Courage Marine

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

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

ANNUAL REPORT 2013

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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 5 bulk carriers, deployed around Greater China, Japan, Russia, Vietnam, Indonesia, Bangladesh, and elsewhere in Asia. The vessels, totalling 487,022 deadweight tonnes, transport dry bulk commodities such as coal, sea sand, gravel, cement, clinker, iron ore, minerals, and wood chips. On board to steer the group are several industry veterans with extensive hands-on experience in dry bulk shipping in Asia, particularly in Greater China.

They bring over 100 years of combined experience, each excelling in his expertise to complement the others. Our substantial presence in the region can capitalise on China and Asia-Pacific's continued economic growth. We are well-poised to take advantage of demand for dry bulk marine transportation services.

CHAIRMAN'S MESSAGE

Dear shareholders,

Global trading conditions in FY2013 largely carried on where they left off in FY2012: trade remained weak and economic recovery has been slow and uncertain. This environment had a direct effect on the shipping industry in which our Group operates. In short, reduced global trade volumes continued to give rise to a situation where supply of vessels outstripped demand. Rapidly rising costs of operation also brought pressure to bear on companies like the Group. Regrettably, we do not see this macro situation improving in the near future. Our strategy for coping with these difficult conditions in FY2013 was to look for more ways to optimise our operating efficiency, and to keep our costs as low as possible.

Oversupply of vessels directly caused the bulk shipping rates to fall. After rising in the second half of FY2013, it fell again, and we expect it to fall further before any solid recovery is seen. Over time, however, the rate at which new vessels are supplied to the market will decrease, and this should lead to a more sustainable balance between vessel supply and demand. When this happens, companies that can offer younger, bigger and more efficient vessels will have an edge in the market. This is what the Group has sought to achieve over the past couple of years, first by disposing of older vessels and then by replacing them with newer and more efficient models, on a smaller scale. Further, by disposing of our older vessels we have also been able to reduce our annual fixed costs quite considerably.

In FY2013, the Group's turnover increased by 33%, going from US$18.8 million in 2012 to US$25.0 million in 2013. Due to this improved turnover, and the higher utilisation rate of its vessels, the Group recorded a net loss for the year of approximately US$1.8 million, against the previous year's net loss of US$10.7 million.

During the year the Baltic Dry Index (BDI), which has a close correlation with freight rates, gradually rose from a low of around 800 to reach 2,000 by the end of the year; although it has fallen away since then. Compared with FY2012, the BDI average rose by approximately 30%, hinting at improvements as demand for freight services rose in the second half of the year.

NEGOTIATING TURBULENT WATERS

In response to the very tight conditions of the year, the Group focused on adjusting its operations and becoming more cautious and conservative in the face of such an uncertain trading environment. On the positive side, our disposal in FY2012 of a number of older vessels brought down our fixed costs for the year considerably, improving our results. We have also begun looking closely at various options for diversifying our business, such as our small investment in the property industry. Our aim is to gradually widen our sources of income in the future.

FINANCIAL POSITION

As at 31 December 2013, the Group remained in a net debt position as previously. We retained a cash balance at year-end of US$13.2 million, however, giving us a solid base of working capital for our planned activities in the year to come.

DIVIDENDS

With no significant upward swing in the global freight market, the Board of Directors does not recommend payment of a dividend in respect of the financial year ended 31 December 2013.

ACKNOWLEDGEMENTS

On behalf of the Board, I would once again like to thank the many individuals, clients, and business associates who have helped move the Group forward in the face of another year of challenges. I would like particularly to single out two of our Independent Non-Executive Directors, Mr Gary Lui and Mr Sin Boon Ann, who stepped down from their roles just after the end of FY2013 after serving the Group faithfully for eight years, ever since its listing on the Singapore Stock Exchange in 2005. Each has rendered exceptional service to the company, including as Chairman of the audit committee and Chairman of the nomination committee. Their service to the Board has been exemplary, and is greatly appreciated.

HSU CHIH-CHIEN

CHAIRMAN OF THE BOARD

OUR FLEET

CAPE WARRIOR

Type : Capesize
Dwt : 151,688
Flag : Panama

ZORINA

Type : Supermax
Dwt : 57,000
Flag : Panama

HEROIC

Type : Supermax
Dwt : 57,000
Flag : Panama

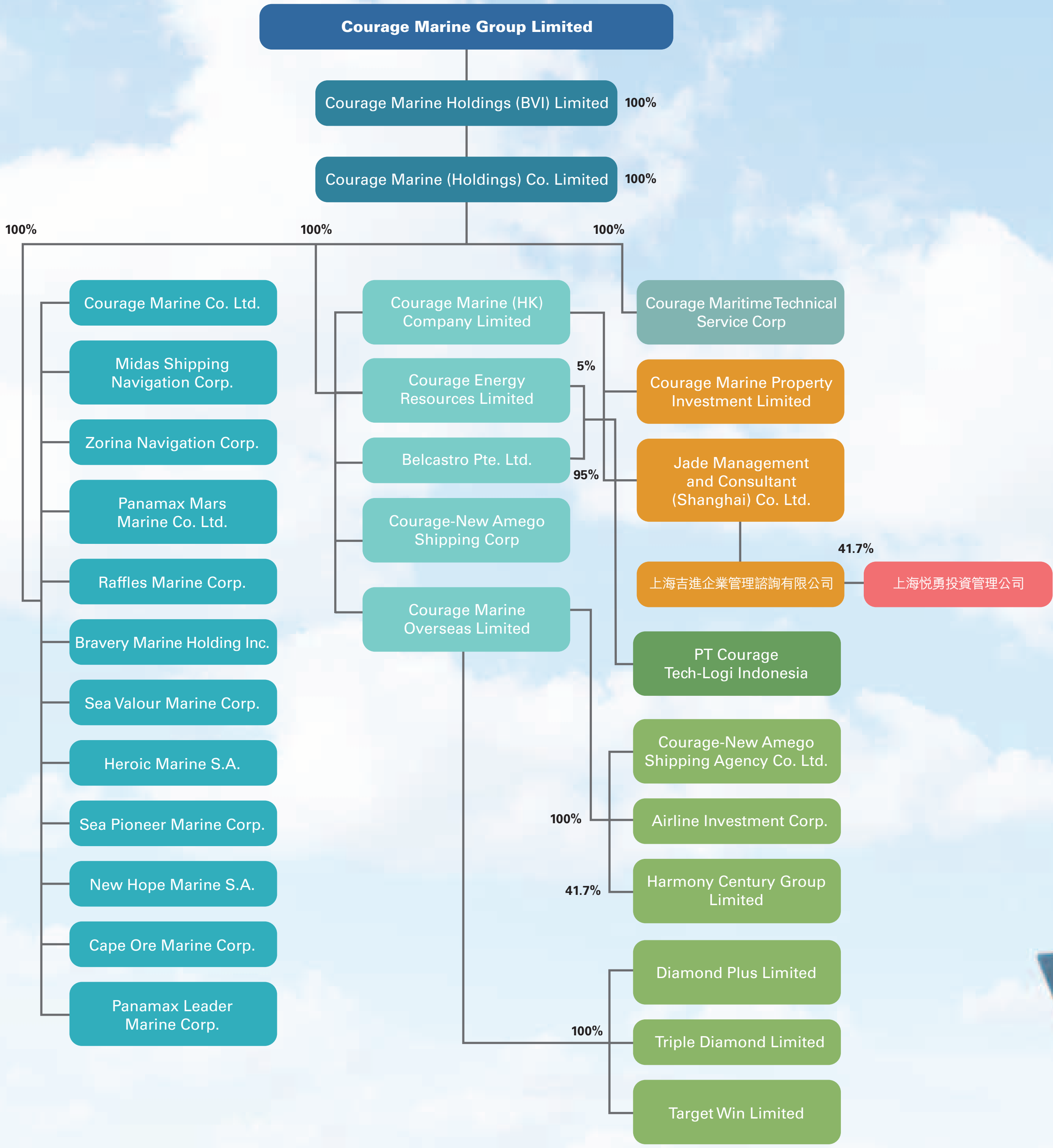
CAPE PIONEER

Type : Capesize
Dwt : 149,369
Flag : Panama

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 2013, we acquired and took delivery of another Panamax size vessel, MV Courage, in January. The new total tonnage is 487,022 dwt. The following table sets forth the development of our Fleet since 2005:

As of 31 December 2013, our Fleet consisted of 2 Supermax and 2 Capesize dry bulk carriers, with total tonnage of approximately 415,057 dwt with details as follow:

CORPORATE STRUCTURE



CORPORATE STRUCTURE

2013 MILESTONES

FEB 2013 | Took delivery of a Capesize vessel, MV Cape Pioneer

OCT 2013 | The eighth anniversary of launching IPO on Singapore's SGX Mainboard

DEC 2013 | Signed a memorandum of agreement for acquiring a Panamax size vessel, MV Courage

FINANCIAL HIGHLIGHTS

INCOME STATEMENT (US$'000)	2013	2012
Revenue	**24,963**	18,758
EBITDA	**1,135**	(7,491)
Net loss	**(1,772)**	(10,677)
BALANCE SHEET (US$'000)		
Non-current assets	**82,318**	72,095
Total assets	**105,766**	104,631
Total current assets	**23,448**	32,536
Share capital & reserves	**67,385**	67,673
Net debt	**(18,504)**	(7,837)
FINANCIAL RATIOS		
Return on equity (%)	**(2.60)**	(15.80)
Net gearing (%)	**57.00**	54.60
Interest cover (times)	**(0.4)**	(9.1)
PER SHARE		
Loss (US cents)	**(0.17)**	(1.01)
Net tangible assets (US cents)	**6.36**	6.39
ORDINARY DIVIDENDS		
– gross (US cents)	**N/A**	N/A
Share price at year end (SGD cents)	**9.0**	6.0
Share price at year end (HKD)	**0.51**	0.36

OPERATIONS REVIEW

Courage Marine holds a position as a leading shipping company in Asia, operating a compact modern fleet of two Supermax, one Panamax and two Capesize vessels.

The Group's results for FY2013 were in line with the depressed global market for freight shipping. Vessel oversupply coupled with low freight rates has been an issue in the Asian region since 2011, and currently there is no evidence that this situation will resolve itself in the short term. Consequently, the Group has entered FY2014 with an extremely cautious mindset, intent on maintaining a conservative business model and implementing tight cost controls, and ready too for grasping solid diversification opportunities should they arise.

After disposing of several aged vessels in FY2012, in early 2013 the Group took delivery of a Capesize vessel, MV Cape Pioneer. This has since been supplemented (after FY2013 year-end) with another Panamax vessel, MV Courage, which was delivered in January 2014. The fleet utilisation rate for the year was around 75%, a solid improvement on the 55% utilisation rate of FY2012; this was partly due to the disposals of FY2012 and the consequently smaller fleet being operated by the Group.

In the light of the volatile shipping market in recent years, the Group made the decision to diversify by injecting some of its resources into a business sector that could provide it with a relatively more stable income. In the first instance, it had acquired a 10% interest in a Singapore property development project, the results of which it will monitor closely. However, any profits associated with the Singapore property investment will only be visible, at the earliest, in the Group's results for FY2015.

FINANCIAL HIGHLIGHTS

The Group's turnover for FY2013 amounted to US$25.0 million, compared with US$18.7 million in FY2012, representing a rise of 33% year-on-year. This was largely the result of an improvement in the dry bulk market in the second half of the year, evident in the gradual increase in the BDI from around the 1,000 mark at mid-year to approximately 2,000 at year-end. This increase in turnover impacted on the Group's cost of sales, which rose by 21% from US$18.5 million in FY2012 to around US$22.3 million in FY2013. The percentage rise in cost of sales was lower than the rise in turnover, however, mainly because the Group had lower fixed costs in relation to such areas as insurance, crew fees and depreciation. Consequently, the Group was able to achieve a gross profit of approximately US$2.7 million for the year, up from the US$0.3 million recorded for FY2012.

Other operating income for the financial year amounted to US$0.6 million, an increase of 72% on the FY2012 figure. The bulk of this other operating income arose from a one-off insurance claim received during the year. As for other gains and losses, in FY2013 these were recorded as other gains of US$80,000 (2012: other losses of US$3.8 million). Finance costs for FY2013 were approximately US$1.3 million, against US$1.1 million in FY2012. Most of these were related to bank borrowings, largely made in order to purchase new vessels.

Income tax expenses for the Group's subsidiaries for FY2013 was recorded at US$3,000, down from US$6,000 in FY2012. Other comprehensive income for the year was recorded as comprehensive expenses of US$44,000, due to the deficit on revalution of the Group's leasehold and building. This compares with other comprehensive income of approximately US$315,000 in FY2012.

Overall, the Group recorded a net loss of approximately US$1.8 million in FY2013, compared to the net loss of US$10.7 million recorded in FY2012. The significantly lower net loss was largely due to a higher turnover, especially in the second half of the year, and a higher utilisation rate of its vessels during the year. Furthermore, no impairment loss was recorded in relation to the Group's vessels in FY2013, against an impairment loss of US$1.7 million in FY2012.

OVER THE HORIZON

The outlook for the year ahead remains uncertain, with the dry bulk market continuing to fluctuate widely in demand from quarter to quarter. For instance, the market improved considerably in the second half of 2013, but since the close of FY2013 it has fallen again, and demand for commodities in the Greater China region remains relatively weak.

The Group took delivery of a Panamax-size vessel after the end of FY2013, bringing its total tonnage to approximately 487,000 dwt. In the past two years it has disposed of a number of aging vessels and replaced some of them with newer and more efficient models, and as such it is now well-placed to operate with high efficiency once the dry bulk market recovers. The Group will continue to keep eyes open for opportunities to acquire further vessels, whether second-hand or brand new, at competitive prices, so long as the market is stable.

Until strong signs of an upswing are evident, the Group will proceed cautiously and concentrate on maintaining its existing fleet in good condition and running efficiently, and in maximising the efficiency of its operations. With a small, efficient and well-maintained fleet, a good reputation, and a solid history in the industry, the Group is well-placed to ride out whatever remains of the downturn in global freight. Once the upturn arrives, it will be ready to emerge as a competitive force able to offer a range of reliable freight options to suit the needs of global bulk traders. On this basis, the Group remains confident in its long-term prospects.

BOARD OF DIRECTORS

HSU CHIH-CHIEN
Chairman and
Non-executive Director

Hsu Chih-Chien, aged 57, is the Chairman and a non-executive Director of our Company. He was one of the co-founders of our Group in 2001. His responsibilities include strategic planning and future development of our Company but does not participate in our day-to-day operations. Mr. Hsu comes from the Taiwan operations of an old shipping family dating back to early 20th century that began in Shanghai. Since 1980, Mr. Hsu has inherited the interest in Eddie Steamship Co. Ltd, a family-owned business. In 2000, he was the person-in-charge of Waywiser Marine Shipping Agency Co. Ltd. which previously rendered shipping agency services to our Group. Mr. Hsu has an extensive network of business contacts among the major shippers in Asia, and is very experienced in the area of international ship purchasing and sales. Mr. Hsu is active in the shipping community and has served in numerous maritime organizations. Currently he is a director of American Steamship Owners Mutual Protection and Indemnity Association (The American Club). He is also a director of China Corporation Register of Shipping 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, aged 63, is the Managing Director and an executive Director of our Company. Mr. Wu was one of the co-founders of our Group in 2001. From 1998 to 2001, Mr. Wu acted as the general manager of New Amego Shipping Corp. which engaged in vessel chartering business. In June 2001, Mr. Wu co-founded our Group with other co-founders. Since 2001, Mr. Wu continued his vessel chartering business with us and has been responsible for the overall management of our Company covering mainly sales and marketing, schedule planning, purchase and sale of ships, personnel and general management.

BOARD OF DIRECTORS

SUN HSIEN-LONG
Non-Executive Director

Sun Hsien-Long, aged 64, 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, aged 57, 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, aged 55, has been an independent non-executive Director of our Company since 24 August 2005. Mr Chu is also a supervisor on the board of directors of Walsin Lihwa Corporation and Hannstar Board Corporation. From June 2010 to June 2011, he was an independent director of Global Brand Manufacture Ltd. From 2001 to 2008, he was the general manager overseeing the Singapore and Malaysia operations of Xcellink Pte Ltd. which is a recruitment and information technology outsourcing service provider. Prior to that, he was the general manager of HTL Manufacturing, Integral Chemical Co, Walsin International Management, Composers & Authors Society of Singapore, and Financial Controller of Citicorp Insurance Brokers (S) Pte Ltd. Mr Chu is a graduate in Bachelor of Science and Business Administration (Accounting) degree from San Francisco State University, USA in 1984 and obtained his Master of Business Administration (Finance) degree from University of Oregon, USA in 1986.

EXECUTIVE OFFICERS

CHEN SHIN-YUNG

Director of Technical Repair and Maintenance

Chen Shin-Yung (陳信用), aged 70, 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.

YUEN CHEE LAP, CARL

Financial Controller

Yuen Chee Lap, Carl (源自立), aged 40, 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.

EXECUTIVE OFFICERS

HON KWOK-PING
Financial Director

Hon Kwok Ping, Lawrence (韓國平), aged 65, 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.

LIN TSAI-SENG
Sales and Marketing Manager

Lin Tsai-Seng (林財生), aged 64, 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.

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 2013.

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 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

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

3 PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired one vessel for a cash consideration of approximately US$8.6 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 PURCHASES SHARES OR DEBENTURES

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

6 DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders of the Company ("Shareholders") as at 31 December 2013 were the retained profits of US$25,788,000.00 (2012: US$25,356,000.00).

7 DIRECTORS

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

EXECUTIVE DIRECTOR

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 (resigned w.e.f. 25 Feb 2014)
Mr. Chu Wen Yuan
Mr. Lui Chun Kin Gary (resigned w.e.f. 25 Feb 2014)

In accordance with the provisions of the Company's bye-laws (the "Bye-laws") 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. Wu Chao-Huan, Mr. Sun Hsien-Long and Mr. Chang Shun-Chi will retire at the forthcoming annual general meeting (the "Annual General Meeting") and Mr. Wu Chao-Huan being eligible, will offer himself for re-election. Mr. Sun Hsien-Long and Mr. Chang Shun-Chi have given notice to the Company that they will not seek re-election and will retire as Non-Executive Directors with effect from the conclusion of the Annual General Meeting.

8 DIRECTORS' SERVICE CONTRACTS

Mr. Wu Chao-Huan entered into a service agreement with the Company on 1 July 2005, pursuant to which he was appointed as the Managing Director of the Company commencing from 1 July 2005 for a period of 3 years. The said service agreement was renewed by two memorandums dated 13 January 2011 and 26 February 2011 respectively for a total period of 5 years as from 13 October 2008. The said service agreement was renewed for a further period of 3 years as from 13 October 2013 evidenced by a third renewal memorandum which may be terminated by not less than 3 months' notice in writing served by either party on the other. Mr. Wu is entitled to an annual salary of US$120,000 and his appointment is subject to the normal retirement provisions under the Bye-laws.

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 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 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.

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. Chang 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.

As mentioned above, Mr. Sun and Mr. Chang will retire as Non-Executive Directors with effect from the conclusion of the Annual General Meeting. Accordingly, the said agreements of Mr. Sun and Mr. Chang shall terminate upon their retirement.

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

At 31 December 2013, the interests and short positions of the Directors and the 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 Singapore Exchange Securities Limited ("SGX-ST") and the HKEx were as follows:

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

		Number of issued ordinary shares held		Percentage of the issued share capital of the Company	
Name of director	**Capacity**	**As at 31 December 2013**	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 December 2012**
Hsu Chih-Chien	Founder of a discretionary trust *(Note 1)*	142,081,611	142,081,611	13,419%	13.419%
Chu Wen Yuan	Beneficial owner	40,000	40,000	0.004%	0.004%
Wu Chao-Huan	Interest in a controlled corporation *(Note 2)*	142,081,611	142,081,611	13.419%	13.419%
Sun Hsien-Long	Beneficial owner	4,534,936	6,334,936	0.428%	0.598%

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 2013, 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 of which were required to be entered in the register required to be kept under Section 352 of the SFO.

10 DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

11 SHARE OPTIONS

The Company and its subsidiaries have no share option scheme.

12 SUBSTANTIAL SHAREHOLDERS

Save as disclosed below under "Substantial Shareholders" in the section "Statistics of Shareholdings" on page 99 of this Annual 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 2013, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO or Section 135 of the SFA.

13 APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the HK Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent. Mr. Lui and Mr. Sin have confirmed their independence up to the date of their resignation.

14 CONNECTED TRANSACTIONS

During the year, a subsidiary of the Company rented a premise from Ms. Chou Hsiu-Ma, the spouse of Mr. Chan Shun-Chi, a Non-Executive Director of the Company. This transaction is regarded as a connected transaction pursuant to Chapter 14A of the HK Listing Rules and an interested person transaction pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual"). Particulars of the transaction are disclosed in Note 42 to the financial statements.

15 EMOLUMENT POLICY

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

16 PRE-EMPTIVE RIGHTS

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

17 MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 60.1% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 37.4% of the Group's total purchases.

The percentage of sales attributable to the Group's five largest customers is approximately 92% of the Group's total revenue for the year and the revenue attributable to the Group's largest customer was approximately 60% of the Group's total revenue.

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

18 AUDIT COMMITTEE

During the year ended 31 December 2013, the audit committee of the Company (the "AC") comprises three 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 being 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 re-appointment as external auditor at the forthcoming Annual General Meeting.

19 CORPORATE GOVERNANCE

The corporate governance report is set out on pages 22 to 37.

20 SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2013.

21 EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 44 to the financial statements.

22 AUDITOR

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

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

25 February 2014

CORPORATE GOVERNANCE REPORT 2013

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 2013, the Company adopted the revisions relating to the Code on Corporate Governance Practices (the "Hong Kong Code") contained in Appendix 14 of the HK Listing Rules on the HKEx that came into effect on 1 April 2012.

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

In the event of any conflict between the Singapore Code and the Hong Kong Code, the Company will comply with the more onerous code provision. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with both the Singapore Code and the Hong Kong 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 dispatch of business, adjourn and otherwise regulate their meetings as they think fit. To further facilitate the efficient management of the Group, resolutions of the Board were passed by way of circulating minutes pursuant to Bye-law 115 of the Bye laws. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various board committees (the "Board Committees") are provided on page 29 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 Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). All Board Committees were 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 which include but are not limited to the following:

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

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

Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the 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. The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

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

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

BOARD COMPOSITION AND BALANCE

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

As of the date of this report, our Board of Directors comprises five Directors, one of whom is independent. Our Independent Non-Executive Director Mr. Chu Wen Yuan, would have served on the Board for more than nine years by August 2014. 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
Mr. Chang Shun-Chi

Independent Non-Executive Directors
Mr. Chu Wen Yuan

There are no permanent alternate Directors.

Our NC reviews the independence of each Director annually and applies the Singapore Code and the HK Listing Rules qualification standard of an independent director in its review.

During the year ended 31 December 2013, 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 and Rule 221 of the SGX-ST Listing Manual of having at least two Independent Directors resident in Singapore.

RESIGNATION AND RETIREMENT OF DIRECTORS

Mr. Sin Boon Ann and Mr. Lui Chun Kin Gary resigned as Independent Non-Executive Directors with effect from the close of business on 25 February 2014 after serving on the Board for nearly nine years since the listing of the Company on the SGX-ST.

In accordance with Bye-law 86 of the Bye-laws, Mr. Sun Hsien-Long and Mr. Chang Shun-Chi shall retire at the Annual General Meeting. Both having served on the Board for more than 3 years, Mr. Sun and Mr. Chang have given notice to the Board that they will not offer themselves for re-election at the Annual General Meeting and shall retire as Non-Executive Directors with effect from the conclusion of the Annual General Meeting.

LISTING RULES IMPLICATIONS

Minimum number of Independent Directors

Rules 3.10(1) and 3.10A of the HK Listing Rules provides that every board of directors of a listed issuer must include at least three Independent Non-Executive Directors which shall also represent at least one-third of the board.

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

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

Accordingly, following the resignations of Mr. Sin and Mr. Lui, the Company does not comply with Rules 3.10(1) and 3.10A of the HK Listing Rules Guideline 2.1 of the Singapore Code and Rule 221 of the SGX-ST Listing Manual as the number of Independent Non-Executive Directors of the Company has fallen below the minimum number and ratio.

Accounting and financial experience

Rule 3.10(2) of the HK Listing Rules requires at least one of the Independent Non-Executive Directors of the Company to have appropriate professional qualifications or accounting or related financial management expertise.

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

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

Accordingly, following the resignations of Mr. Lui and Mr. Sin, the Company does not comply with the requirements under Rule 3.10(2) of the HK Listing Rules and Guideline 12.2 of the Singapore Code.

Audit Committee

Following the resignations of Mr. Sin and Mr. Lui, the Audit Committee comprises only of Mr. Chu Wen Yuan who is a member.

Rule 3.21 of the HK Listing Rules provides that the audit committee established by a listed issuer must comprise a minimum of three members, at least one of whom is an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the HK Listing Rules.

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

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

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

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

Remuneration Committee

Following the resignation of Mr. Sin, the Remuneration Committee comprises of Mr. Chu Wen Yuan and Mr. Hsu Chih-Chien.

Rule 3.25 of the HK Listing Rules provides that an issuer must establish a remuneration committee chaired by an Independent Non-Executive Director and comprising a majority of Independent Non-Executive Directors.

Guideline 7.1 of the Singapore Code provides that the Remuneration Committee should comprise at least three Directors, the majority of whom, including the Remuneration Committee chairman, should be independent. All of the members of the Remuneration Committee should be Non-Executive Directors.

Accordingly, the Company does not comply with Rule 3.25 of the HK Listing Rules and Guideline 7.1 of the Singapore Code as the number of Independent Non-Executive Directors as Remuneration Committee members falls below the minimum number.

Nomination Committee

Following the resignations of Mr. Sin and Mr. Lui and the appointment of Mr. Chu, the Nomination Committee comprises of Mr. Chu Wen Yuan and Mr. Hsu Chih-Chien.

Guideline A.5.1 of the Hong Kong Code provides that listed issuers should establish a nomination committee which is chaired by the chairman of the board or an Independent Non-Executive Director and comprises a majority of Independent Non-Executive Directors.

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

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

PROPOSED APPOINTMENT OF NEW DIRECTORS

In accordance with the HK Listing Rules, SGX-ST Listing Manual and the terms of reference of our Board Committees, the Board, upon the recommendation of the NC, has resolved to appoint, subject to Shareholders' approval new Directors ("New Directors") to fill the vacancies as aforesaid. The profiles of the proposed new Directors are as follows:

Ngiam Zee Moey
Independent Non-Executive Director

Mr. Ngiam Zee Moey (嚴志美), aged 58, has over 30 years' experience in various accounting, financial and managerial positions. During 1987 to 2005, he was the group financial controller of Lauw & Sons Group in Singapore, where he was responsible for all financial matters of the group including reviewing financial statements of the group. Since 2004 till present, he is also the joint company secretary of AEI Corporation Ltd, a company listed on the Main Board of the SGX-ST. Mr. Ngiam obtained a Bachelor of Commerce (Accountancy) degree from Nanyang University in 1980 and a Graduate Diploma in Marketing from the Marketing Institute of Singapore in 1993. He is a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants of the United Kingdom.

Currently, Mr. Ngiam holds directorships in the following companies listed on the SGX-ST: as an independent director and the audit committee of chairman of Zhongxin Fruit and Juice Limited; as a non-executive director of Hosen Group Limited; and as an independent director of Darco Water Technologies Limited. He is also the director of a number of private companies.

Foo Meng Kee
Independent Non-Executive Director

Mr. Foo Meng Kee (符名基), aged 64, is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He is highly experienced in new build of vessels in various Chinese shipyards, and possesses extensive exposure to the PRC market. He served in Hitachi Zosen Singapore Ltd from 1976 to 1998. In 1989, he was appointed to the board of directors of Hitachi Zosen Singapore Ltd. In 1992, he was appointed as the managing director, and at his helm, Hitachi successfully gained its listing status on the Main Board of the SGX-ST. During the period from 1992 to 1998, Mr. Foo was a member of the executive committee and the audit committee of Hitachi Zosen Singapore Ltd. Mr. Foo obtained a Bachelor of Commerce (Hons.) degree from Nanyang University of Singapore in 1973 and a Master of Business Administration degree from the University of Dubuque, USA in 1990. Mr. Foo is also an independent non-executive director of Titan Petrochemicals Group Ltd ("Titan"), a company listed on the Main Board of the HKEx. As at the date of this report, trading in the shares of Titan has been suspended with provisional liquidators appointed.

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

Wu Jian
Executive Director

Mr. Wu Jian (吳建) (alias 吳健), aged 59, Mr. Wu started his career in 1982 with the China Coal Energy Group (formerly known as China Coal Import and Export General Corporation) and retired in early 2014. The positions he held during this period included company secretary, manager of import and export department, general manager of China Coal (Hong Kong) Ltd and assistant to the President and Executive Director of China Coal Energy Company Ltd, a listed company in Hong Kong. Mr. Wu graduated from the Renmin University of China with a bachelor degree in Economics in 1982.

Tsoi Wai Kwong
Non-Executive Director

Mr. Tsoi Wai Kwong (蔡偉光), aged 50, has more than 20 years of relevant experience in business management and international shipping operations, involving vessel chartering, container depot and investment in steel and metal products. From 1998 to 2002, he was the executive director of Oriental Union Ltd. From 2002 to 2005, he was the executive director of Shougang Concord International Enterprises Company Limited. Oriental Union Ltd and Shougang Concord International Enterprises Company Limited are listed on the Main Board of the SEHK. Mr. Tsoi is a member of the Institute of Linguists in the United Kingdom.

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

INDEPENDENCE OF DIRECTORS

Mr. Chu Wen Yuan joined our Board on 24 August 2005, prior to the listing of our Company, and was last re-elected on 26 April 2012. Accordingly, Mr. Chu Wen Yuan would have served as an independent Director for more than nine years by this coming August 2014. Despite this, the NC notes that Mr. Chu Wen Yuan continues to actively engage the Management and the Executive Directors at Board and Committee meetings and after reviewing his independence in accordance with the Singapore Code and Rule 3.13 of the HK Listing Rules together with his declaration of independence, is of the opinion that his length of service has not, in any way, diminished Mr. Chu's independence.

Further, as the Board is currently undergoing a transitioning process following the departure of Mr. Sin Boon Ann and Mr. Lui Chun Kin Gary, the Board is of the view that Mr. Chu Wen Yuan's continued service as an independent Director will provide continuity to the Board following the recent departures of Mr. Lui Chun Kin Gary and Mr. Sin Boon Ann from the Board.

BOARD SIZE

Subject to the New Directors being approved by Shareholders at the Annual General Meeting, the Board will comprise of seven Directors. The Board is of the view that given the nature and scope of the Group's operations, the Board size of seven members is appropriate for the Company and to provide for effective decision-making. Although the requirement under Singapore Code that Independent Directors make up one-third of the Board is satisfied, 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 Company is working towards fulfilling this recommendation, prior to 2018.

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

ROLES OF CHAIRMAN AND MANAGING DIRECTOR

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

The Chairman 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 be appointed in view of the fact that the Chairman is not an Independent Director. Accordingly, subject to the appointment of the New Directors to the Board, the Company intends to appoint Mr. Chu Wen Yuan as Lead Independent Director.

BOARD MEMBERSHIP

The terms of reference of the NC provides that the NC should comprise at least three Directors, a majority of whom, including the Chairman, shall be Independent Non-Executive Directors. Following the resignation of Mr. Sin Boon Ann and Mr. Lui Chu Kin Gary, our NC currently comprises Mr. Hsu Chih-Chien and Mr. Chu Wen Yuan, who was appointed Chairman of the NC on 25 February 2014. Subject to Shareholders' approval, Mr. Ngiam will be appointed as a member of the NC concurrently with his appointment as an Independent Director.

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 by proposing objective performance criteria;

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

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

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

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

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

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

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

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

(f) 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.

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. Mr. Wu Chao-Huan, Mr. Sun Hsien-Long and Mr. Chang Shun-Chi were last re-elected on 27 April 2011 and are due for re-election at the forthcoming Annual General Meeting. Mr. Chang Shun Chi and Mr. Sun Hsien-Long who are retiring by rotation pursuant to Bye-law 86, have given notice to the Company that they are not seeking re-election and shall retire as Non-Executive Directors with effect from the conclusion of the Annual General Meeting.

Our NC has recommended the re-appointment of Mr. Wu Chao-Huan at our Company's upcoming Annual General Meeting, and our Board has accepted the NC's recommendation and accordingly Mr. Wu Chao-Huan is offering himself for re-election.

In determining the independence of the Directors, the NC requires all Independent 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. Chu Wen Yuan to be independent.

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

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

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

Note:–

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

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

The attendance of the Directors at meetings of the Board and committees during the financial year ended 31 December 2013 are as follows:

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Hsu Chih-Chien	5	4	–	–	3	3	1	1
Wu Chao-Huan	5	5	–	–	–	–	–	–
Sin Boon Ann	5	5	4	4	3	3	1	1
Chu Wen Yuan	5	5	4	4	–	–	1	1
Lui Chun Kin Gary	5	5	4	4	3	3	–	–
Chang Shun-Chi	5	5	–	–	–	–	–	–
Sun Hsien-Long	5	3	–	–	–	–	–	–

BOARD DIVERSITY

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

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

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

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

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

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

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

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

ACCESS TO INFORMATION

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

The Management provides the Board members with complete, adequate and timely information prior to Board meetings and on an ongoing basis, and 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, 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 SGX-ST and the HKEx and other rules and regulations that are applicable to the Company. A Director or the Board as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC has its terms of reference which clearly set out its authority and duties and provides that the RC should comprise of at least three Non-Executive Directors, a majority of whom, including the Chairman, are independent. Following the resignation of Mr. Sin Boon Ann, our RC currently comprise Mr. Chu Wen Yuan who is the Chairman and Independent Director and Mr. Hsu Chih-Chien who is a member. Subject to Shareholders' approval, Mr. Ngiam and Mr. Foo will be appointed as a member of the RC concurrently with their appointment as an Independent Directors.

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 management personnel, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term shareholder value. The RC takes into account the performance of the Group, as well as the performance of individual Directors and key management personnel, and linking the remuneration of Directors and key management personnel to indicators such as core values, competencies, key result areas, performance rating and potential. Such performance-related remuneration takes into account the risk policies of the Company, and is sensitive to the time horizon of risks. The 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 over compensated to the extent that their independence is compromised.

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

DISCLOSURE OF REMUNERATION

A summary remuneration table of our Directors is shown below.

	Salary %	Bonus %	Fees %	Benefits %	Total %	Total US$
Hsu Chih-Chien	–	84[2]	16[1]	–	100	50,000
Wu Chao-Huan	72	17	11[1]	–	100	180,000
Sun Hsien-Long	–	60[2]	40[1]	–	100	25,000
Chang Shun-Chi	–	60[2]	40[1]	–	100	25,000
Sin Boon Ann	–	–	100	–	100	55,000
Chu Wen Yuan	–	–	100	–	100	40,000
Lui Chun Kin, Gary	–	–	100	–	100	48,000

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.

CORPORATE GOVERNANCE REPORT 2013

A summary remuneration table of the top 5 key management executives is shown below. The annual aggregate remuneration paid to the top key management personnel of the Company for FY2013 was approximately US$440,000.

Remuneration Band	Salary %	Bonus %	Fees %	Benefits %	Total %
Below S$250,000					
Chen Shin-Yung	80	20	–	–	100
Hon Kwok-Ping	75	25	–	–	100
Kuo Ji Ruo	78	22	–	–	100
Tong Sheng-Tung	82	18	–	–	100
Yuen Chee Lap, Carl	76	24	–	–	100

Save for Mr. Wu Chao-Ping our operations manager, 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. Mr. Wu Chao-Ping received total remuneration of approximately US$60,000 during the financial year ended 31 December 2013. Mr. Wu Chao Ping resigned as operations manager on 31 December 2013.

ACCOUNTABILITY

The Directors undertake the responsibility of (i) overseeing the corporate performance of the Company and is accountable to Shareholders for the processes and structure of directing and managing the Company's business and affairs, (ii) providing a balanced and understandable assessment of the Company's performance, position and prospects, which extends to interim and other price sensitive public reports and reports to regulators (if required), (iii) taking adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST and HKEx, 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 2013.

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

The Board's responsibility to present a balanced, clear and understandable assessment extends to its annual and interim reports, price-sensitive announcement and other financial disclosures required under the SGX-ST Listing Manual and 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 Financial Director and Financial Controller have at the financial year-end provided a letter of assurance to the Audit Committee confirming, *inter alia*, that:–

1. the FY2013 Consolidated Results of the Group and the said financial statements of the Company have been prepared in accordance with the provisions of the Bermuda Companies Act and the International Financial Reporting Standards so as to give a true and fair view of the Company's operations and finances as at 31 December 2013, and the results and changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended 31 December 2013;

2. the financial records have been properly maintained; and

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

Based on the internal controls established and maintained by the Group, the work performed by the internal and external auditors, and reviews performed by Management, various Committees and the Board, pursuant to Rule 1207(10) of the SGX-ST Listing Manual, the 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 2013.

AUDIT COMMITTEE

The terms of reference of the AC provides that the AC should comprise at least three Directors, all of whom, including the Chairman, shall be independent. Two members of the AC have sufficient accounting or related financial management expertise or experience to discharge their responsibilities. Following the resignations of Mr. Sin Boon Ann and Mr. Lui Chu Kin Gary, the AC currently comprise of Mr. Chu Wen Yuan. Subject to Shareholders' approval, Mr. Ngiam and Mr. Foo will be appointed as members of the AC concurrently with their appointments as Independent Directors. The Chairman of the AC will be elected amongst the two new members by the Board.

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 risk management systems and internal controls, including financial, operational, compliance and information technology controls, either internally or with the assistance of any competent third parties;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Apart from the above functions, our 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. Staff of the Group has access to the Company Secretary and may in confidence, raise concerns about possible improprieties in any such corporate matters by sending an email or a letter in writing to the Company Secretary, who would re-direct and/or send such email or letter in writing to the AC. 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 from Management and meets with the external and internal auditors of the Company, in each case, without the presence of Management, at least once a year. It also has full discretion to invite any Director or key management to attend its meetings, and has been given reasonable resources to enable it todischarge its function.

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

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

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

The statement of the external auditors of the Group about their reporting responsibilities for the financial statements is set out in page 38 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	255
Non-Audit Services	51
Total	306

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

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

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

As the Company expects the financial performance for 2014 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 2013 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.

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

DEALINGS IN SECURITIES

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

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2013.

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 SGX-ST Listing Manual, the HK Listing Rules and/or Bermuda Companies Act, 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$28,000

The transaction value was not over 1% of the Net Tangible Assets of our Company as at 31 December 2013 and the stipulated thresholds for reporting and approval requirements under Rule 14A.31 of the HK Listing Rules.

RISK ASSESSMENT AND MANAGEMENT

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Independent Non-Executive Directors have considered the reports and proposals of the Management and the factors set out in (i) to (iii) on p.154 of the HK Listing Document, resolved that (i) there shall be no exercise of the Option because Mr. Hsu 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 39 to 97 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 2013, 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

27 March 2014

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 38 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 2013, 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
25 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 US$'000	2012 US$'000
Revenue	8	**24,963**	18,758
Cost of sales		**(22,313)**	(18,499)
Gross profit		**2,650**	259
Other income	9	**609**	354
Other gains and losses	10	**80**	(3,816)
Administrative expenses		**(3,644)**	(3,685)
Other expenses	11	**(167)**	(1,057)
Impairment loss on property, plant and equipment	19	**–**	(1,664)
Finance costs	12	**(1,300)**	(1,062)
Loss before tax		**(1,772)**	(10,671)
Income tax expense	13	**(3)**	(6)
Loss for the year	14	**(1,775)**	(10,677)
Other comprehensive (expense) income, net of income tax:			
Item that will not be reclassified subsequently to profit or loss:			
(Deficit) surplus on revaluation of leasehold land and building		**(68)**	528
Deferred tax asset (liability) arising on revaluation of leasehold land and building		**24**	(213)
		(44)	315
Total comprehensive expense for the year – attributable to owners of the Company		**(1,819)**	(10,362)
Loss per share (US cents)	17		
– basic		**(0.17)**	(1.01)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2013

		THE GROUP		THE COMPANY	
	NOTES	**2013**	2012	**2013**	2012
		US$'000	US$'000	**US$'000**	US$'000
Non-current assets					
Property, plant and equipment	19	**70,120**	62,029	**–**	–
Investment property	20	**914**	2,355	**–**	–
Interests in subsidiaries	21	**–**	–	**20,047**	17,961
Interest in a joint venture	22	**5,330**	32	**–**	–
Amounts due from subsidiaries	21	**–**	–	**53,584**	55,304
Long-term receivables and deposits	23	**5,015**	7,679	**–**	–
Deposit paid for acquisition of a vessel	24	**860**	–	**–**	–
Available-for-sale investment	25	**79**	–	**–**	–
Total non-current assets		**82,318**	72,095	**73,631**	73,265
Current assets					
Trade receivables	26	**1,329**	891	**–**	–
Other receivables and prepayments	23	**3,775**	3,652	**27**	43
Amount due from a joint venture	27	**412**	412	**–**	–
Tax recoverable		**–**	58	**–**	–
Held-for-trading investments	28	**450**	391	**–**	–
Pledged bank deposits	29	**4,330**	4,298	**–**	–
Structured deposit	30	**–**	962	**–**	–
Cash and cash equivalents	31	**13,152**	21,872	**108**	112
Total current assets		**23,448**	32,536	**135**	155
Total assets		**105,766**	104,631	**73,766**	73,420
Current liabilities					
Other payables and accruals	32	**2,205**	1,775	**892**	978
Borrowings – due within one year	33	**5,646**	5,098	**–**	–
Total current liabilities		**7,851**	6,873	**892**	978

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	THE GROUP 2013 US$'000	THE GROUP 2012 US$'000	THE COMPANY 2013 US$'000	THE COMPANY 2012 US$'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	**1,073**	1,117	**–**	–
Other reserve		**1,531**	–	**–**	–
Retained profits		**17,695**	19,470	**25,788**	25,356
Total equity		**67,385**	67,673	**72,874**	72,442
Non-current liabilities					
Deferred taxation	36	**190**	214	**–**	–
Borrowings – due more than one year	33	**30,340**	29,871	**–**	–
Total non-current liabilities		**30,530**	30,085	**–**	–
Total liabilities and equity		**105,766**	104,631	**73,766**	73,420
Net current assets (liabilities)		**15,597**	25,663	**(757)**	(823)
Total assets less current liabilities		**97,915**	97,758	**72,874**	72,442

The consolidated financial statements on pages 38 to 97 were approved and authorised for issue by the Board of Directors on 25 February 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Other reserve US$'000	Retained profits US$'000	Total US$'000
THE GROUP						
At 1 January 2012	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
Loss for the year	–	–	–	–	(1,775)	(1,775)
Deficit on revaluation of leasehold land and building	–	–	(68)	–	–	(68)
Deferred tax asset arising on revaluation of leasehold land and building	–	–	24	–	–	24
Total comprehensive expense for the year	–	–	(44)	–	(1,775)	(1,819)
Reserve arising from the settlement of deferred consideration by way of transfer of property interest to a joint venture (Note 23(i))	–	–	–	1,531	–	1,531
At 31 December 2013	**19,059**	**28,027**	**1,073**	**1,531**	**17,695**	**67,385**

	Share capital US$'000	Share premium US$'000	Retained profits US$'000	Total US$'000
THE COMPANY				
At 1 January 2012	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
Total comprehensive income for the year	–	–	432	432
At 31 December 2013	19,059	28,027	25,788	72,874

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 US$'000	2012 US$'000
Operating activities		
Loss before income tax	**(1,772)**	(10,671)
Adjustments for:		
Dividend income from listed investments	**(20)**	(22)
Interest income	**(85)**	(130)
Interest expense	**1,300**	1,062
Loss on disposal of property, plant and equipment	**–**	4,172
Change in fair value of held-for-trading investments	**(59)**	(39)
Change in fair value of investment property	**41**	(296)
Change in fair value of structured deposit	**(38)**	38
Depreciation of property, plant and equipment	**1,692**	2,248
Discount effect on long-term loan receivable	**–**	557
Imputed interest income on long-term receivable	**(225)**	(96)
Impairment loss on deposits paid	**167**	–
Impairment loss on property, plant and equipment	**–**	1,664
Operating profit (loss) before movements in working capital	**1,001**	(1,513)
Increase in trade receivables	**(438)**	(824)
Increase in other receivables and prepayments	**(290)**	(2,058)
Increase (decrease) in other payables and accruals	**430**	(217)
Cash from (used in) operations	**703**	(4,612)
Income tax paid	**(3)**	(6)
Income tax refund	**58**	–
Interest income received	**85**	130
Interest expense paid	**(1,300)**	(999)
Dividends received from listed investments	**20**	22
Net cash used in operating activities	**(437)**	(5,465)
Investing activities		
Deposits for acquisition of property, plant and equipment and investment properties	**(957)**	–
Deposit paid for acquisition of a vessel	**(860)**	–
Purchase of property, plant and equipment	**(8,451)**	(28,122)
Payment of payable for the acquisition of a vessel	**–**	(15,960)
Proceeds on disposal of property, plant and equipment	**–**	24,549
Placement of pledged bank deposits	**(32)**	(31)
Withdrawal of structured deposit	**1,000**	–
Withdrawal of certificate of deposits	**–**	1,074
Loan advance and deposit paid to Santarli Corporation Pte. Ltd.	**–**	(4,373)
Advance to a joint venture	**–**	(412)
Acquisition of investment in a joint venture	**–**	(32)
Net cash used in investing activities	**(9,300)**	(23,307)
Financing activities		
New loans raised	**4,000**	34,580
Repayment of loans	**(3,051)**	(2,018)
Increase in bank overdraft	**68**	1,411
Net cash from financing activities	**1,017**	33,973
Net (decrease) increase in cash and cash equivalents	**(8,720)**	5,201
Cash and cash equivalents at beginning of the year	**21,872**	16,671
Cash and cash equivalents at end of the year	**13,152**	21,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL

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

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

There are no significant changes to the principal activities of the Company and the Group during the year ended 31 December 2013.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 (as revised in 2011) "Separate Financial Statements" and IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding transitional guidance.

IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and SIC – 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, SIC – 13 "jointly controlled entities – Non-Monetary Contributions by Venturers", has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a joint controlled entity).

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

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (cont'd)

Impact of the application of IFRS 11 (cont'd)

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

As a result of the adoption of IFRS 11, the Group re-evaluated its involvement in its joint arrangement. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see Note 22 for details).

IFRS 13 "Fair Value Measurement"

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply 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 for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see Notes 6b(vi), 19 and 20 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (cont'd)

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income". The amendments introduce new terminology for the statement of profit or loss and other comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new or revised IFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and the disclosure requirements by the Hong Kong Companies Ordinance (Cap. 32).

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION (cont'd)

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

INTERESTS IN SUBSIDIARIES

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

JOINT VENTURE

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

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

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

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

REVENUE RECOGNITION

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

Ship management income is recognised when the services are rendered.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION (cont'd)

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 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

TAXATION (cont'd)

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

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

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

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the (cont'd) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE ASSETS (cont'd)

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

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

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

LEASING

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASEHOLD LAND AND BUILDING

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

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

FINANCIAL INSTRUMENTS

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Financial assets at FVTPL

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

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

- it has been acquired principally for the purpose of selling in the near term;

- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

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

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

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

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

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

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

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

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

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 FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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.

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

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. In current year, the Group determines the recoverable amount of the vessels to be the fair value less cost to sell. Since the recoverable amount of the vessels is higher than their carrying amounts, no impairment of property, plant and equipment is recognised. In prior year, the Group determined the recoverable amounts of the vessels based on the value in use of the vessels. These calculations required the use of judgement and estimates. On the above basis, the Group was of the view that an impairment of property, plant and equipment amounting to US$1,664,000 was recognised for the year. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was US$70,120,000 (2012: US$62,029,000).

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 2013, the carrying amount of trade and other receivables is US$8,708,000 (2012: US$11,133,000).

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Impairment assessment

The Company reviews the carrying amount of its interests in subsidiaries and amounts due from subsidiaries amounting to US$20,047,000 (2012: US$17,961,000) and US$53,584,000 (2012: US$55,304,000) 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 2013. On the above basis, the Company is of the view that no impairment is required.

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

Leasehold land and building included in property, plant and equipment is carried in the consolidated statement of financial position at its revalued amount. Investment property is carried in the consolidated statement of financial position at its fair value. Details of which are disclosed in Notes 19 and 20.

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

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors and the Chief Financial Officer of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

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

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

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	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale investment	**79**	–	**–**	–
FVTPL:				
Held-for-trading investments	**450**	391	**–**	–
Structured deposit designated as at FVTPL	**–**	962	**–**	–
Loans and receivables (including bank balances and cash)	**23,459**	31,597	**53,692**	55,416
Financial liabilities				
Amortised cost	**35,986**	34,969	**–**	–

6. FINANCIAL INSTRUMENTS (cont'd)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade receivables, other receivables, deposits, interest-free loan to Santarli Realty Pte. Ltd. ("Santarli Realty"), interest-free loan to Santarli Corporation Pte Ltd. ("Santarli Corp"), amount due from a joint venture, held-for-trading investment, structured deposit, available-for-sale investment, 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, Singapore dollars and Renminbi. All revenues are invoiced in United States dollars. To the extent that the Group's sales and purchases are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, the Group will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than its functional currency. As a result, the Group's results may be affected. Held-for-trading investments and certain bank balances which are mainly denominated in NTD and Renminbi as disclosed in Notes 28, 29 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 both years, the Company has no significant exposures to currency risk.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to pledged bank deposits, structured deposit, certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in Notes 29, 30, 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 30, 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 was insignificant.

6. FINANCIAL INSTRUMENTS (cont'd)

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

(ii) Interest rate risk (cont'd)

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 2012 and 2013. 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 2013 would increase/decrease by US$360,000 (2012: US$350,000).

(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.

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.

6. FINANCIAL INSTRUMENTS (cont'd)

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

(iv) Credit risk (cont'd)

The Group's credit risk is primarily attributable to the loan to Santarli Realty, the subsidiary of Santarli Corp (2012: the loan to Santarli Corp) as disclosed in Note 23. The directors of the Company consider the credit risk over the interest-free loan to Santarli Realty and Santarli Corp is low because Santarli Holdings Pte Ltd., the holding company of Santarli Realty, has provided corporate guarantee to the Corp and Santarli Holdings Pte Ltd. is engaged in property development, construction, civil engineering work in Singapore and Malaysia while Santarli Realty is engaged in property development in Singapore and both have good reputation in the industry and 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.

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.

6. FINANCIAL INSTRUMENTS (cont'd)

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

(v) Liquidity risk (cont'd)

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 2013								
Borrowings	**2.69 – 3.32**	**4,621**	**2,123**	**4,162**	**12,987**	**17,229**	**41,122**	**35,986**
At 31 December 2012								
Borrowings	1.56 – 3.32	4,297	1,871	3,671	10,471	20,536	40,846	34,969

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 2013								
Financial guarantee contract	**–**	**46,180**	**–**	**–**	**–**	**–**	**46,180**	**–**
At 31 December 2012								
Financial guarantee contract	–	37,080	–	–	–	–	37,080	–

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 of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

Financial assets	Fair value as at 31 December 2013	Fair value as at 31 December 2012	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities in Republic of China: – Shipping industry – US$450,000	Listed equity securities in Republic of China: – Shipping industry – US$391,000	Level 1	Quoted bid prices in an active market	N/A	N/A
Structured deposit	It was matured in 2013.					

7. SEGMENT INFORMATION

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

The board 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 2013

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

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

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	
	2013	2012
	US$'000	US$'000
Customer A	**2,565**	–[1]
Customer B	**14,986**	8,701
Customer C	**–**	2,455
	17,551	11,156

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

8. REVENUE

	THE GROUP	
	2013	2012
	US$'000	US$'000
Marine transportation services income:		
– Vessel voyage charter	**24,903**	18,413
– Time charter	**–**	255
	24,903	18,668
Ship management service income	**60**	90
	24,963	18,758

9. OTHER INCOME

	THE GROUP	
	2013	2012
	US$'000	US$'000
Dividend income from listed investments	**20**	22
Rental income	**37**	43
Interest income from banks	**85**	114
Interest income from certificate of deposit	**–**	16
Insurance compensation	**240**	50
Imputed interest income on long-term receivable (Note 23 (ii))	**225**	96
Sundry income	**2**	13
	609	354

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FOR THE YEAR ENDED 31 DECEMBER 2013

10. OTHER GAINS AND LOSSES

	THE GROUP	
	2013	2012
	US$'000	US$'000
Loss on disposal of property, plant and equipment	**–**	(4,172)
Change in fair value of held-for-trading investments	**59**	39
Change in fair value of investment property	**(41)**	296
Change in fair value of structured deposit	**38**	(38)
Net foreign exchange gains	**24**	59
	80	(3,816)

11. OTHER EXPENSES

	THE GROUP	
	2013	2012
	US$'000	US$'000
Impairment loss on deposits paid	**167**	–
Discount effect on long-term loan advanced to Santarli Corp (Note 23(ii))	**–**	557
Other	**–**	500
	167	1,057

12. FINANCE COSTS

	THE GROUP	
	2013	2012
	US$'000	US$'000
Interest expenses from borrowings wholly repayable within five years:		
– Bank overdraft	**63**	56
Interest expenses from borrowings not wholly repayable within five years:		
– Other borrowings	**1,153**	978
Bank charges	**84**	28
	1,300	1,062

13. INCOME TAX EXPENSE

	THE GROUP	
	2013	2012
	US$'000	US$'000
Current tax:		
Enterprise income tax of the People's Republic of China ("PRC")	**3**	6

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

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

Details of deferred tax are set out in Note 36.

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

	THE GROUP	
	2013	2012
	US$'000	US$'000
Loss before tax	**(1,772)**	(10,671)
Tax at the applicable income tax rate of 16.5% (Note)	**(292)**	(1,761)
Tax effect of offshore income not taxable for tax purpose	**(4,368)**	(3,474)
Tax effect of expenses not deductible for tax purpose	**4,573**	5,175
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3**	6
Tax losses not recognised	**83**	60
Others	**4**	–
Income tax expense for the year	**3**	6

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 2013 US$'000	2012 US$'000
Auditor's remuneration:		
– paid to auditors of the Company	**311**	263
Non audit assurance services fees:		
– paid to other auditors	**13**	1
Employee benefits expense (including directors' emoluments):		
– Contributions to retirement benefits scheme	**35**	35
– Salaries and other benefits	**1,553**	1,529
Total employee benefits expense	**1,588**	1,564
Marine crew expenses	**2,505**	2,945
Fuel expenses	**13,364**	8,744
Depreciation for property, plant and equipment	**1,692**	2,248

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of seven (2012: eight) directors, which include the chief executive, were as follows:

2013

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

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

2012

	Director's fees	Basic salaries and allowance	Discretionary bonus	Contributions to retirement benefits scheme	Total
	US$'000	US$'000	US$'000	US$'000	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

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, three (2012: two) were directors and the chief executive of the Company whose emoluments are included Note 15 above. The emoluments of the remaining two (2012: three) individuals were as follows:

	2013	2012
	US$'000	US$'000
Salaries and allowance	**121**	186
Contributions to retirement benefits scheme	**5**	4
	126	190

The emoluments of the two (2012: three) highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**2**	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:

	2013	2012
	US$'000	US$'000
Loss		
Loss for the year attributable to owners of the Company, for the purpose of calculation of basic loss per share	**(1,775)**	(10,677)

	2013	2012
	'000	'000
Number of shares		
Number of ordinary shares in issue during the year, for the purpose of calculation of basic loss per share	**1,058,829**	1,058,829

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

18. DIVIDEND

No dividends were paid, declared or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

19. PROPERTY, PLANT AND EQUIPMENT

	Vessels	Dry-docking	Furniture, fixtures and equipment	Leasehold improvement	Leasehold land and buildings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
THE GROUP						
COST OR VALUATION						
At 1 January 2012	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
Additions	7,500	938	13	–	–	8,451
Transferred from investment properties	–	–	–	–	1,400	1,400
Surplus on revaluation	–	–	–	–	(139)	(139)
At 31 December 2013	**67,350**	**938**	**169**	**272**	**4,877**	**73,606**
Comprising						
At cost	67,350	938	169	272	–	68,729
At valuation 2013	–	–	–	–	4,877	4,877
	67,350	938	169	272	4,877	73,606
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	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
Depreciation expense	1,495	85	15	26	71	1,692
Eliminated on revaluation	–	–	–	–	(71)	(71)
At 31 December 2013	**3,036**	**85**	**137**	**228**	**–**	**3,486**
CARRYING VALUES						
At 31 December 2013	**64,314**	**853**	**32**	**44**	**4,877**	**70,120**
At 31 December 2012	58,309	–	34	70	3,616	62,029

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

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

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

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

During the year, the Group experienced slight improvement in market conditions as demonstrated by the increase in Baltie Dry Index in 2013 as compared to that for 2012, which contributed to the increase in revenue of the vessels of the Group. However, there are still uncertainties in the market conditions and the competition in the industry is keen. In light of these considerations the directors of the Company conducted a review of the Group's vessels. In 2013, the Group determines the recoverable amounts of the vessels to be the fair value less cost to sell. Since the recoverable amounts of the vessels is higher than their carrying amounts, no impairment loss has been recognised in current year. In prior year, the recoverable amount of the vessels has been determined on the basis of their value in use. Impairment loss of US$1,664,000 has been recognised in 2012. The discount rate in measuring the amounts of value in use was 9.71%.

The fair value of the Group's leasehold land and buildings at 31 December 2013 and 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 deficit of US$68,000 (2012: surplus of US$528,000) arising on revaluation has been recognised in other comprehensive income and accumulated in equity.

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

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

There were no transfers into or out of Level 2 during the year.

Had the leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts would have been US$3,640,000 (2012: US$2,323,000).

20. INVESTMENT PROPERTY

	THE GROUP
	US$'000
FAIR VALUE	
At 1 January 2012	2,059
Increase in fair value recognised in profit or loss	296
At 31 December 2012	2,355
Transferred to property, plant and equipment	(1,400)
Decrease in fair value recognised in profit or loss	(41)
At 31 December 2013	914

20. INVESTMENT PROPERTY (cont'd)

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 properties as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs RHL, independent qualified professional valuers not connected to the Group.

The fair value was determined based on direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing conditions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

	Level 1	Level 2	Level 3	Fair values as at 31.12.2013
	US$'000	US$'000	US$'000	US$'000
Commercial property units located in Hong Kong	–	914	–	914

There were no transfers into or out of Level 2 during the year.

The property rental income from the Group's investment property which is generated under operating leases, amounted to US$37,000 (2012: US$43,000) for the year. No material direct operating expenses arise from the investment property.

21. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2013	2012
	US$'000	US$'000
Unquoted equity shares, at cost	**20,047**	17,961

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The imputed interest income on the amounts due from subsidiaries of US$2,086,000 (2012: US$1,737,000) 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.

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

During the year, the directors of the Company reviewed the carrying values of the interests in subsidiaries and the amounts due from subsidiaries. The recoverable amounts of these investments and the amounts due are determined with reference to the directors' estimate of discounted future cash flows of these investments as at the end of reporting period. Accordingly, 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 2013 %	2012 %	Principal activities
Held by the Company					
Courage Marine Holdings (BVI) Limited ("Courage Marine BVI")	The British Virgin Islands ("BVI")	Ordinary	**100**	100	Investment holding
Held by Courage Marine BVI					
Courage Marine (Holdings) Co. Limited ("Courage Marine Holdings")	Hong Kong	Ordinary	**100**	100	Investment holding
Held by Courage Marine Holdings					
Bravery Marine Holding Inc.	Republic of Panama	Ordinary	**100**	100	Inactive
Courage Marine Co. Ltd.	BVI	Ordinary	**100**	100	Provision of marine transportation services
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

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 2013 %	2012 %	Principal activities
Held by Courage Marine Holdings (cont'd)					
Courage Marine Overseas Limited ("CM Overseas")	BVI	Ordinary	**100**	100	Provision of property development business
Courage-New Amego Shipping Corp. ("Courage-New Amego")	Republic of Panama	Ordinary	**100**	100	Provision of marketing and operating services to Group companies
Midas Shipping Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Provision of operating services to Group companies
New Hope Marine, S.A.	Republic of Panama	Ordinary	**100**	100	Inactive
Panamax Mars Marine Co. Ltd.	BVI	Ordinary	**100**	100	Inactive
Sea Pioneer Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Sea Valour Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive 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 (January2012 and before: provision of marine transportation services)
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

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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 2013 %	2012 %	Principal activities
Held by Courage Marine Holdings (cont'd)					
Cape Ore Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Belcastro Pte. Ltd. ("Belcastro")	Singapore	Ordinary	**100**	100	Inactive
Panamax Leader Marine Corp.	Republic of Panama	Ordinary	**100**	100	Inactive after September 2012 (September2012 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		Principal activities
			2013	2012	
			%	%	
Held by Jade					
上海吉進企業管理諮詢有限公司 (Note ii)	PRC	Registered	**100**	100	Provision of management and consulting services
Held by Belcastro					
PT Courage Tech-Logi Indonesia	Indonesia	Ordinary	**100**	100	Provision of trading of coal
Held by CM Overseas					
Diamond Plus Limited	BVI	Ordinary	**100**	–	Property investment
Triple Diamond Limited	BVI	Ordinary	**100**	–	Property investment
Target Win Limited	BVI	Ordinary	**100**	–	Property investment

Notes:

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

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

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

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

22. INTEREST IN A JOINT VENTURE

	THE GROUP	
	2013	2012
	US$'000	US$'000
Cost of unlisted investment in a joint venture	**5,330**	32

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

Name of entity	Place of establishment/ operation	Class of capital held	Proportion of nominal values of issued registered capital held by the Group 2013 %	2012 %	Principal activity
上海悦勇投資管理公司	PRC	Registered capital	**41.7**	41.7	Property investment

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

	2013 US$'000	2012 US$'000
Current assets	**1,152**	80
Non-current assets	**13,932**	–
Current liabilities	**(2,196)**	–
Non-current liabilities	**–**	–

The above amounts of assets and liabilities include the following:

	2013 US$'000	2012 US$'000
Cash and cash equivalents	**326**	3
Current financial liabilities (excluding trade and other payables and provisions)	**(2,196)**	–
Revenue	**–**	–
Loss for the year	**70**	99
Other comprehensive expense for the year	**–**	–
Total comprehensive expense for the year	**70**	99

The above profit (loss) for the year include the following:

	2013 US$'000	2012 US$'000
Interest income	**11**	–
Interest expense	**(63)**	–
Income tax expense	**–**	–

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

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

	2013 US$'000	2012 US$'000
Net assets of the Joint Venture	12,888	80
Proportion of the Group's ownership interest in the Joint Venture	5,374	33
Others	(44)	(1)
Carrying amount of the Group's interest in the Joint Venture	5,330	32

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

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

		THE GROUP		THE COMPANY	
	NOTES	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Deferred consideration for disposal of investment in associate	(i)	–	3,767	–	–
Interest-free loan to Santarli Realty	(ii)	4,058	–	–	–
Interest-free loan to Santarli Corp and deposit for acquisition of investment	(ii)	–	3,912	–	–
Other receivables	(iii)	141	173	27	–
Prepayments		1,411	1,089	–	43
Deposit for acquisition of property, plant and equipment and investment properties		957	–	–	–
Other deposits	(iv)	2,223	2,390	–	–
		8,790	11,331	27	43
Less: Non-current portion		(5,015)	(7,679)	–	–
Amounts due within one year shown under current assets		3,775	3,652	27	43

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

Notes:

(i) The amount of deferred consideration for disposal of investment in an associate of US$3,767,000 was due from Jason Chang, an independent third party. Background of this deferred consideration was detailed in Note 23 to the consolidated financial statements for the year ended 31 December 2012.

On 18 May 2012, 上海悦勇投資管理有限公司 ("上海悦勇") was established in the People's Republic of China (the "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 joint venture of the Group because decisions about the relevant activities of 上海悦勇 require the unanimous consent of the parties sharing control.

On the same day, a 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.

In March 2013, the building certificate of the industrial building has been granted to 上海悦勇, the joint venture, by the Housing Security and Administration Bureau of Qingpu District. Accordingly, the transfer of the property interest in the industrial building to 上海悦勇 for the settlement of the receivables due from Jason Chang has been completed. The deferred consideration for disposal of investment in associate amounting to US$3,767,000 was derecognised and the carrying amount of the interest in a joint venture increased by US$5,298,000, which represented the fair value of the property interest attributable to the Group, which is arrived at on the basis of a valuation carried out on the date of transfer of the property interest by RHL. The fair value of the property interest in the industrial building attributable to the Group over the carrying amount of the deferred consideration amounting to US$1,531,000 is recognised in other reserve.

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

Notes: (cont'd)

(ii) On 14 September 2012, CM Overseas, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corp, an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty, (which constitutes 10% of the issued share capital of Santarli Realty) at a cash consideration of S$100,000 and shareholder's loans of not exceeding the principal amount of S$5,400,000 (collectively referred to as the "Consideration"). Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore. At 31 December 2013 and 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.

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

Upon the completion of the acquisition, the interest-free loan to Santarli Corp has been used to offset the consideration and accounted for as the shareholder's loan to Santarli Realty, for its property development which is expected by the Group to be repaid over 1 year from the end of the reporting period, the balance is classified as non-current asset and is carried at an effective interest rate of 5.73% per annum. Imputed interest income on the long-term receivable of US$225,000 is recognised in profit or loss for the year ended 31 December 2013.

At 31 December 2012, the interest-free loan to Santarli Corp was expected by the Group to be repaid over 1 year from the end of the reporting period, the balance was classified as non-current asset and was carried at an effective interest rate of 5.73% per annum. Imputed interest income on the long-term receivable of US$96,000 was 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) Other deposits included US$2,186,000 (2012: US$2,353,000) paid to a third party, representing 80% (2012: 80%) of consideration for the purchase of coal (Note 40). During the year, due to drop in coal price, US$167,000 impairment is made in respect of deposits paid.

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

24. DEPOSIT PAID FOR ACQUISITION OF A VESSEL

In December 2013, the Group had entered into a memorandum of agreement ("MOA") with an independent third party in relation to an acquisition of a vessel (the "MOA") at a cash consideration of US$8,600,000. A down payment of US$860,000, representing 10% of the total consideration, was made after signing the MOA. The remaining balance of US$7,740,000 is fully settled upon delivery of the vessel on 20 January 2014. The Group has funded the consideration by internal resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

25. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2013 US$'000	2012 US$'000
Unlisted investment:		
– Equity securities (Note)	**79**	–
Analysed for reporting purposes as:		
Non-current assets	**79**	–

Note: The Group holds 10% (2012: nil) of the ordinary share capital of Santarli Realty, a company involved in property development business in Singapore. The directors of the Company do not believe that the Group is able to exercise significant influence over Santarli Realty as the Group does not have any board seat in Santarli Realty.

26. TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (31 December 2012: 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	
	2013 US$'000	2012 US$'000
0 to 30 days	**1,329**	891

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$1,329,000 (2012: US$891,000) 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	
	2013 US$'000	2012 US$'000
0 to 30 days	**1,329**	891

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.

26. TRADE RECEIVABLES (cont'd)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$nil (2012: 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 are also the functional currency of the respective entities in the Group.

27. AMOUNT DUE FROM A JOINT VENTURE

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

28. HELD-FOR-TRADING INVESTMENTS

	THE GROUP	
	2013	2012
	US$'000	US$'000
Listed securities:		
– Equity securities listed in Republic of China	**450**	391

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 2013, the Group has placed a fixed deposit of US$2,027,000 (2012: US$2,014,000) 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 (2012: US$2,000,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.60% (2012: 0.60%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2013, the Group has placed a fixed deposit of US$250,000 (2012: US$250,000) in PT Bank Negara Indonesia ("BNI"), to secure against short-time banking facilities of US$2,500,000 (2012: US$2,500,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.05% (2012: 0.05%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2013, the Group has placed a fixed deposit of US$2,053,000 (2012: US$2,034,000) in Bank of Communications ("BOC"), to secure against short-time banking facilities of US$5,100,000 (2012: US$5,100,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.90% (2012: 1.01%) per annum. US$2,475,000 (2012: US$2,407,000) was drawn by the Group as bank overdraft at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

30. 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 contained embedded derivatives. The returns of the deposit were linked to the change in interest rates quoted in the market. The structured deposit was designated as FVTPL at initial recognition and the change in fair value was recognised in profit or loss.

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

The Group had pledged structure deposit to secure general banking facilities granted to the Group at 31 December 2012.

The deposit was matured and fully recovered on 23 April 2013.

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise bank balances and cash held by the Group of approximately US$11,415,000 (2012: US$8,548,000) and short-term fixed bank deposits of approximately US$1,737,000 (2012: US$13,324,000) 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 2.05% (2012: 0.05% to 3.20%) per annum and for a remaining tenure of approximately 69 days (2012: 51 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	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Hong Kong dollars	**91**	198	**–**	–
NTD	**324**	93	**–**	–
Singapore dollars	**86**	77	**–**	–
Renminbi	**54**	1,260	**–**	–

32. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Customers and rental deposits	**508**	239	**–**	–
Accrued vessel related expenses	**873**	632	**–**	–
Accrued staff related expenses	**563**	536	**442**	446
Other accrued operating expenses	**261**	368	**435**	532
	2,205	1,775	**877**	978

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	
	2013	2012
	US$'000	US$'000
Secured bank overdraft (Note 30)	**2,475**	2,407
Secured other loans	**33,511**	32,562
	35,986	34,969
Carrying amount repayable:		
Within one year	**5,646**	5,098
More than one year, but not exceeding two years	**3,171**	2,691
More than two years, but not exceeding five years	**10,752**	8,073
More than five years	**16,417**	19,107
	35,986	34,969
Less: Amounts due within one year shown under current liabilities	**(5,646)**	(5,098)
Amounts shown under non-current liabilities	**30,340**	29,871
Effective interest rate (%) per annum	**2.69 – 3.32**	1.56 – 3.32

The carrying amounts of borrowings approximate their fair value.

33. BORROWINGS (cont'd)

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

During the current year, the Group obtained new loans amounting to US$4,000,000 (31 December 2012: US$34,580,000) and US$1,465,000 (31 December 2012: US$673,000) were repaid. The bank loans carry interest at London Interbank Offered Bank ("LIBOR") plus certain basis points and are repayable over a period ranging from 7-10 years.

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

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

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

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

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

34. SHARE CAPITAL

	Number of shares '000	Amount US$'000
Ordinary shares of US$0.018 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	10,000,000	180,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	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. When revalued land and building is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

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 2012, 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
(Credit) charged to profit or loss	(2)	–	2	–
Charge to equity	–	(24)	–	(24)
At 31 December 2013	**5**	**189**	**(4)**	**190**

At the end of the reporting period, the Group has unused tax losses of US$1,196,000 (2012: US$706,000). A deferred tax asset has been recognised in respect of US$24,000 (2012: US$36,000) of such losses. No deferred tax asset has been recognised in respect of US$1,172,000 (2012: US$670,000) due to unpredictability of future profit streams. The losses may be carried forward indefinitely.

37. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

	THE GROUP	
	2013 US$'000	2012 US$'000
Minimum lease payments paid under operating leases recognised as an expense in the year of rented premises	**139**	141

At the end of the reporting period, the Group had commitments of US$109,000 (2012: US$74,000) for future minimum lease payments under non-cancellable operating leases which fall due within two years (2012: one year).

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 (2012: one to two years) and rentals are fixed for a term ranging from one to two years (2012: one to two years).

37. OPERATING LEASE COMMITMENTS (cont'd)

THE GROUP AS LESSOR

Property rental income earned during the year was US$37,000 (2012: US$43,000). The property is expected to generate rental yields of 2.71% (2012: 1.83%) 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	
	2013	2012
	US$'000	US$'000
Within one year	**25**	29
In the second to fifth year inclusive	**22**	–
	47	29

38. CONTINGENT LIABILITIES

As at the end of the current year, the Group has contingent liabilities in respect of joint and several back-to-back guarantee with other shareholders of Santarli Realty Pte Ltd. in proportion to their respective equity holdings in favour of bank covering the loan granted to Santarli Realty.

The Group's portion of this guarantee amounted to S$12,250,000 (equivalent to US$9,678,000) (31 December 2012: US$9,678,000).

At 31 December 2013, the Company provided corporate guarantee to subsidiaries to obtain loan facilities amounting to US$46,180,000 (2012: US$37,080,000) from certain financial institution and third parties and US$35,986,000 (2012: US$34,969,000) of such loan facilities was utilised by the subsidiaries.

The directors of the Company consider that the fair value of the corporate guarantee granted to the subsidiaries at 31 December 2013 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:

	2013	2012
	US$'000	US$'000
Property, plant and equipment	**61,997**	55,275
Investment property	**914**	2,355
Pledged bank deposits	**4,330**	4,298
Structured deposits	**–**	962
	67,241	62,890

40. CAPITAL AND OTHER COMMITMENTS

	2013 US$'000	2012 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of a vessel	7,740	–
– acquisition of investment properties	1,015	–
– acquisition of property, plant and equipment	1,054	–

Up to 31 December 2013, 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$2,186,000 (2012: US$2,353,000), representing around 80% (2012: 80%) 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. During the year, due to drop in coal price, US$167,000 impairment loss is recognised in profit or loss.

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	**2013 US$'000**	2012 US$'000
Ms.Chou Hsia-Ma ("Ms. Chou")	Rental expense paid	(i)	**28**	27
Maxmart Shipping & Trading Co., Ltd. ("Maxmart")	Commission on disposal of vessels paid	(ii)	**–**	114

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$55,211 (2012: US$20,000) for future minimum lease payments under non-cancellable operating leases which fall due within two years (2012: one year).

(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. MAJOR NON CASH TRANSACTIONS

During the year, the Group has the following major non-cash transactions.

Deferred consideration for disposal of investment in associate with the amount of US$3,767,000 was derecognised upon transfer of property interest in an industrial building from 上海悦嘉 to上海悦勇 in March 2013. The carrying amount of the interest in joint venture increased by US$5,298,000, which represented the fair value of the property interest attributable to the Group, which is arrived at on the basis of a valuation carried out on the date of transfer of the property interest by RHL. The fair value of the property interest in the industrial building attributable to the Group over the carrying amount of the deferred consideration amounting to US$1,531,000 is recognised in other reserve.

In July 2013, the acquisition for 100,000 shares in Santarli Realty was approved by the independent shareholders in the special general meeting. Thus, the deposit of US$79,000 for the acquisition was reclassified to AFS investment.

44. EVENTS AFTER THE REPORTING PERIOD

As mentioned in Note 24, the Group entered into a memorandum of agreement in December 2013 with an independent third party to acquire a vessel for a cash consideration of US$8,600,000. The vessel has been delivered on 20 January 2014. The Group has funded the consideration by internal resources.

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2014

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	4	0.12	1,213	0.00
1,000 – 10,000	1,236	36.60	8,290,500	0.78
10,001 – 1,000,000	2,110	62.48	141,358,287	13.35
1,000,001 and above	27	0.80	909,179,308	85.87
Total:	**3,377**	**100.00**	**1,058,829,308**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	HKSCC Nominees Limited	713,547,697	67.39
2.	Sea-Sea Marine Company Limited	142,081,611	13.42
3.	CIMB Securities (Singapore) Pte. Ltd.	6,273,000	0.59
4.	OCBC Securities Private Limited	5,202,000	0.49
5.	Phillip Securities Pte Ltd	3,281,000	0.31
6.	Hsbc (Singapore) Nominees Pte Ltd	3,073,000	0.29
7.	UOB Kay Hian Private Limited	3,032,000	0.29
8.	Tan Loo Lee	2,767,000	0.26
9.	DMG & Partners Securities Pte Ltd	2,602,000	0.25
10.	EST of Phay Seng Whatt Dec'd	2,600,000	0.25
11.	Lim & Tan Securities Pte Ltd	2,600,000	0.25
12.	Network Architects Pte Ltd	2,305,000	0.22
13.	Lee Seak Sung @ Lee Seak Song	1,890,000	0.18
14.	Yang Wei Lyn	1,840,000	0.17
15.	United Overseas Bank Nominees (Private) Limited	1,619,000	0.15
16.	Cheang Chung Kit	1,416,000	0.13
17.	Lim Kim Huat	1,400,000	0.13
18.	Chang Yeh Hong	1,380,000	0.13
19.	Ng Hwee Koon	1,300,000	0.12
20.	Quek Seng Long	1,280,000	0.12
	Total:	**901,489,308**	**85.14**

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	95,389,611/ 102,126,611 (Note 1)	9.01%/9.65%
Chen Shin-Yung (Note 6)	Interest in controlled corporation	95,389,611/ 102,126,611 (Note 1)	9.01%/9.65%
Zhou Xunlan	Beneficial owner	85,952,000	8.12%

Notes:

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

2. Sea-Sea Marine is wholly-owned by Besco 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.

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2014

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.

The Company does not hold any treasury shares.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 58.1% of the shareholding of the Company is held in the hands of the public as at 13 March 2014. Accordingly, Rule 723 of the SGX-ST Listing Manual and Rule 8.08 of the HK Listing Rules have been complied with.

FOUR YEARS FINANCIAL SUMMARY

	Year ended 31 December			
	2013	2012	2011	2010
	US$'000	US$'000	US$'000	US$'000
RESULTS				
Revenue	**24,963**	18,758	21,691	46,521
(Loss) profit before income tax	**(1,772)**	(10,671)	(29,488)	9,095
Income tax expense	**(3)**	(6)	(26)	(71)
(Loss) profit for the year	**(1,775)**	(10,677)	(29,514)	9,024
Attributable to:				
Owners of the Company	**(1,819)**	(10,362)	(28,864)	9,176

	At 31 December			
	2013	2012	2011	2010
	US$'000	US$'000	US$'000	US$'000
ASSETS AND LIABILITIES				
Total assets	**105,766**	104,631	96,921	120,624
Total liabilities	**(38,381)**	(36,958)	(18,886)	(6,207)
	67,385	67,673	78,035	114,417
Equity attributable to owners of the Company	**67,385**	67,673	78,035	114,417

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting ("**Annual General Meeting**") of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 308, Level 3, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Tuesday, 29 April 2014 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 2014 of which the notice of this Annual General Meeting formspart):–

ORDINARY BUSINESS

1. To receive and adopt the Directors' report and audited accounts for the year ended 31December 2013 and the auditors' report thereon.

2. To re-elect Mr. Wu Chao-Huan, who is retiring pursuant to Bye-law 86 of the Company and, being eligible, offers himself for re-election.

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

4. To approve the appointment of Mr. Wu Jian as an executive Director.

5. To approve the appointment of Mr. Tsoi Wai Kwong as a non-executive Director.

6. To approve the appointment of Mr. Foo Meng Kee as an independent non-executive Director.

7. To approve the appointment of Mr. Ngiam Zee Moey as an independent non-executive Director.

8. To approve the payment of Directors' fees of US$190,631.00 for the year ended 31 December 2013 (FY2012: US$196,599.00).

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

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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), not less than 48 hours before the time appointed for the Annual General Meeting.

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

By order of the Board

Lee Pih Peng
Company Secretary

Singapore and Hong Kong, 27 March 2014

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 (Resigned on 25 Feb 2014)
Independent Non-Executive Director
SIN Boon Ann (Resigned on 25 Feb 2014)
Independent Non-Executive Director

AUDIT COMMITTEE

LUI Chun Kin, Gary (Chairman) (Resigned on 25 Feb 2014)
CHU Wen Yuan
SIN Boon Ann (Resigned on 25 Feb 2014)

REMUNERATION COMMITTEE

CHU Wen Yuan (Chairman)
HSU Chih-Chien
SIN Boon Ann (Resigned on 25 Feb 2014)

NOMINATION COMMITTEE

SIN Boon Ann (Chairman) (Resigned on 25 Feb 2014)
HSU Chih-Chien
LUI Chun Kin, Gary (Resigned on 25 Feb 2014)

FINANCIAL CALENDAR

Financial Year End
31 December 2013

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:
Benny Lam
Appointed in 2013

DISPATCH OF ANNUAL REPORTS TO SHAREHOLDERS

27 March 2014

ANNUAL GENERAL MEETING

29 April 2014