible for sales and marketing functions, including client relationship management of the Group. He served as an engineer in a number of shipping companies between 1974 and 1983. Between 1983 to 2000, Mr. Lin was the General Manager of Horong Shipping Co. He is a graduate of Ocean University, Taiwan in 2005 with a Master degree in Maritime Transportation Management.

CHIU CHI-SHUN

DEPUTY GENERAL MANAGER (SYSTEMS) AND STANDARD COMPLIANCE

Chiu Chi-Shun (邱啟舜), aged 61, was one of the co-founders of our Group. He is the deputy general manager (systems and standard compliance) of our Company and is the managing director of Courage Maritime Technical Service Corp., a wholly owned subsidiary of the Group. The responsibilities of Mr. Chiu include the quality assurance of the fleet, and safety management of the fleet, carrying out internal audit in order to comply with various international rules and regulations, maintaining the validity of all certificates and licences for the operation of the fleet. Since 1996, he has been the chairman and/or general manager of Jacksoon Shipping Safety Management Consultant Co., Ltd. Mr. Chiu has extensive experience of more than 25 years in surveying, auditing and inspection of vessels. During 1978 to 1983, he worked as an assistant engineer in 陽明海運股份有限公司 (Yang Ming Marine Transport Corp.) He then worked for Nippon Kaiji Kyokai as a surveyor until 1990. Since then, he became the senior surveyor and manager of international convention and research section at China Corporation Registrar of Shipping (財團法人中國驗船中心) until 1999. He had also been active in various bodies and holds various posts in the maritime industry communicate. Since 2006 until now, he is acting as the presidents of 中華民國船舶機械工程學會 (the Society of Marine Engineering ROC). During 2003 to 2009, he was a director of 中華海運研究協會 (Chinese Maritime Research Institute). Mr. Chiu graduated from the department of shipbuilding of 台北市國立台灣海洋大學 (the National Taiwan Ocean University) with a Bachelor degree in Engineering.

DIRECTORS' REPORT

The board ("Board") of directors ("Directors") of Courage Marine Group Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred as the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1 PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 21 to the financial statements.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 34.

The Directors do not recommend the payment of a dividend.

3 PROPERTY, PLANT AND EQUIPMENT

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

4 SHARE CAPITAL

Details in the share capital of the Company are set out in Note 34 to the financial statements.

5 ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

6 DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company ("Shareholders") as at 31 December 2012 were the retained profits of US$25,356,000.00 (2011: US$24,859,000.00).

7 DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Wu Chao-Huan

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Boon Ann
Mr. Chu Wen Yuan
Mr. Lui Chun Kin Gary

In accordance with the provisions of the Company's Articles of Association and pursuant to Appendix 14 to the Rules Governing the Listing of Securities (the "HK Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx"), Mr. Hsu Chih-Chien will retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself for re-election.

8 DIRECTORS' SERVICE CONTRACTS

Mr. Hsu Chih-Chien entered into a service agreement with the Company on 7 May 2008, pursuant to which he was appointed to provide certain services to the Company and its subsidiaries commencing from 7 May 2008 for a period of 3 years which has been renewed for a further period of 3 years as from 7 May 2011 evidenced by a renewal memorandum dated 31 January 2011. Under the agreement, Mr. Hsu is entitled to an annual fee of not more than US$8,000.00 and an annual discretionary bonus and his appointment is subject to the normal retirement provisions under the bye-laws of the Company.

Mr. Sun Hsien-Long entered into a service agreement with the Company on 22 March 2013 pursuant to which he was appointed to provide certain services to the Company and its subsidiaries commencing from 1 January 2012 for a period of 3 years. Under the agreement, Mr. Sun is entitled to an annual fee of no more than US$10,000 per annum and an annual discretionary bonus. Notwithstanding the foregoing, his appointment as Director is subject to the normal retirement provisions under the bye-laws of the Company.

Mr. Chang Shun-Chi entered into a service agreement with the Company on 22 March 2013 pursuant to which he was appointed to provide certain services to the Company and its subsidiaries commencing from 1 January 2012 for a period of 3 years. Under the agreement, Mr. Sun is entitled to an annual fee of no more than US$10,000 per annum and an annual discretionary bonus. Notwithstanding the foregoing, his appointment as Director is subject to the normal retirement provisions under the bye-laws of the Company.

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

At 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company, a related corporation of the Company (within the meaning of Part I of the Securities and Futures Act (the "SFA")) or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company, the SGX-ST and the HKEx were as follows:

LONG POSITION IN ORDINARY SHARES (THE "SHARES") OF US$0.018 EACH OF THE COMPANY

Name of Director	Capacity	Number of issued Shares	Approximate percentage of issued Shares (%)
Hsu Chih-Chien	Founder of a discretionary trust	142,081,611 *(Note 1)*	13.419%
Wu Chao-Huan	Interest in a controlled corporation	142,081,611 *(Note 2)*	13.419%
Sun Hsien-Long	Beneficial owner	6,334,936	0.598%
Chu Wen Yuan	Beneficial owner	40,000	0.004%

Notes:

1. These Shares are registered in the name of Sea-Sea Marine Company Limited ("Sea-Sea Marine"), the entire issued share capital of which is owned by Besco Holdings Limited ("Besco"), which in turn is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor. Mr. Hsu Chih-Chien is deemed to be interested in the Shares held by Sea-Sea Marine under the SFO and the SFA.

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

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company, the SGX-ST and the HKEx pursuant to Subdivision 1 of Part VI of the SFA, Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuer or which were required to be entered in the register required to be kept under Section 352 of the SFO.

11 DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

12 SHARE OPTIONS

The Company and its subsidiaries have no share option scheme.

13 SUBSTANTIAL SHAREHOLDERS

Save as disclosed below under "Substantial Shareholders" in the section "Statistics of Shareholdings" on page 85 of this report, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 2012, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO or Section 135 or the SFA.

14 APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on HKEx. The Company considers all of the independent non-executive Directors are independent.

15 CONNECTED TRANSACTIONS

During the year, a subsidiary of the Company rented a premise from Ms. Chou Hsiu-Ma, the spouse of Mr. Chang Shun-Chi, a non-executive Director of the Company. Furthermore, several subsidiaries of the Company paid commission on disposal of vessels to Maxmart Shipping & Trading Co., Ltd, a company in which Mr. Chang Shun-Chi is the sole shareholder. These transactions are regarded as connected transactions pursuant to Chapter 14A of the HK Listing Rules and interested person transactions pursuant to Chapter 9 of the listing manual of the Singapore Exchange Securities Trading Limited ("Listing Manual") Particulars of the transactions are disclosed in Note 42 to the financial statements.

16 EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company ("RC") on the basis of their merit, qualifications and competence.

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

17 PRE-EMPTIVE RIGHTS

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

18 MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 47.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 17.3% of the Group's total purchases.

The percentage of sales attributable to the Group's five largest customers is approximately 76% of the Group's total revenue for the year and the revenue attributable to the Group's largest customer was approximately 46.4% of the Group's total revenue.

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

19 AUDIT COMMITTEE

The audit committee of the Company ("AC") comprises 3 independent non-executive Directors, namely Mr. Lui Chun Kin Gary, Mr. Sin Boon Ann and Mr. Chu Wen Yuan with Mr. Lui Chun Kin Gary as the chairman.

The AC met periodically to perform the following functions:

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

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

(c) review the external auditors' report;

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

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

(f) nominate external auditors for re-appointment;

(g) review interested person transactions; and

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

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

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

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

20 CORPORATE GOVERNANCE

The corporate governance report is set out on pages 22 to 31.

21 SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2012.

22 EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 43 to the financial statements.

23 AUDITOR

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

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

28 February 2013

CORPORATE GOVERNANCE REPORT 2012

The Board of Directors of the Company is committed to setting and maintaining high standards of corporate governance to ensure greater corporate transparency and to protect Shareholders' interests and enhance Shareholders' value.

During the year ended 31 December 2012, the Company adopted the Code on Corporate Governance Practices (the "Old HK CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "HK Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx") prior to the implementation of the revisions of such Code (the "HK Code") which came into effect on 1 April 2012. In addition, the Company had also adopted the principles and guidelines of the Code of Corporate Governance 2005. The Board had also considered and adopted certain recommendations made by the Corporate Governance Council on the Code of Corporate Governance 2012 ("Singapore Code"), which is effective and to be implemented in respect of the Company's Annual Report for the financial year ending 31 December 2013. In the event of any conflict between the Singapore Code and the HK Code, the Company will comply with the more onerous code provisions.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with both the Singapore Code and the HK Code.

BOARD OF DIRECTORS

BOARD'S CONDUCT OF ITS AFFAIRS

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

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

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

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

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

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

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

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

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

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

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

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

Ad hoc Board meetings were convened when the need arose. Where the attendance of certain Directors was not physically possible, the meeting was conducted with these Directors through teleconferencing. The Company's bye-laws (the "Bye-laws") provide for meetings to be held via telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. To further facilitate the efficient management of the Group, resolutions of the Board were passed by way of circulating minutes pursuant to Bye-law 115 of the Bye-laws. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various board committees (the "Board Committees") are provided on page 26 of this Annual Report.

In accordance with the Singapore Code, the Board has, without abdicating its responsibility, delegated its function to the various Board Committees, namely the AC, Nominating

Committee ("NC") and RC. All Board Committees are chaired by an independent non-executive Director and consist mainly of independent non-executive Directors.

All Directors objectively take decisions in the interests of the Company. However, the Board has adopted internal guidelines setting the following matters which are specifically reserved to the Board for approval:

- transactions or matters such as major investments;
- corporate restructuring;
- mergers and acquisitions;
- material acquisitions or disposal of assets;
- the release of the Group's financial results announcements;
- interested person transactions of a material nature;
- declaration of dividends.

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

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

During the Company's listing on the HKEx in 2011, the Company provided comprehensive training to the Directors on their roles and responsibilities as Directors under the HK Code. During the year ended 31 December 2012. The Company had also organised briefings for the Directors on the HK Code and Singapore Code.

BOARD COMPOSITION AND BALANCE

As of the date of this report, our Board of Directors comprises seven Directors, three of whom are independent. None of the independent Directors have served on the Board for more than nine years. Key information about each Director is detailed in the "Board of Directors" section of the Annual Report. The Directors in office at the date of this report are:

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

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

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

There are no permanent alternate directors.

The three independent Directors joined our Board on 24 August 2005, prior to the listing of our Company, and were last re-elected on 28 April 2009. Our NC reviews the independence of each Director annually and applies the Singapore Code and the HK Code's definition of who qualifies as an independent director in its review. Mr. Hsu Chih-Chien and Mr. Wu Chao-Huan were appointed to our Board on 13 April 2005. Mr. Hsu Chih-Chien was last re-elected on 27 April 2010. Mr. Sun Hsien-Long and Mr. Chang Shun-Chi were appointed by our Board as Directors on 13 August 2010. Mr. Wu Chao-Huan, Mr. Sun Hsien-Long and Mr. Chang Shun-Chi were last re-elected on 27 April 2011. Mr. Chen Shin-Yung was appointed as Director on 13 April 2005. On 16 March 2012 Mr. Chen resigned from the Board as a Director due to some constraints on his ability to attend Board of Directors' and Shareholders' meetings of the Company. Mr. Chen continues to serve as Director of Technical, Repair and Maintenance following his resignation as executive Director.

As the Chairman, Mr. Hsu Chih-Chien is not an Independent Director, the Singapore Code recommends that Independent Directors make up at least half of the Board. The Group is working towards fulfilling this recommendation, prior to the end of financial years commencing on or after 1 May 2016.

As at 31 December 2012, the Independent Directors make up more than one-third (1/3) of the Board. Taking into account the views of the NC, the Board has determined that the Independent Directors are independent in character and judgment, and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the judgment of the Independent Directors.

During the year ended 31 December 2012, the Board at all times met the requirement of Rules 3.10(1) and (2) of the HK Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

The present Board size of seven members is appropriate, taking into consideration the nature and scope of the Company's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board provides an appropriate balance and diversity of skills, experience, and knowledge of the Company. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

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

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

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

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

The Board notes the Singapore Code's recommendation that a Lead Independent Director should be appointed in view of the fact that the Chairman is not an Independent Director and the Group is working towards fulfilling this recommendation.

BOARD MEMBERSHIP

According to the Bye-laws, each Director shall retire at least once every three years. In addition, any Director appointed by our Board shall retire at the next annual general meeting of our Company and shall then be eligible for re-election at that meeting. In accordance with the Bye-laws, Mr. Hsu Chih-Chien shall retire and submits himself for re-election at our Company's upcoming Annual General Meeting, to be held on 30 April 2013.

Our NC has recommended the re-appointment of the retiring Director at our Company's upcoming Annual General Meeting, and our Board has accepted the NC's recommendation and accordingly Mr. Hsu Chih-Chien is offering himself for re-election.

Our NC comprises three Directors, a majority of whom, including the chairman, are independent. As at the date of this Report, our NC members are:

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

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

(a) reviewing of board succession plans for Directors, in particular, the Chairman and for the CEO;

(b) the development of a process for evaluation of the performance of the Board, its board committees and directors;

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

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

In addition, the NC has its terms of reference defining its role which include:

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

(b) determining annually whether or not a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;

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

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

In determining the independence of the Directors, the NC requires all Directors to complete and return a Declaration of Independence on an annual basis and submitted to the NC for its review. Based on the foregoing and with reference to the guidelines set out in the Singapore Code and HK Code, the NC has determined Mr. Sin Boon Ann, Mr. Lui Chun Kin Gary and Mr. Chu Wen Yuan to be independent.

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

Code provision A.4.1 of the HK Code stipulates that a non-executive Director shall be appointed for a specific term, subject to re-election. Although all the independent non-executor Directors are not appointed for a specific term, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years and any new Director appointed as an additional Director or to fill a casual vacancy shall retire at the next annual general meeting and shall then be eligible for re-election at that meeting pursuant to the Bye-laws of the Company.

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

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

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

BOARD PERFORMANCE

Our NC has, with the approval of our Board, established performance criteria and evaluation procedures for the assessment of the effectiveness and performance of our Board as a whole and its board Committees.

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

Each Board member is required to complete a Board appraisal assessment form. On the basis of returns submitted, the Chairman of the NC prepares a consolidated report which is presented together with financial performance information (if applicable) to the Board for consideration and adoption.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. Such performance criteria for the board evaluation are in respect of board size and composition, board processes, board information and accountability and board performance in relation to discharging its principal functions and responsibilities for financial targets (if applicable). Such performance criteria have been approved by the Board and they address how the Board has enhanced long term Shareholders' value. The performance criteria has not changed from the previous financial year, and will not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

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

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

The attendance of the Directors at meetings of the Board and committees during the financial year ended 31 December 2012 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr. Hsu Chih-Chien	4	4	–	–	1	1	1	1
Mr. Wu Chao-Huan	4	4	–	–	–	–	–	–
Mr. Sin Boon Ann	4	4	4	4	1	1	1	1
Mr. Chu Wen Yuan	4	4	4	4	–	–	1	1
Mr. Lui Chun Kin Gary	4	4	4	4	1	1	–	–
Mr. Chang Shun-Chi	4	4	–	–	–	–	–	–
Mr. Sun Hsien-Long	4	4	–	–	–	–	–	–

ACCESS TO INFORMATION

Our Board has separate and independent access to senior Management of our Company. Requests for information from our Board are dealt with promptly to enable them to make informed decisions.

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

Our Board, acting through its Executive Directors, is informed of all material events and transactions as and when they occur. Professional advisors may be invited to advise our Board, or any of its members, if our Board or any individual member thereof needs independent professional advice.

Our Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed and recording the minutes. Together with the management staff of our Company, our Company Secretary is responsible to ensure that (i) established procedures and all relevant statutes and regulations which are applicable to the Company are complied with, (ii) there is good information flow within the Board and its Board Committees and between Management and non-executive Directors, (iii) advising the Board on all governance matters, and (iv) facilitating orientation and assisting with professional development as required.

The Company Secretary and Management are also responsible to ensure that the Company complies with the requirements and Listing Rules of both the Singapore Exchange Securities Trading Limited ("SGX-ST") and HKEX and other rules and regulations that are applicable to the Company. A Director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC has its terms of reference which clearly set out its authority and duties. Our RC comprises three Directors, a majority of whom, including the Chairman, are independent. As at the date of this Report, our RC members are:

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

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

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

Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package.

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

LEVEL AND MIX OF REMUNERATION

In setting remuneration packages, the aim of the RC is to motivate without being excessive and retain and motivate Directors and key executives, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term shareholder value. The RC takes into account the performance of the Group, as well as individual Directors and key executives, aligning their interests with those of shareholders, and linking rewards to corporate and individual performance. Such performance-related remuneration takes into account the risk policies of the Company, and is sensitive to the time horizon of risks. The RC also takes into consideration industry practices and norms in compensation.

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

DISCLOSURE OF REMUNERATION

A summary remuneration table of our Directors is shown below.

Remuneration Bands	Salary %	Bonus %	Fees %	Benefits %	Total %
Below S$200,000					
Hsu Chih-Chien	–	83[2]	17[1]	–	100
Wu Chao-Huan	73	16	11	–	100
Chen Shin-Yung (resigned on 16 March 2012)	70	18	12	–	100
Sun Hsien-Long	–	61[2]	39[1]	–	100
Chang Shun-Chi	–	61[2]	39[1]	–	100
Sin Boon Ann	–	–	100	–	100
Chu Wen Yuan	–	–	100	–	100
Lui Chun Kin, Gary	–	–	100	–	100

Notes:-

1. Comprising Directors fees and fees payable pursuant to service agreements entered into with the Company.

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

A summary remuneration table of the top 5 key management executives is shown below.

Remuneration Bands	Salary %	Bonus %	Fees %	Benefits %	Total %
Below S$200,000					
Chen Shin-Yung	89	11	–	–	100
Chiu Chi-Shun	87	13	–	–	100
Hon Kwok-Ping	82	18	–	–	100
Kuo Ji Ruo	87	13	–	–	100
Yuen Chee Lap, Carl	82	18	–	–	100

Save for Mr. Wu Chao-Ping our operations manger, who is the brother of our Managing Director Mr. Wu Chao-Huan, our Company does not have any employee who is an immediate family member of a Director.

ACCOUNTABILITY

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

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

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

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

Management's role is to report to the Board the operational and financial performance of the Group by keeping the Board informed and updated with the provision of financial and management reports, on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's prospects. The Board will update the Shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board also reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls annually. Such review is carried out with the assistance of the external and outsourced internal auditors. Material non-compliance and internal control weakness and recommendations for improvements noted during the audit are reported to the AC. The AC has reviewed the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors.

The system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any events that can be reasonably foreseen as it strives to achieve it business objectives. The Board notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

The Board has also received assurance from the Managing Director and the Financial Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal control systems.

Based on the internal controls established and maintained by the Group, the work performed by the internal and external auditors, and reviews performed by Management, various Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks are adequate as at 31 December 2012.

AUDIT COMMITTEE

Our AC comprises three Directors, all of whom, including the Chairman, are independent. Two members of the AC have sufficient accounting or related financial management expertise or experience to discharge their responsibilities. As at the date of this Report, our AC members are:

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

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

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

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

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

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

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

(e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

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

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

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

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

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

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

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

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

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

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

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

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

The Group's external auditors, Deloitte Touche Tohmatsu, is an accounting firm registered with the Hong Kong Institute of Certified Public Accountants. The Audit Committee is satisfied that the Group's external auditors and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations.

The statement of the external auditors of the Group about their reporting responsibilities for the financial statements is set out in page 21 of this Annual Report.

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

Service Category	Fees paid/payable (US$'000)
Audit Services	232
Non-Audit Assurance Services	60
Total	292

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

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

INTERNAL AUDIT

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

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

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

SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION

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

As the Company expects the financial performance for 2013 to be adversely affected by the current challenging economic conditions and uncertain outlook, the Company will not be paying dividends for the financial year ended 31 December 2012 out of prudence. This will enable the Company to retain earnings to build up reserves to absorb any future shocks and preserve the Company's liquidity position. Further, this will aid the Group to in making investments for long-term growth where needed.

DEALINGS IN SECURITIES

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

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

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

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholder subsisting during the financial year ended 31 December 2012.

INTERESTED PERSON TRANSACTIONS

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

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

Name of interested person	Nature of Transaction	Aggregate value of all interested person transactions during the financial year under review
Ms. Chou Hsiu-Ma (Spouse of our Non-Executive Director Mr. Chang Shun-Chi)	Rental income from lease of office space in Shanghai to our Company	US$27,000
Maxmart Shipping & Trading Company Ltd. (Mr. Chang Shun-Chi, our Non-Executive Director is a director of Maxmart Shipping & Trading Company Ltd.)	Commission on disposal of vessels	US$114,000

The transaction value was not over 1% of the Net Tangible Assets of our Company as at 31 December 2012 and the stipulated thresholds for reporting and approval requirements under rule 14A.31 of the HK Listing Rules and Chapter 9 of the Listing Manual.

RISK ASSESSMENT AND MANAGEMENT

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

STATEMENT OF DIRECTORS

In the opinion of the Directors, the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 34 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

28 February 2013

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

We have audited the consolidated financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 34 to 84, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 February 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 US$'000	2011 US$'000 (Restated)
Revenue	8	**18,758**	21,691
Cost of sales		**(18,499)**	(32,593)
Gross profit (loss)		**259**	(10,902)
Other income	9	**354**	517
Other gains and losses	10	**(3,816)**	(3,526)
Administrative expenses		**(3,685)**	(3,466)
Other expenses	11	**(1,057)**	(2,227)
Impairment loss on property, plant and equipment	19	**(1,664)**	(9,492)
Finance costs	12	**(1,062)**	(392)
Loss before income tax		**(10,671)**	(29,488)
Income tax expense	13	**(6)**	(26)
Loss for the year	14	**(10,677)**	(29,514)
Other comprehensive income (expense):			
Surplus on revaluation of leasehold land and building		**528**	650
Deferred tax liability arising on revaluation of leasehold land and building		**(213)**	–
		315	650
Total comprehensive expense for the year – attributable to owners of the Company		**(10,362)**	(28,864)
Loss per share (US cents)	17		
– basic		**(1.01)**	(2.79)

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	THE GROUP 2012 US$'000	THE GROUP 2011 US$'000 (Restated)	THE COMPANY 2012 US$'000	THE COMPANY 2011 US$'000
Non-current assets					
Property, plant and equipment	19	**62,029**	60,692	**–**	–
Investment property	20	**2,355**	2,059	**–**	–
Interests in subsidiaries	21	**–**	–	**17,961**	16,224
Interest in a jointly controlled entity	22	**32**	–	**–**	–
Amounts due from subsidiaries	21	**–**	–	**55,304**	56,072
Long-term receivables	23	**7,679**	3,767	**–**	–
Deposit paid for acquisition of a vessel	24	**–**	5,320	**–**	–
Structured deposit	25	**–**	1,000	**–**	–
Total non-current assets		**72,095**	72,838	**73,265**	72,296
Current assets					
Trade receivables	26	**891**	67	**–**	–
Other receivables and prepayments	23	**3,652**	1,594	**43**	30
Amount due from a jointly controlled entity	27	**412**	–	**–**	–
Tax recoverable		**58**	58	**–**	–
Held-for-trading investments	28	**391**	352	**–**	–
Pledged bank deposits	29	**4,298**	4,267	**–**	–
Structured deposit	25	**962**	–	**–**	–
Certificate of deposit	30	**–**	1,074	**–**	–
Cash and cash equivalents	31	**21,872**	16,671	**112**	144
Total current assets		**32,536**	24,083	**155**	174
Total assets		**104,631**	96,921	**73,420**	72,470
Current liabilities					
Other payables and accruals	32	**1,775**	17,889	**978**	525
Borrowings – due within one year	33	**5,098**	996	**–**	–
Total current liabilities		**6,873**	18,885	**978**	525

See accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	THE GROUP 2012 US$'000	THE GROUP 2011 US$'000 (Restated)	THE COMPANY 2012 US$'000	THE COMPANY 2011 US$'000
Capital and reserves					
Share capital	34	**19,059**	19,059	**19,059**	19,059
Share premium		**28,027**	28,027	**28,027**	28,027
Revaluation reserve	35	**1,117**	802	**–**	–
Retained profits		**19,470**	30,147	**25,356**	24,859
Total equity		**67,673**	78,035	**72,442**	71,945
Non-current liabilities					
Deferred taxation	36	**214**	1	**–**	–
Borrowings – due more than one year	33	**29,871**	–	**–**	–
Total non-current liabilities		**30,085**	1	**–**	–
Total liabilities and equity		**104,631**	96,921	**73,420**	72,470
Net current assets (liabilities)		**25,663**	5,198	**(823)**	(351)
Total assets less current liabilities		**97,758**	78,036	**72,442**	71,945

The consolidated financial statements on pages 34 to 84 were approved and authorised for issue by the Board of Directors on 28 February 2013 and are signed on its behalf by:

Chaohuan WU

DIRECTOR

DIRECTOR

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Retained profits US$'000	Total US$'000
THE GROUP					
At 1 January 2011	19,059	28,027	152	67,179	114,417
Loss for the year (restated)	–	–	–	(29,514)	(29,514)
Surplus on revaluation of leasehold land and building	–	–	650	–	650
Total comprehensive income (expense) for the year	–	–	650	(29,514)	(28,864)
Dividend (Note 18)	–	–	–	(7,518)	(7,518)
At 31 December 2011 (as restated)	19,059	28,027	802	30,147	78,035
Loss for the year	–	–	–	(10,677)	(10,677)
Surplus on revaluation of leasehold land and building	–	–	528	–	528
Deferred tax liability arising on revaluation of leasehold land and building	–	–	(213)	–	(213)
Total comprehensive income (expense) for the year	–	–	315	(10,677)	(10,362)
At 31 December 2012	**19,059**	**28,027**	**1,117**	**19,470**	**67,673**

	Share capital US$'000	Share premium US$'000	Retained profits US$'000	Total US$'000
THE COMPANY				
At 1 January 2011	19,059	28,027	28,173	75,259
Total comprehensive income for the year	–	–	4,204	4,204
Dividend (Note 18)	–	–	(7,518)	(7,518)
At 31 December 2011	19,059	28,027	24,859	71,945
Total comprehensive income for the year	–	–	497	497
At 31 December 2012	**19,059**	**28,027**	**25,356**	**72,442**

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 US$'000	2011 US$'000
Operating activities		
Loss before income tax	**(10,671)**	(29,488)
Adjustments for:		
Dividend income from listed investments	**(22)**	(18)
Interest income	**(130)**	(113)
Interest expense	**1,062**	392
Loss on disposal of property, plant and equipment	**4,172**	3,595
Change in fair value of held-for-trading investments	**(39)**	308
Change in fair value of investment property	**(296)**	(388)
Change in fair value of structured deposit	**38**	–
Depreciation of property, plant and equipment	**2,248**	7,399
Discount effect on long-term loan receivable	**557**	–
Imputed interest income on long-term receivable	**(96)**	–
Impairment loss on property, plant and equipment	**1,664**	9,492
Operating loss before movements in working capital	**(1,513)**	(8,821)
(Increase) decrease in trade receivables	**(824)**	1,190
(Increase) decrease in other receivables and prepayments	**(2,058)**	1,788
Decrease in held-for-trading investments	**–**	82
Decrease in other payables and accruals	**(217)**	(678)
Cash used in operations	**(4,612)**	(6,439)
Income tax paid	**(6)**	(25)
Interest income received	**130**	113
Interest expense paid	**(999)**	(392)
Dividends received from listed investments	**22**	18
Net cash used in operating activities	**(5,465)**	(6,725)
Investing activities		
Purchase of property, plant and equipment	**(28,122)**	(11,802)
Payment of payable for the acquisition of a vessel	**(15,960)**	–
Deposit paid for acquisition of a vessel	**–**	(5,320)
Proceeds on disposal of property, plant and equipment	**24,549**	17,304
Additions of pledged bank deposits	**(31)**	(2,017)
Withdrawal of pledged bank deposits	**–**	3,424
Deposit refunded for dry-docking of vessels	**–**	2,000
Withdrawal of certificate of deposits	**1,074**	–
Loan advance and deposit paid to Santarli Corp	**(4,373)**	–
Advance to a jointly controlled entity	**(412)**	–
Capital contribution to a jointly controlled entity	**(32)**	–
Net cash (used in) from investing activities	**(23,307)**	3,589
Financing activities		
Dividend paid	**–**	(7,518)
New loans raised	**34,580**	–
Repayment of loans	**(2,018)**	(3,600)
Increase in bank overdraft	**1,411**	996
Net cash from (used in) financing activities	**33,973**	(10,122)
Net increase (decrease) in cash and cash equivalents	**5,201**	(13,258)
Cash and cash equivalents at beginning of the year	**16,671**	29,929
Cash and cash equivalents at end of the year	**21,872**	16,671

See accompanying notes to the financial statements.

1. GENERAL

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a jointly controlled entity are set out in Note 21 and Note 22 respectively.

There are no significant changes to the principal activities of the Company and the Group during the year ended 31 December 2012.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, the following amendments to International Financial Reporting Standards ("IFRSs").

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to IAS 1	As part of the Annual Improvements to IFRSs 2009 – 2011 Cycle issued in 2012
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

Except as discussed below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and the Group's and the Company's financial positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

AMENDMENTS TO IAS 12 "DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS"

Under the amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted.

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

AMENDMENTS TO IAS 12 "DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS" (cont'd)

The application of the amendments to IAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of its investment property. Previously, the Group recognised deferred taxes on change in fair value of investment property on the basis that the entire carrying amount of the property would be recovered through use.

The amendments to IAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by US$90,000 as at 31 December 2011, with the corresponding credit being recognised in retained profits. The application of the amendments to IAS 12 has no material impact on the results as at 1 January 2011 as the investment property of the Group was acquired in late 2010 that there was no material change in fair value on 31 December 2010.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment property. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 December 2012 and 31 December 2011 being reduced by US$49,000 and US$90,000 respectively and hence resulted in the loss for the years ended 31 December 2012 and 31 December 2011 being decreased by US$49,000 and US$90,000 respectively.

AMENDMENTS TO IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF THE ANNUAL IMPROVEMENTS TO IFRSs 2009-2011 CYCLE ISSUED IN 2012)"

Various amendments to IFRSs were issued in June 2012, the title of which is "Annual Improvements to IFRSs (2009–2011 Cycle)". The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to IAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets" for the first time, which has not resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to IAS 1, the Group has not presented a third statement of financial position and the related notes as at 1 January 2011.

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

SUMMARY OF THE EFFECT OF THE APPLICATION OF AMENDMENTS TO IAS 12

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	Year ended 31 December 2012 US$'000	Year ended 31 December 2011 US$'000
Decrease in income tax expense and loss for the year	**49**	90

The effects of the above change in accounting policies on the financial positions of the Group as at 31 December 2011 are as follows:

	As at 31 December 2011 (originally stated) US$'000	**Adjustments** US$'000	**As at 31 December 2011 (restated)** US$'000
Deferred taxation	91	(90)	1
Retained profits	30,057	90	30,147

The effects of the above change in accounting policies on the financial positions of the Group as at 31 December 2012 are as follows:

	As at 31 December 2012 US$'000
Decrease in deferred taxation	(139)
Increase in retained profits	139

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

IMPACT ON BASIC LOSS PER SHARE

Impact on basic loss per share

	Year ended 31.12.2012 US cents	Year ended 31.12.2011 US cents
Figures before adjustments	**(1.01)**	(2.80)
Adjustments arising from changes in the Group's accounting policies in relation to application of amendments to IAS 12 in respect of deferred taxes on investment property	–	0.01
Figures after adjustments	**(1.01)**	(2.79)

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle except for the amendments to IAS 1[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014

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

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

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

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

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

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

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

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

In 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted, provided that all of these five standards are applied early at the same time.

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

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

IFRS 13 "FAIR VALUE MEASUREMENT"

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKEx and the disclosure requirements by the Hong Kong Companies Ordinance.

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

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION (cont'd)

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

INTERESTS IN SUBSIDIARIES

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

JOINTLY CONTROLLED ENTITY

Joint venture arrangements that involve the establishment of a separate entity in which the venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION

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

Ship management income is recognised when the services are rendered.

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

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

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

BORROWING COSTS

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

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

EMPLOYEE LEAVE ENTITLEMENT

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

TAXATION

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

TAXATION (cont'd)

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

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

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

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

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

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

FOREIGN CURRENCIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT

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

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of the revalued asset, the relevant revaluation reserve will be transferred directly to retained profits. No transfer is made from the revaluation reserve to retained profits except when an asset is derecognised.

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

Depreciation of vessels is charged so as to write off the cost of vessels over their remaining estimated useful lives from the date of initial delivery from the shipyard (second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life), after allowing for residual values estimated by the directors, using the straight-line method. Each vessel's residual value is estimated at the product of its lightweight tonnage and estimated scrap rate.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT (cont'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY

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

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

IMPAIRMENT OF TANGIBLE ASSETS

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASING

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

LEASEHOLD LAND AND BUILDING

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

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Effective interest method

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

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

Financial assets at FVTPL

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

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

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

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

Financial liabilities

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

Financial guarantee contracts

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

RETIREMENT BENEFIT COSTS

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICY

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

DEFERRED TAXATION ON INVESTMENT PROPERTY

For the purposes of measuring deferred tax arising from investment property that are measured using the fair value model, the directors have reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment property, the directors have determined that the presumption that the carrying amounts of investment property measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Residual value and useful lives of property, plant and equipment

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

Impairment of property, plant and equipment (note 19)

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group determines the recoverable amounts of the vessels based on the value in use of the vessels. These calculations require the use of judgement and estimates. On the above basis, the Group is of the view that an impairment of property, plant and equipment amounting to US$1,664,000 (2011: US$9,492,000) is recognised for the year. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was US$62,029,000 (2011: US$60,692,000).

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

Estimated impairment of trade and other receivables

The Group regularly conducts assessments on possible losses resulting from the inability of debtors to settle the amounts due to the Group. The assessment is based, inter alia, on the age of the debt and the credit-worthiness of the debtors. For trade receivables, allowances are applied where events or changes in circumstance indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of trade and other receivables and impairment in the year in which such estimate has changed. As at 31 December 2012, the carrying amount of trade and other receivables is US$11,133,000 (2011: US$5,319,000).

Impairment assessment

The Company reviews the carrying amount of its investment in subsidiaries and amounts due from subsidiaries amounting to US$17,961,000 (2011: US$16,224,000) and US$55,304,000 (2011: US$56,072,000) respectively to determine whether there are any indications that those assets have suffered an impairment loss. In performing its review, the Company considers the management budget and economic outlooks relating to those assets. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment, if any. If the economic outlooks of the subsidiaries were to deteriorate, resulting in an impairment of the Company's investment in subsidiaries and amounts due from subsidiaries, the carrying value of those investment in subsidiaries and amounts due from subsidiaries may be required to be impaired as of 31 December 2012. On the above basis, the Company is of the view that no impairment is required.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in Note 33 offset by cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, property revaluation reserve and retained profits. The capital structure of the Company consists of share capital, share premium and retained profits.

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

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

6. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
FVTPL:				
Held-for-trading investments	**391**	352	**–**	–
Structured deposit designated as at FVTPL	**962**	1,000	**–**	–
Loans and receivables (including bank balances and cash)	**31,597**	22,567	**55,416**	56,216
Financial liabilities				
Amortised cost	**34,969**	16,964	**–**	–

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade receivables, other receivables, interest-free loan to Santarli Corporation Pte Ltd. ("Santarli Corp"), amount due from a jointly controlled entity, held-for-trading investment, structured deposit, certificate of deposit, pledged bank deposits, bank balances and cash, other payables and borrowings. The Company's financial instruments include amounts due from subsidiaries and bank balances. Details of the financial instruments are disclosed in respective notes. The risks associated with the Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The risks associated with the Company's financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group's operations are mainly conducted in United States dollars, the functional currency of relevant group companies, and the operating expenses incurred are mainly denominated in United States dollars, with a small extent in New Taiwan dollars ("NTD"), Hong Kong dollars and Singapore dollars. All revenues are invoiced in United States dollars. To the extent that the Group's sales and purchases are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, the Group will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than its functional currency. As a result, the Group's results may be affected. Held-for-trading investments, certificate of deposit and certain bank balances which are mainly denominated in NTD and Renminbi as disclosed in Notes 28, 30 and 31, respectively are insignificant to the Group.

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

The Company's operations are mainly in United States dollars. In prior year, certain bank balance of the Company was denominated in Singapore dollars. As the bank balance was not significant to the Company, the directors of the Company consider that the Company has no significant exposures to currency risk.

6. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Interest rate risk

The Group is not exposed to fair value interest risk after the maturity of the fixed rate certificate of deposit in September 2012. The Group is exposed to cash flow interest rate risk primarily relating to structured deposit, pledged bank deposits, certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in Notes 25, 29, 31 and 33, respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

In April 2010, the Group entered into a structured deposit as set out in Note 25, of which the coupon rate is dependent on 3 months London Interbank Offered Rate ("LIBOR"). In view of the insignificant balance of the structured deposit, the directors of the Company considered interest rate risk arising from structured deposit is insignificant.

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

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate borrowings as at 31 December 2011 and 2012. The directors of the Company consider that the changes in interest rates of pledged bank deposits and bank balances have no significant impact on the Group and the sensitivity analysis of interest rate risk of such balances is not presented. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole reporting year. A 100 basis points increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held, the Group's loss for the year ended 31 December 2012 would increase/decrease by US$350,000 (2011: US$10,000).

(iii) Price risk

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

(iv) Credit risk

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

At the end of each reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position and the amount of contingent liabilities in relation to the financial guarantee provided by the Company as disclosed in Note 38.

6. FINANCIAL INSTRUMENTS (cont'd)

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

(iv) Credit risk (cont'd)

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

The Group's credit risk is primarily attributable to the deferred consideration arising from disposal of interest in an associate as disclosed in Note 23, the directors of the Company have closely monitored the financial positions of the counterparties and followed up the settlement, and will consider to provide impairment if necessary.

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

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

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

As disclosed in Note 38, the Company provided corporate guarantee to subsidiaries to obtain loan facilities from third parties. The loans are secured by vessels of the Group that the directors of the Company considered that the credit risk of the Company is minimal.

(v) Liquidity risk

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

6. FINANCIAL INSTRUMENTS (cont'd)

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

(v) Liquidity risk (cont'd)

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

THE GROUP

	Weighted average interest rate	On demand or 6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	> 5 years	Total undiscounted cash flows	Carrying amounts
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2012								
Borrowings	**1.56 – 3.32**	**4,297**	**1,871**	**3,671**	**10,471**	**20,536**	**40,846**	**34,969**
At 31 December 2011								
Other payables	–	15,968	–	–	–	–	15,968	15,968
Borrowings	1.81	996	–	–	–	–	996	996
		16,964	–	–	–	–	16,964	16,964

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

THE COMPANY

	Weighted average interest rate	On demand or 6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	> 5 years	Total undiscounted cash flows	Carrying amounts
	%	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2012								
Financial guarantee contract	**–**	**1,345**	**1,345**	**2,691**	**8,072**	**23,627**	**37,080**	**–**
At 31 December 2011								
Financial guarantee contract	–	–	–	–	–	–	–	–

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

6. FINANCIAL INSTRUMENTS (cont'd)

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

(vi) Fair values

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

THE GROUP

Financial assets at FVTPL	**Level 1**	**Level 2**	**Total**
	US$'000	US$'000	US$'000
At 31 December 2012			
Held-for-trading investments	**391**	**–**	**391**
Structured deposit designated as FVTPL	**–**	**962**	**962**
Total	**391**	**962**	**1,353**
At 31 December 2011			
Held-for-trading investments	352	–	352
Structured deposit designated as FVTPL	–	1,000	1,000
Total	352	1,000	1,352

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

7. SEGMENT INFORMATION

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

The board of directors reviews the loss for the year of the Group prepared in accordance with accounting policies set out in note 3 as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the board of directors.

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

FOR THE YEAR ENDED 31 DECEMBER 2012

	Voyage charter US$'000	**Time charter US$'000**	**Total US$'000**
Dry bulk carriers			
– Capesize	**4,882**	**–**	**4,882**
– Handysize	**203**	**–**	**203**
– Supermax	**11,897**	**255**	**12,152**
– Panamax	**1,431**	**–**	**1,431**
	18,413	**255**	**18,668**

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

7. SEGMENT INFORMATION (cont'd)

INFORMATION ABOUT MAJOR CUSTOMERS

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
Customer A	**–**	3,780
Customer B	**–**	2,512
Customer C	**509**[1]	4,046
Customer D	**8,701**	4,017
Customer E	**2,455**	–
	11,665	14,355

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

8. REVENUE

	THE GROUP	
	2012	2011
	US$'000	US$'000
Marine transportation services income:		
– Vessel voyage charter	**18,413**	19,843
– Time charter	**255**	1,848
	18,668	21,691
Ship management income	**90**	–
	18,758	21,691

9. OTHER INCOME

	THE GROUP	
	2012	2011
	US$'000	US$'000
Dividend income from listed investments	**22**	18
Rental income	**43**	43
Interest income from banks	**114**	90
Interest income from certificate of deposit	**16**	23
Insurance compensation	**50**	281
Imputed interest income on long-term receivable (Note 23 (ii))	**96**	–
Sundry income	**13**	62
	354	517

10. OTHER GAINS AND LOSSES

	THE GROUP	
	2012	2011
	US$'000	US$'000
Loss on disposal of property, plant and equipment	**(4,172)**	(3,595)
Change in fair value of held-for-trading investments	**39**	(308)
Change in fair value of investment property	**296**	388
Change in fair value of structured deposit	**(38)**	–
Net foreign exchange gains (losses)	**59**	(11)
	(3,816)	(3,526)

11. OTHER EXPENSES

	THE GROUP	
	2012	2011
	US$'000	US$'000
Discount effect on long-term loan advanced to Santarli Corp (Note 23(ii))	**557**	–
Listing expenses	**–**	2,227
Other	**500**	–
	1,057	2,227

12. FINANCE COSTS

	THE GROUP	
	2012	2011
	US$'000	US$'000
Interest expenses from borrowings wholly repayable within five years:		
– Bank loan	**–**	41
– Bank overdraft	**56**	5
Interest expenses from borrowings not wholly repayable within five years:		
– Other borrowings	**978**	–
Bank charges	**28**	346
	1,062	392

13. INCOME TAX EXPENSE

	THE GROUP 2012 US$'000	2011 US$'000 (Restated)
Current tax:		
Enterprise income tax of the People's Republic of China ("PRC")	**6**	10
Republic of China income tax	**–**	15
	6	25
Deferred tax (Note 36)		
Current year	**–**	1
	6	26

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

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

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

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

	THE GROUP 2012 US$'000	2011 US$'000 (Restated)
Loss before income tax	**(10,671)**	(29,488)
Tax at the applicable income tax rate of 16.5% (Note)	**(1,761)**	(4,866)
Tax effect of offshore income not taxable for tax purpose	**(3,474)**	(4,130)
Tax effect of expenses not deductible for tax purpose	**5,175**	8,977
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6**	8
Tax losses not recognised	**60**	32
Others	**–**	5
Income tax expense for the year	**6**	26

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

14. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	THE GROUP 2012 US$'000	2011 US$'000
Auditor's remuneration:		
– paid to auditors of the Company	**263**	263
Non audit assurance services fees:		
– paid to other auditors	**1**	105
Employee benefits expense (including directors' emoluments):		
– Contributions to retirement benefits scheme	**35**	29
– Salaries and other benefits	**1,529**	1,205
Total employee benefits expense	**1,564**	1,234
Marine crew expenses	**2,945**	5,256
Fuel expenses	**8,744**	12,396
Depreciation for property, plant and equipment	**2,248**	7,399

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of eight (2011: eight) directors, which include the chief executive, were as follows:

2012

	Director's fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme US$'000	Total US$'000
Executive Directors					
Mr. Chen Shin-Yung (resigned on 16 March 2012)	4	23	6	–	33
Mr. Wu Chao-Huan	19	130	28	–	177
	23	153	34	–	210
Non-Executive Directors					
Mr. Sun Hsien-Long	9	–	14	–	23
Mr. Hsu Chih-Chien	8	–	39	–	47
Mr. Chang Shun-Chi	9	–	14	–	23
	26	–	67	–	93
Independent Non-Executive Directors					
Mr. Chu Wen Yuan	41	–	–	–	41
Mr. Lui Chun Kin Gary	49	–	–	–	49
Mr. Sin Boon Ann	57	–	–	–	57
	147	–	–	–	147
Total	196	153	101	–	450

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

2011

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

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

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

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors and the chief executive of the Company whose emoluments are included Note 15 above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 US$'000	2011 US$'000
Salaries and allowance	**186**	207
Contributions to retirement benefits scheme	**4**	6
	190	213

The emoluments of the three (2011: three) highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2012	2011
Nil to HK$1,000,000	**3**	3

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

17. LOSS PER SHARE

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

	2012 US$'000	2011 US$'000 (restated)
Loss		
Loss for the year attributable to owners of the Company, for the purpose of calculation of basic loss per share	**(10,677)**	(29,514)

	2012 '000	2011 '000
Number of shares		
Number of ordinary shares in issue during the year, for the purpose of calculation of basic loss per share	**1,058,829**	1,058,829

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

18. DIVIDEND

No dividends were paid, declared or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

In 2011, a final dividend of US$0.71 cent per ordinary share was declared and paid in respect of the financial year ended 31 December 2010. The total dividend paid was approximately US$7,518,000.

19. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Dry–docking US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvement US$'000	Leasehold land and buildings US$'000	Total US$'000
THE GROUP						
COST OR VALUATION						
At 1 January 2011	83,235	13,202	1,455	272	2,563	100,727
Additions	26,600	1,144	18	–	–	27,762
Disposals	(33,750)	(4,670)	(5)	–	–	(38,425)
Surplus on revaluation	–	–	–	–	590	590
At 31 December 2011	76,085	9,676	1,468	272	3,153	90,654
Additions	33,250	180	12	–	–	33,442
Disposals	(49,485)	(9,856)	(1,324)	–	–	(60,665)
Surplus on revaluation	–	–	–	–	463	463
At 31 December 2012	**59,850**	**–**	**156**	**272**	**3,616**	**63,894**
Comprising						
At cost	59,850	–	156	272	–	60,278
At valuation 2012	**–**	**–**	**–**	**–**	**3,616**	**3,616**
	59,850	–	156	272	3,616	63,894
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	20,439	9,601	468	149	–	30,657
Depreciation expense	5,616	1,416	281	26	60	7,399
Impairment loss recognised in profit or loss	9,492	–	–	–	–	9,492
Eliminated on disposals	(13,508)	(4,016)	(2)	–	–	(17,526)
Eliminated on revaluation	–	–	–	–	(60)	(60)
At 31 December 2011	22,039	7,001	747	175	–	29,962
Depreciation expense	1,553	477	126	27	65	2,248
Impairment loss recognised in profit or loss	1,664	–	–	–	–	1,664
Eliminated on disposals	(23,715)	(7,478)	(751)	–	–	(31,944)
Eliminated on revaluation	–	–	–	–	(65)	(65)
At 31 December 2012	**1,541**	**–**	**122**	**202**	**–**	**1,865**
CARRYING VALUES						
At 31 December 2012	**58,309**	**–**	**34**	**70**	**3,616**	**62,029**
At 31 December 2011	54,046	2,675	721	97	3,153	60,692

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

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

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

The details of the pledge of property, plant and equipment are set out in Note 39.

During the year, the Group continued to experience unfavourable market conditions as demonstrated by the decrease in Baltic Dry Index for the year 2012 as compared to that for the year 2011, which also brought decreases in revenue of the vessels of the Group. In light of these considerations the directors of the Company conducted a review of the Group's vessels and impairment loss of US$1,664,000 (2011: US$9,492,000) has been recognised in respect of the five aged vessels which were disposed in 2012. No impairment loss is recognised in respect of the existing three vessels at 31 December 2012 as they were newly built with lower maintenance costs and higher utilisation rate. The recoverable amount of the vessels has been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use is 9.71% (2011: 6.34%).

The fair value of the Group's leasehold land and buildings at 31 December 2012 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("RHL"), who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. A surplus of US$528,000 (2011: US$650,000) arising on revaluation has been recognised in other comprehensive income and accumulated in equity.

Had the leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts would have been US$2,323,000 (2011: US$2,377,000).

20. INVESTMENT PROPERTY

	THE GROUP US$'000
FAIR VALUE	
At 1 January 2011	1,671
Increase in fair value recognised in profit or loss	388
At 31 December 2011	2,059
Increase in fair value recognised in profit or loss	296
At 31 December 2012	**2,355**

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

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

The fair value of the Group's investment property at 31 December 2012 and 2011 has been arrived at on the basis of a valuation carried out on that date by RHL, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on the property is signed by a director of RHL who is a member of The Hong Kong Institute of Surveyor, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

The property rental income from the Group's investment property which is generated under operating leases, amounted to US$43,000 (2011: US$43,000) for the year. No material direct operating expenses arose from the investment property.

21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2012	2011
	US$'000	US$'000
Unquoted equity shares, at cost	**17,961**	16,224

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The imputed interest income on the amounts due from subsidiaries of US$1,737,000 (2011: US$2,007,000) is recognised for the year. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by subsidiaries.

During the year, the directors of the Company reviewed the carrying values of the interests in subsidiaries and amounts due from subsidiaries. The recoverable amounts of these investments and amounts due are determined with reference to the directors' estimate of discounted future cash flows of these investments as at the end of reporting period. Accordingly, no impairment loss has been recognised in the statement of financial position of the Company.

The Company has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2012	2011	
			%	%	
HELD BY THE COMPANY					
Courage Marine Holdings (BVI) Limited ("Courage Marine BVI")	The British Virgin Islands ("BVI")	Ordinary	**100**	100	Investment holding
HELD BY COURAGE MARINE BVI					
Courage Marine (Holdings) Co. Limited ("Courage Marine Holdings")	Hong Kong	Ordinary	**100**	100	Investment holding
HELD BY COURAGE MARINE HOLDINGS					
Bravery Marine Holding Inc.	Republic of Panama	Ordinary	**100**	100	Inactive after November 2011 (November 2011 and before: provision of marine transportation services)
Courage Marine Co. Ltd.	BVI	Ordinary	**100**	100	Inactive after June 2012 (June 2012 and before: provision of marine transportation services)

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

Name of subsidiary	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/ registered capital held by the Company 2012 %	2011 %	Principal activities
HELD BY COURAGE MARINE HOLDINGS – (cont'd)					
Courage Marine (HK) Company Limited ("Courage Marine HK")	Hong Kong	Ordinary	**100**	100	Provision of administration services to Group companies
Heroic Marine S.A.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Courage Maritime Technical Service Corp.	Republic of Panama	Ordinary	**100**	100	Provision of technical management services to Group companies
Courage Marine Overseas Limited	BVI	Ordinary	**100**	–	Provision of property development business
Courage-New Amego Shipping Corp. ("Courage-New Amego")	Republic of Panama	Ordinary	**100**	100	Provision of marketing and operating services to Group companies
Midas Shipping Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Provision of operating services to Group companies
New Hope Marine, S.A.	Republic of Panama	Ordinary	**100**	100	Inactive
Panamax Mars Marine Co. Ltd.	BVI	Ordinary	**100**	100	Inactive
Sea Pioneer Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive after December 2011 (December 2011 and before: provision of marine transportation services)
Sea Valour Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive after April 2012 (April 2012 and before: provision of marine transportation services)
Raffles Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive after January 2012 (January 2012 and before: provision of marine transportation services)

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

Name of subsidiary	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/ registered capital held by the Company 2012 %	2011 %	Principal activities
HELD BY COURAGE MARINE HOLDINGS – (cont'd)					
Zorina Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Courage Energy Resources Limited	BVI	Ordinary	**100**	100	Provision of trading of coal
Cape Ore Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Belcastro Pte. Ltd. ("Belcastro")	Singapore	Ordinary	**100**	100	Provision of trading of coal
Panamax Leader Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive after September 2012 (September 2012 and before: provision of marine transportation services)
HELD BY COURAGE-NEW AMEGO					
Courage – New Amego Shipping Agency Co. Ltd.	Republic of China	Ordinary	**100**	100	Provision of ship agency services
Airline Investment Corp.	Republic of Panama	Ordinary	**100**	100	Inactive
Harmony Century Group Limited ("Harmony") (Note i)	BVI	Ordinary	**41.7**	41.7	Inactive
HELD BY COURAGE MARINE HK					
Courage Marine Property Investment Limited	Hong Kong	Ordinary	**100**	100	Property holding
Jade Management and Consultant (Shanghai) Co. Ltd. (Note ii) ("Jade")	PRC	Registered	**100**	100	Provision of management and consulting services

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

Name of subsidiary	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/ registered capital held by the Company 2012 %	2011 %	Principal activities
HELD BY JADE					
上海吉進企業管理諮詢有限公司 (Note ii)	PRC	Registered	**100**	100	Provision of management and consulting services
HELD BY BELCASTRO					
PT Courage Tech-Logi Indonesia	Indonesia	Ordinary	**100**	–	Provision of trading of coal

Notes:

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

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

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

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

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP 2012 US$'000	2011 US$'000
Cost of unlisted investment in a jointly controlled entity	**32**	–

Name of entity	Place of establishment/ operation	Class of capital held	Proportion of nominal values of issued registered capital held by the Group 2012 %	2011 %	Principal activity
上海悦勇投資管理公司	PRC	Registered capital	**41.7**	–	Property investment

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

22. INTEREST IN A JOINTLY CONTROLLED ENTITY (cont'd)

	2012 US$'000	2011 US$'000
Current assets	**32**	–
Non-current assets	**443**	–
Current liabilities	**(443)**	–
Non-current liabilities	**–**	–
Income recognised in profit or loss	**–**	–
Expenses recognised in profit or loss	**–**	–

23. OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM RECEIVABLES

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

		THE GROUP		THE COMPANY	
	NOTES	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Deferred consideration for disposal of investment in associate	(i)	**3,767**	3,767	**–**	–
Interest-free loan to Santarli Corp and deposit for acquisition of investment	(ii)	**3,912**	–	**–**	–
Other receivables	(iii)	**173**	450	**–**	–
Prepayments		**1,089**	109	**43**	30
Deposits	(iv)	**2,390**	1,035	**–**	–
		11,331	5,361	**43**	30
Less: Non-current portion		**(7,679)**	(3,767)	**–**	–
Amounts due within one year shown under current assets		**3,652**	1,594	**43**	30

Notes:

(i) In August 2007, Courage-New Amego Shipping Corp. ("Courage-New Amego"), a subsidiary of the Company, acquired 11,200,420 ordinary shares of Sunrise Airlines Co. Ltd. ("Sunrise"), representing 25% of the issued share capital of Sunrise from Jason Chang, an independent third party, at a cash consideration of NTD111,444,000 (equivalent to US$3,390,000). In connection with the purchase of the shares, the vendor had granted to Courage-New Amego a put option whereby Courage-New Amego was entitled to sell the purchased shares to the vendor at the original purchase price together with interest charge of 6% per annum amounted to NTD123,610,000 (equivalent to US$3,767,000) within a period of two years after the completion of the acquisition i.e. by August 2009. This put option had been exercised by Courage New-Amego in May 2009 at a cash consideration of US$3,767,000 and had been accepted by the vendor in July 2009. The cash consideration of US$3,767,000 would be settled by 8 equal instalments with a quarterly payment of US$471,000 commencing from 3 May 2010.

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

Notes: (cont'd)

(i) (cont'd)

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

On 18 May 2012, 上海悦勇投資管理有限公司("上海悦勇") was established in PRC which was owned as to 41.7% by the Group and 58.3% by 上海悦嘉金屬工業有限公司("上海悦嘉") (formerly known as 悦軒(上海)金屬工業有限公司), a foreign enterprise established in the PRC which was wholly owned by Pure Casual Inc., a company controlled by Jason Chang. The Group's investment in 上海悦勇 was accounted for as a jointly controlled entity of the Group because the financial and operating policy decisions relating to the activities of 上海悦勇 require the unanimous consent of the parties sharing control.

On the same day, a second supplemental settlement agreement and property transfer agreement were entered into between the Group and the relevant parties, under which the receivables due from Jason Chang were agreed to be settled by way of transferring a property interest in an industrial building, which is held by 上海悦嘉 and situated in Shanghai, to 上海悦勇. After completion of the property transfer, the Group would, through 上海悦勇, hold effectively 41.7% interest in the industrial building. As agreed among all parties, the completion date of the property transfer should not be later than 31 December 2012.

In addition, on 18 May 2012, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien, two of the directors and shareholders of the Company, signed a second deed of indemnity pursuant to which they will jointly and severally indemnify the Group against all the losses, costs and expenses the Group may suffer from the default of Jason Chang, provided that the total liability thereunder shall not exceed US$3,803,000.

On 31 January 2013, a third supplemental settlement agreement and second supplemental property transfer agreement were entered into between the Group and the relevant parties, under which the completion date of the property transfer is further extended from 31 December 2012 to 31 March 2013.

At the date of these consolidated financial statements were authorised for issue, all the relevant documents have been submitted to the Housing Security and Administration Bureau of Qingpu District and waiting for the final approval for the transfer of the property interest in the industrial building to 上海悦勇.

The fair value of property interest in the industrial building at 31 December 2012 has been arrived at on the basis of a valuation carried out on that date by RHL. The valuation report on the property was signed by a director of RHL who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. The fair value of property interest in the industrial building at 31 December 2012 attributable to the Group's interest in 上海悦勇 of 41.7% exceeded the outstanding balance due from Jason Chang. In addition, as the management of the Group considers that the property interest will be transferred to the Group for the settlement of the deferred consideration for disposal of investment in associate, the management is of the view that the Group's credit risk on the receivables is significantly reduced.

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

Notes: (cont'd)

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

As the interest-free loan will be accounted for as the shareholders' loan to Santarli Realty Pte Ltd., for its property development which is expected by the Group to be repaid over 1 year from the reporting date, the balance is classified as non-current receivable and is carried at an effective interest rate of 5.73% per annum. Discount effect on the long-term loan receivable of US$557,000 and the imputed interest income on the long-term receivable of US$96,000 is recognised in profit or loss for the year ended 31 December 2012.

(iii) Other receivables represented payment on behalf of shipowners in respect of vessel related expenses.

(iv) Deposits included US$2,353,000 (2011: US$997,000) paid to a third party, representing 80% (2011: 30%) of consideration for the purchase of coal (Note 40).

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

24. DEPOSIT PAID FOR ACQUISITION OF A VESSEL

In October 2011, the Group had entered into the agreement in relation to an acquisition of a vessel (the "Agreement") at a cash consideration of US$26,600,000. A down payment of US$5,320,000, representing 20% of the total consideration, was made after signing the Agreement. The remaining balance of US$21,280,000 is fully settled upon delivery of the vessel in 2012.

25. STRUCTURED DEPOSIT

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

Major terms of the structured deposit at 31 December 2011 and 2012 are as follows:

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

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

At 31 December 2011 and 2012, the structured deposit is stated at fair value based on valuation provided by the bank. The fair value of structured deposit is measured using discounted cash flow analyses based on the applicable yield curves of relevant interest rates.

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

26. TRADE RECEIVABLES

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
0 to 30 days	**891**	67

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$891,000 (2011: US$67,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
0 to 30 days	**891**	67

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

There is no movement in allowance for doubtful debts during the year. Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$133,000 (2011: US$133,000) which are overdue over one year. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances.

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

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

27. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

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

28. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2012	2011
	US$'000	US$'000
Listed securities:		
– Equity securities listed in Republic of China	**391**	352

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

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

29. PLEDGED BANK DEPOSITS

As at 31 December 2012, the Group has placed a fixed deposit of US$2,014,000 (2011: US$2,000,000) in the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") with a term of one year, to secure against the ICBC short-term banking facilities of US$2,000,000 (2011: US$2,000,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.60% (2011: 0.45%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2012, the Group has placed a fixed deposit of US$250,000 (2011: US$250,000) in PT Bank Negara Indonesia ("BNI"), to secure against short-time banking facilities of US$2,500,000 (2011: US$2,500,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.05% (2011: 0.1%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2012, the Group has placed a fixed deposit of US$2,034,000 (2011: US$2,017,000) in Bank of Communications ("BOC"), to secure against short-time banking facilities of US$5,100,000 available to the Group. The fixed deposit is carried at prevailing market deposit rate of 1.01% (2011: 1.02%) per annum. US$2,407,000 (2011: US$996,000) was drawn by the Group as bank overdraft at 31 December 2012.

30. CERTIFICATE OF DEPOSIT

	THE GROUP	
	2012	2011
	US$'000	US$'000
Certificate of deposit denominated in Renminbi with coupon interest rate of 2.1% per annum and maturity date on 13 September 2012, carried at amortised cost	**–**	1,074

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

The deposit was matured and fully recovered on 13 September 2012.

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise bank balances and cash held by the Group of approximately US$8,548,000 (2011: US$11,642,000) and short-term fixed bank deposits of approximately US$13,324,000 (2011: US$5,029,000) with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the Group carry interest at prevailing market deposit rates which range from 0.05% to 3.20% (2011: 0.10% to 1.02%) per annum and for a remaining tenure of approximately 51 days (2011: 34 days).

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong dollars	**198**	169	**–**	–
NTD	**93**	49	**–**	–
Singapore dollars	**77**	115	**–**	35
Renminbi	**1,260**	142	**–**	–

32. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Payable for the acquisition of a vessel	**–**	15,960	**–**	–
Other payables	**–**	8	**–**	–
Customers and rental deposits	**239**	157	**–**	–
Accrued vessel related expenses	**632**	962	**–**	–
Accrued staff related expenses	**536**	305	**446**	217
Other accrued operating expenses	**368**	497	**532**	308
	1,775	17,889	**978**	525

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

33. BORROWINGS

	THE GROUP	
	2012	2011
	US$'000	US$'000
Secured bank overdraft (Note 29)	**2,407**	996
Secured other loans	**32,562**	–
	34,969	996
Carrying amount repayable:		
Within one year	**5,098**	996
More than one year, but not exceeding two years	**2,691**	–
More than two years, but not exceeding five years	**8,073**	–
More than five years	**19,107**	–
	34,969	996
Less: Amounts due within one year shown under current liabilities	**(5,098)**	(996)
Amounts shown under non-current liabilities	**29,871**	–
Effective interest rate (%) per annum	**1.56 – 3.32**	1.81

The carrying amounts of borrowings approximate their fair value.

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

In March 2012, a loan of US$18,620,000 was granted by a ship leasing company to Heoric Marine Corp., a subsidiary of the Company, under a loan agreement. The loan was interest bearing at LIBOR plus 3% and is repayable over 7 years.

In March 2012, a loan of US$15,960,000 was granted by a financial institution to Zorina Navigation Corp., a subsidiary of the Company, under a loan agreement. The loan was interest bearing at LIBOR plus 2.75% and is repayable over 10 years.

The above loans are utilised to finance the acquisition of vessels included in property, plant and equipment.

The loans are secured by the followings:

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

(ii) First preferred mortgage over the vessels held by Zorina Navigation Corp. and Heoric Marine Corp., named "ZORINA"; and "HEROIC", respectively; and

(iii) Assignment of insurance proceeds in respect of ZORINA and HEROIC.

34. SHARE CAPITAL

	Number of shares '000	Amount US$'000
Ordinary shares of US$0.018 each		
AUTHORISED:		
At 1 January 2011, 31 December 2011 and 31 December 2012	10,000,000	180,000
ISSUED AND FULLY PAID:		
At 1 January 2011, 31 December 2011 and 31 December 2012	1,058,829	19,059

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

35. PROPERTY REVALUATION RESERVE

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

36. DEFERRED TAXATION

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

	Accelerated tax depreciation US$'000	Revaluation of leasehold land and building US$'000	Tax losses US$'000	Total US$'000
At 1 January 2011	–	–	–	–
Charged to profit or loss (restated)	1	–	–	1
At 31 December 2011, as restated	1	–	–	1
Charged (credit) to profit or loss	6	–	(6)	–
Charge to equity	–	213	–	213
At 31 December 2012	**7**	**213**	**(6)**	**214**

At the end of the reporting period, the Group has unused tax losses of US$1,428,000 (2011: US$1,028,000). A deferred tax asset has been recognised in respect of US$36,000 (2011: nil) of such losses. No deferred tax asset has been recognised in respect of US$1,392,000 (2011: US$1,028,000) due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

37. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

	THE GROUP	
	2012	2011
	US$'000	US$'000
Minimum lease payments paid under operating leases recognised as an expense in the year of rented premises	**141**	140

At the end of the reporting period, the Group had commitments of US$74,000 (2011: US$102,000) for future minimum lease payments under non-cancellable operating leases which fall due within one year (2011: two years).

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from one to two years (2011: two to three years) and rentals are fixed for a term ranging from one to two years (2011: two to three years).

THE GROUP AS LESSOR

Property rental income earned during the year was US$43,000 (2011: US$43,000). The property is expected to generate rental yields of 1.83% (2011: 2.09%) on an ongoing basis. The property held has committed tenant for the next year.

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
Within one year	**29**	43
In the second to fifth year inclusive	**–**	29
	29	72

38. CONTINGENT LIABILITIES

At 31 December 2012, the Company provided corporate guarantee to subsidiaries to obtain loan facilities amounting to US$37,080,000 (2011: nil) from certain financial institution and third parties and US$32,562,000 (2011: nil) of such loan facilities was utilised by the subsidiaries. No corporate guarantee was provided by the Company at 31 December 2011.

The directors of the Company consider that the fair value of the corporate guarantee granted to the subsidiaries at 31 December 2012 was insignificant.

39. PLEDGE OF ASSETS

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

	2012	2011
	US$'000	US$'000
Property, plant and equipment	**55,275**	29,753
Investment property	**2,355**	2,059
Pledged bank deposits	**4,298**	4,267
Structured deposits	**962**	1,000
	62,890	37,079

40. CAPITAL AND OTHER COMMITMENTS

	2012	2011
	US$'000	US$'000
Capital expenditure in respect of the acquisition of a vessel contracted for but not provided in the consolidated financial statements	**–**	21,280

Up to 31 December 2012, the Company entered into an agreement and a supplementary agreement (the "Agreements") with an independent third party for sourcing of coals and delivery of coals to a customer for commission income. The amount of US$2,353,000 (2011: US$997,000), representing around 80% (2011: 30%) of the total consideration as stated in the supplementary agreement, was paid as deposit for the purchase of coals. According to the Agreements, the delivery quantity may be varied within 10% and the final consideration would be determined based on the actual delivery quantity and the determined unit price.

41. RETIREMENT BENEFITS SCHEMES

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

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

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

42. RELATED PARTY TRANSACTIONS

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

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

The Group

Related party	**Nature of transaction**	Notes	**2012 US$'000**	2011 US$'000
周秀曼("Ms. Chou")	Rental expense paid	(i)	**27**	27
Maxmart Shipping & Trading Co., Ltd. ("Maxmart")	Commission on disposal of vessels paid	(ii)	**114**	109

Notes:

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

At the end of the reporting period, the Group had commitments of US$20,000 (2011: US$48,000) for future minimum lease payments under non-cancellable operating leases which fall due within one year (2011: two years).

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

(B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in Note 15.

43. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2013, the Group entered into a memorandum of agreement ("MOA") with an independent third party to acquire a vessel for a cash consideration of US$7,500,000. The vessel has been delivered on 25 February 2013. The Group has funded the consideration by internal resources.

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2013

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	3	0.08	713	0.00
1,000 – 10,000	1,284	35.12	8,658,000	1.63
10,001 – 1,000,000	2,332	63.79	162,935,287	15.39
1,000,001 and above	37	1.01	887,235,308	83.79
Total:	**3,656**	**100.00**	**1,058,829,308**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	HKSCC Nominess Limited	294,781,771	27.84
2.	China Harvest Enterprises Limited	142,081,611	13.42
3.	Sea-Sea Marine Company Limited	142,081,611	13.42
4.	HSBC (Singapore) Nominees Pte Ltd	88,512,000	8.36
5.	Lin Tsai-Seng	52,799,524	4.99
6.	Pronto Star Limited	49,881,611	4.71
7.	Ho Tsuy-Hong	17,966,132	1.70
8.	Shan Ling Mei	17,133,000	1.62
9.	Lawrence Kwok Ping Hon	11,525,000	1.09
10.	CIMB Securities (Singapore) Pte. Ltd.	8,442,000	0.80
11.	Phillip Securities Pte Ltd	7,664,000	0.72
12.	Sun Hsien-Long	6,334,936	0.60
13.	DBS Vickers Securities (Singapore) Pte Ltd	4,802,304	0.45
14.	OCBC Securities Private Ltd	4,011,000	0.38
15.	Tan Loo Lee	3,767,000	0.36
16.	UOB Kay Hian Pte Ltd	3,077,000	0.29
17.	Lim & Tan Securities Pte Ltd	2,766,000	0.26
18.	DMG & Partners Securities Pte Ltd	2,602,000	0.25
19.	Estate of Phay Seng Whatt, Deceased	2,600,000	0.25
20.	Lee Seak Sung @ Lee Seak Song	1,890,000	0.18
	Total:	**864,718,500**	**81.67**

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

Name	Capacity	Number of issued shares	Approximate percentage of issued shares (%)
Sea-Sea Marine	Beneficial owner	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Besco (Note 2)	Interest in controlled corporation	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
HSBC Trustee (Note 2)	Trustee	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Hsu Chih-Chien (Note 2)	Founder of a discretionary trust	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
HSBC Holdings plc (Note 3)	Interest in controlled corporation	148,818,611	14.06%
Yeh Wan-Yao (Note 4)	Interest of spouse	142,081,611	13.419%
China Lion	Beneficial owner	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Wu Chao-Huan (Note 5)	Interest in controlled corporation	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Wang Ho (Note 5)	Interest of spouse	142,081,611 (Note 2)	13.419%
China Harvest Enterprise Limited (“China Harvest”)	Beneficial owner	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Chen Shin-Yung (Note 6)	Interest in controlled corporation	142,081,611/ 148,818,611 (Note 1)	13.419%/14.06%
Pronto Star Limited (“Pronto”)	Beneficial owner	135,420,611/ 142,157,611 (Note 1)	12.790%/13.43%
Chiu Chi-Shun (Note 7)	Interest in controlled corporation	135,420,611/ 142,157,611 (Note 1)	12.790%/13.43%
Kuo Mei-Yuan (Note 8)	Interest of spouse	135,420,611	12.790%
Unit Century Enterprises Limited (“Unit Century”)	Beneficial owner	94,676,874	8.942%
Wu Chao-Ping (Note 9)	Interest in controlled corporation	94,676,874	8.942%
Hsuen A-Chou (Note 10)	Interest of spouse	94,676,874	8.942%

Notes:

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

2. Sea-Sea Marine is wholly-owned by Besco which in turn is wholly-owned by HSBC Trustee in its capacity as trustee of The Lowndes Foundation with Mr. Hsu Chih-Chien as settlor of the trust. Besco, HSBC Trustee in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor and Mr. Hsu Chih-Chien are all deemed in the interested in the Shares held by Sea-Sea Marine under the SFO and the SFA.

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

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

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

6. China Harvest is wholly-owned by Mr. Chen Shin-Yung. Mr. Chen Shin-Yung is deemed to be interested in the Shares held by China Harvest under the under the SFO and the SFA.

7. Pronto is wholly-owned by Mr. Chiu Chi-Shun. Mr. Chiu Chi-Shun is deemed to be interested in the Shares held by Pronto under the SFO and the SFA.

8. Ms. Kuo Mei-Yuan is the spouse of Mr. Chiu Chi-Shun. Ms. Kuo Mei-Yuan is deemed to be interested in the Shares held by Pronto under the SFO.

9. Unit Century is owned as to 52% by Mr. Wu-Chao Ping. Mr. Wu Chao-Ping is deemed to be interested in the Shares held by Unit Century under the SFO and the SFA.

10. Ms. Hsuen A-Chou is the spouse of Mr. Wu Chao-Ping. Ms. Hsuen A-Chou is deemed to be interested in the Shares held by Unit Century under the SFO.

The Company does not hold any treasury shares.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 31.79% of the shareholding of the Company is held in the hands of the public as at 14 March 2013. Accordingly, Rule 723 of the Listing Manual and Rule 8.08 of the HK Listing Rules have been complied with.

FOUR YEARS FINANCIAL SUMMARY

	Year ended 31 December			
	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000
RESULTS				
Revenue	**18,758**	21,691	46,521	27,939
(Loss) profit before income tax	**(10,671)**	(29,488)	9,095	107
Income tax expense	**(6)**	(26)	(71)	(32)
(Loss) profit for the year	**(10,677)**	(29,514)	9,024	75
Attributable to:				
Owners of the Company	**(10,362)**	(28,864)	9,176	26

	At 31 December			
	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000
ASSETS AND LIABILITIES				
Total assets	**104,631**	96,921	120,624	119,808
Total liabilities	**(36,958)**	(18,886)	(6,207)	(9,569)
	67,673	78,035	114,417	110,239
Equity attributable to owners of the Company	**67,673**	78,035	114,417	110,239

NOTICE IS HEREBY GIVEN that the annual general meeting ("**Annual General Meeting**") of the Company will be held at Pines Room, Upper level, The Pines, 30 Stevens Road, Singapore 257840 on Tuesday, 30 April 2013 at 10:00 a.m. for the following purposes (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 27 March 2013 of which the notice of this Annual General Meeting forms part):–

ORDINARY BUSINESS

1. To receive and adopt the Directors' report and audited accounts for the year ended 31 December 2012 and the auditors' report thereon.

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

   a) Mr. Hsu Chih-Chien

3. To approve the payment of Directors' fees of US$196,599.00 for the year ended 31 December 2012 (FY2011: US$ 112,923.00).

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

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

SPECIAL BUSINESS

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

6. Authority to issue shares

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

   (i) issue Shares whether by way of rights, bonus or otherwise; and/or

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

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

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

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

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

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the Singapore Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST), the Hong Kong Listing Rules for the time being in force (unless such compliance has been waived by SEHK) and the Bye-laws for the time being of the Company, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

By Order of the Board

Lee Pih Peng
Company Secretary

Singapore and Hong Kong, 27 March 2013

EXPLANATORY NOTES:

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

Notes:

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

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

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

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

5. Subject to paragraph 6 below, to allow persons whose names are listed on the Depository Register (individually a "**Depositor**" and collectively the "**Depositors**") maintained by The Central Depository (Pte) Limited ("**CDP**") as at 26 April 2013 ("**Cut-Off Date**") to attend the Annual General Meeting, arrangements will be made for CDP to automatically issue a proxy form appointing each of the Depositors and, in relation to each of the Depositors, in respect of such number of shares of the Company set out opposite their respective names in the Depository register maintained by CDP as at the Cut-Off Date, as its proxy/proxies to attend and vote at the Annual General Meeting. Accordingly, a Depositor who wishes to attend and vote in person at the Annual General Meeting can do so without having to submit the Depositor Proxy Form (as defined below), provided that a Depositor who is a corporation and who wishes to attend the Annual General Meeting must submit the Depositor Proxy Form (as defined below) for the appointment of person(s) to attend and vote at the Annual General Meeting on its behalf.

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

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

FINANCIAL CALENDAR

Financial Year End
31 December 2012

ANNOUNCEMENT OF FINANCIAL RESULTS

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

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

JOINT COMPANY SECRETARY

LEE Pih Peng
HON Kwok Ping Lawrence

ASSISTANT COMPANY SECRETARY

Codan Services Limited

SHARE REGISTRAR

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

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

BERMUDA REGISTRAR

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

AUDITORS

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

Partner-in-charge:
Edmond Li
Appointed in 2013

DISPATCH OF ANNUAL REPORTS TO SHAREHOLDERS

27 March 2013

ANNUAL GENERAL MEETING

30 April 2013