Great Harvest Maeta Group Holdings Limited
榮豐聯合控股有限公司
(incorporated in the Cayman Islands with limited liability)
Stock code: 3683

Annual Report 2014

CONTENTS

GLOSSARY

"Ablaze Rich"	Ablaze Rich Investments Limited (耀豐投資有限公司), a company incorporated in the BVI on 1 July 2008 and the holding company of the Company
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Baltic Capesize Index"	an index of the shipping prices of capesize vessels made up of 10 daily capesize vessel assessments including voyage and time charter rates published by the Baltic Exchange in London
"Baltic Dry Index"	an index of the daily average of international shipping prices of various dry bulk cargoes made up of 20 key dry bulk routes published by the Baltic Exchange in London
"Baltic Panamax Index"	an index of the shipping prices of panamax vessels made up of four daily panamax vessel assessments of time charter rates published by the Baltic Exchange in London
"Board"	the board of Directors
"Bryance Group"	Bryance Group Limited, a company incorporated in the BVI on 28 September 2006 and a wholly-owned subsidiary of the Company
"BVI"	the British Virgin Islands
"CG Code"	Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
"Company"	Great Harvest Maeta Group Holdings Limited (榮豐聯合控股有限公司), an exempted company incorporated in the Cayman Islands on 21 April 2010 under the Companies Laws of the Cayman Islands with limited liability
"Convertible Bonds"	the First Convertible Bonds and, where appropriate, the Second Convertible Bonds
"Conversion Share(s)"	the Share(s) to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds
"Daily TCE"	an acronym for daily time charter equivalent, a standard industry measurement of the average daily revenue performance of a vessel. Daily TCE is calculated by dividing the voyage revenues (net of expenses such as port, canal and bunker costs) by the available days (being the number of days that the vessel was operated by the Group during the charter period minus days without charter hire due to repair and maintenance and between two charter periods and days agreed with the charterers due to the speed claims or any other reasonable claims arising from the under-performance of the vessel) for the relevant time period
"Director(s)"	director(s) of the Company
"dwt"	an acronym for deadweight tonnage, a measure expressed in metric tons or long tons of a ship's carrying capacity, including cargoes, bunker, fresh water, crew and provisions
"First Completion"	the completion of the issue and subscription of the First Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement

GLOSSARY

"First Completion Date"	the date of First Completion, being 2 September 2013
"First Convertible Bonds"	the first tranche of convertible bonds in the principal amount of US$3,000,000 be issued by the Company for subscription by Ablaze Rich pursuant to the terms and conditions of the Subscription Agreement
"GH FORTUNE/GH PROSPERITY Loan"	a term loan for the aggregate principal amount of US$16 million in two tranches for the purpose of financing or refinancing the acquisition costs of GH FORTUNE and GH PROSPERITY. US$10.4 million of the principal amount of such term loan shall be repaid by 20 quarterly instalments, and US$5.6 million thereof shall be repaid by 12 quarterly instalments, commencing three months from 5 December 2013
"GH GLORY Loan"	a term loan for the principal amount of US$26 million for financing the acquisition costs of GH GLORY. 70% of the principal amount of the bank loan shall be repayable by 28 consecutive quarterly instalments of US$650,000 commencing three months from the drawdown date, and the remaining 30% of the principal amount of the loan to be repaid together with the last quarterly instalment
"GH POWER Loan"	a term loan for the principal amount of US$39 million for financing the acquisition costs of GH POWER. The principal amount shall be repaid by 40 quarterly instalments commencing three months from 11 February 2008
"Great Ocean"	Great Ocean Shipping Limited (浩洋船務有限公司), a company incorporated in the BVI on 29 September 2006 and a wholly-owned subsidiary of the Company
"Greater Shipping"	Greater Shipping Co., Ltd. (榮達船務有限公司), a company incorporated in the BVI on 31 May 2002 and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Joy Ocean"	Joy Ocean Shipping Limited (悦洋船務有限公司), a company incorporated in the BVI on 21 October 2004 and a wholly-owned subsidiary of the Company
"Listing Date"	the date on which trading of the Shares on the Main Board first commenced, i.e. 11 October 2010
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market of the Stock Exchange and the options market
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Yan"	Mr. YAN Kim Po (殷劍波先生), the chairman of the Board, an executive Director and the husband of Ms. Lam

GLOSSARY

"Ms. Lam"	Ms. LAM Kwan (林群女士), the chief executive officer of the Company, an executive Director and the wife of Mr. Yan
"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	the People's Republic of China which, for the purposes of this annual report only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Board
"Prosperity Plus"	Prosperity Plus Enterprises Limited, a company incorporated in the BVI on 21 March 2011 and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Second Completion"	the completion of the issue and subscription of the Second Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement
"Second Completion Date"	the date of Second Completion, being the date as specified in the Second Completion Notice
"Second Completion Notice"	written notice to be issued by the Company to Ablaze Rich in relation to the Second Completion Date pursuant to the terms and conditions of the Subscription Agreement, provided that (i) such written notice must be issued within one year from the First Completion Date and not less than five business days before the Second Completion Date as specified in the written notice, and (ii) the Second Completion Date must be a business day
"Second Convertible Bonds"	the second tranche of convertible bonds in the principal amount of US$5,000,000 to be issued by the Company for subscription by Ablaze Rich pursuant to the terms and conditions of the Subscription Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company approved and adopted by an ordinary resolution of the shareholders at the annual general meeting of the Company held on 19 August 2011
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the agreement dated 5 July 2013 and entered into between the Company and Ablaze Rich in respect of the subscription of the Convertible Bonds
"Union Apex"	Union Apex Mega Shipping Limited (聯合佳成船務有限公司), a company incorporated in Hong Kong on 2 December 2009 and a wholly-owned subsidiary of the Company
"US$" and "US cents"	United States dollars and cents, respectively, the lawful currency of the United States
"Way Ocean"	Way Ocean Shipping Limited, a company incorporated in the BVI on 8 October 2010 and a wholly-owned subsidiary of the Company

CORPORATE INFORMATION

Board of Directors

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

Independent non-executive Directors
Mr. CHEUNG Kwan Hung (張鈞鴻)
Dr. CHAN Chung Bun, Bunny (陳振彬)
Mr. WAI Kwok Hung (韋國洪)

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

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

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

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

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

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

Headquarters and principal place of business in Hong Kong
12th Floor
200 Gloucester Road
Wanchai
Hong Kong

Principal share registrar and transfer office in the Cayman Islands
Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong share registrar and transfer office
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent auditor
PricewaterhouseCoopers

Legal adviser as to Hong Kong law
Chiu & Partners

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

Stock code
3683

Website address
www.greatharvestmg.com

FIVE YEAR FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
(Loss)/profit attributable to owners of the Company	**(6,612)**	(13,415)	(6,909)	4,131	19,359
Assets and liabilities					
Total assets	**142,204**	141,936	159,853	177,749	136,756
Total liabilities	**(51,513)**	(44,846)	(49,831)	(61,101)	(64,065)
Net assets	**90,691**	97,090	110,022	116,648	72,691

CHAIRMAN'S STATEMENT

Dear shareholders,

In 2013, the world economy showed a recovery trend due to some favorable factors, such as the recovery of the United States economy and stability of the European economy. Both international trade volume and demand for marine transportation increased. In particular, the continuous increase of the import volume of dry bulk cargoes, such as iron ore and coal, in the Chinese market facilitated the significant rebound of spot rates in the dry bulk marine transportation market in the second half of 2013. The number of newly-built vessels delivered also dropped from the historical height of 2012. A net growth in the world dry bulk fleet of approximately 39,000,000 dwt was recorded in 2013, representing a decrease of about 40% as compared to the growth in 2012, which relieved the oversupply condition of the dry bulk shipping capacity to a certain extent. However, for ship owners, the spot market is still unstable and subject to fluctuations as the oversupply of world dry bulk shipping capacity remains and the operating environment is still challenging. Meanwhile, the higher fuel oil prices and the increasing operating expenses and vessel management charges also limited and impaired the profitability of the vessels.

During the year ended 31 March 2014, the average age of our fleet decreased from about 15 years to 12.8 years as a result of the handover of a 27-year-old panamax dry bulk vessel to a lessee at the end of a finance lease arrangement and acquisition of a 16-year-old panamax dry bulk vessel, with our fleet size slightly increased by 2,139 dwt to 420,369 dwt. As the market was volatile, the Group maintained positive and prudent operating strategies, with a fleet occupancy rate of approximately 98.5% and a total of approximately 1,799 days of occupancy throughout the year, carrying an aggregate of 2,835,755 tonnes of cargoes, achieving an average daily charter rate per vessel of approximately US$10,785, with a recovery rate of close to 100% for receipt of charter hire during the year.

Looking forward to the coming year, although difficulties and challenges remain in the dry bulk marine transportation market, the expectation for the spot dry bulk freight market is positive. It is believed that the charter hire rates may largely maintain at the same level as that of last year or with slight improvement. Meanwhile, the imbalance of supply and demand of dry bulk shipping capacity is still considered to be the major factor determining the freight market trend of this year. With reference to the forecast of the International Monetary Fund (IMF), the overall economy and international trade volume are predicted to grow at an annual rate of about 3.7% and 4.5%, respectively. Therefore, we expect that the demand for marine transportation of dry bulk will grow accordingly. If delivery of newly built vessels could be kept at a lower level, it will be a positive factor contributing to adjustment of the current condition of oversupply of vessels in the dry bulk marine transportation market. However, the freight market will likely to be in a depressed state and subject to substantial fluctuation until recovery of balance between supply and demand of global shipping capacity.

With difficult market condition and challenging operating environment ahead, the Group will maintain its prudent operating strategies of enhancing daily management of vessels, providing better transportation service to customers, enhancing efforts in expanding the revenue of the Group and also strictly controlling operation cost. Our vessels mainly carry dry bulk cargoes, such as coal, iron ore and grains. In order to expand our scope of business, the Group intends to identify new development opportunities and/or to expand our scope of business and diversify our income stream by actively expanding into other businesses apart from shipping business, such as upstream businesses.

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

YAN Kim Po
Chairman

23 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Market review

Daily Variation Chart of the Baltic Dry Index (BDI), the Baltic Capesize Index (BCI) and the Baltic Panamax Index (BPI) 1 April 2013–31 March 2014

	BDI	BCI	BPI
1 April 2013–31 March 2014 (year average)	1,348	2,318	1,290
1 April 2013–30 September 2013 (first half average)	1,095	1,960	1,048
1 October 2013–31 March 2014 (second half average)	1,608	2,684	1,537

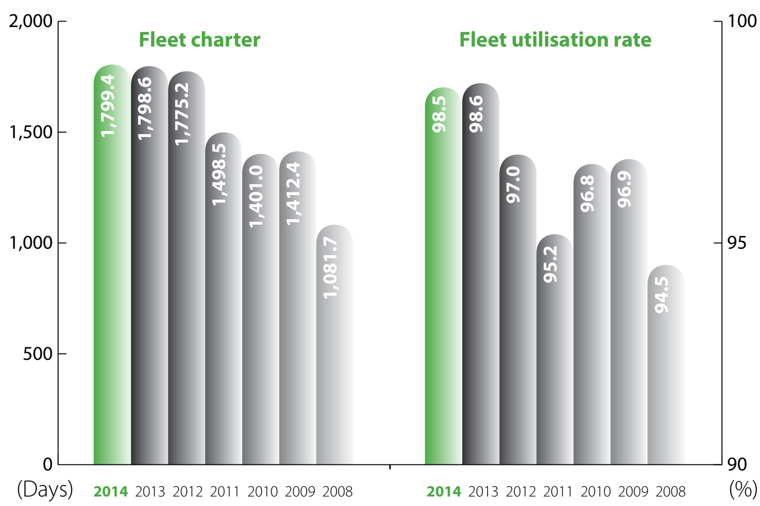
During the year from 1 April 2013 to 31 March 2014, the dry bulk freight market opened at a depressed level and improved as the year progressed. Freight rate was in a very low position for the first half of the year due to the impact of the extremely depressed market freight rate recorded in the previous year. For instance, Baltic Panamax Index for the six months ended 30 September 2013 was 1,048 points (average daily charter rate was US$8,364) which then climbed to 1,537 points for the six months ended 31 March 2014 (average daily charter rate was US$12,625). Although there were unseasonable freight rate fluctuation and decline in the spot market in the first quarter of 2014, the spot market recorded an increase as compared to the corresponding period of last year.

Oversupply in the dry bulk marine transportation market had no fundamental change, and the imbalance between supply and demand of the vessels remained the key factor to the fluctuation of the dry bulk freight market. The rebound of the spot market after September 2013 was attributable to the relatively improved balance between the growth of the dry bulk fleet and demand for marine transportation in 2013, with a growth of 5% and 6% respectively, which slightly relieved the oversupply situation. In an environment of slow growth in the overall economy, such recovering adjustment and upward trend recorded in the dry bulk freight market was scarce. One of the main driving factors for the growth was the strong growth momentum of China's dry bulk import volume, among which iron ore import volume in 2013 amounted to approximately 819 million tonnes, representing an increase of approximately 10.2%; while coal import volume amounted to approximately 327 million tonnes, representing an increase of approximately 13.4%. Slow down in the growth of the world dry bulk fleet was another driving factor. The net increase of the world dry bulk fleet for the whole year was approximately 39 million dwt, significantly lower than 65 million dwt for the corresponding period of last year, which provided room for adjustment of the dry bulk freight market. However, while the dry bulk freight market showed an initial sign of improvement but there was yet any actual recovery of freight rates, there was already significant rise in the market price of dry bulk vessels. According to statistics, price of secondhand dry bulk vessels increased by approximately 28% in 2013, which was notably higher than other vessel types, and price of newly built dry bulk vessels also significantly increased. Orders of newly built dry bulk vessels in 2013 also grew sizably to about 140 million dwt, which was more than twice of that of the previous year. Accordingly, there is still strong investment sentiment in the market, and its impact on the dry bulk freight market requires further observation. According to the economic forecast in the global economic outlook made by the International Monetary Fund (IMF), the growth of 3.7% and 4.5% in economy and international trade volume will both be higher than that of last year, being 3% and 2.7% respectively. It is the hope of vessel owners that this would forcefully drive and support the recovery of the dry bulk freight market. Meanwhile, orders of the newly built dry bulk vessels indicated that the number of newly built vessels to be delivered this year will be less than that of recent years. Therefore, vessel owners are full of expectation on the dry bulk freight market in 2014.

Vessel owners are under great operational pressure due to the depressed income from the dry bulk freight. New policies and regulations promulgated in various areas in the world, inflation and fluctuation in exchange rate as well as other factors further placed upward pressure in the operation and management costs of vessels. For example, crew's wages, purchase expenses of materials and spare parts and maintenance fees for each kind of vessel equipments kept rising this year. In addition, high fuel price in recent years constantly impaired the operational results of vessel owners. Moreover, new regulations and requirements for the management and operation of various vessels emerged from time to time. All of these will result in immediate upward pressure on the cost of operation and management of vessels.

Business overview

Performance analysis of the Group's Fleet



For the year ended 31 March 2014, the Group's vessels were under sound operation. The size of the Group's fleet increased slightly as compared to last year, with a carrying capacity of about 420,369 dwt as of 31 March 2014. The Group's fleet maintained a high operational level with an occupancy rate at 98.5% and a total of 1,799.43 days of occupancy, which

MANAGEMENT DISCUSSION AND ANALYSIS

were at about the same level as last year. The average daily charter rate of its vessels was approximately US$10,785 and substantially all charter hire was recovered by the Group without material receivables. Meanwhile, the Group's fleet had achieved a record of safe operation and zero adverse incidents during the year under review. The Group's fleet carried an aggregate of approximately 2,835,755.52 tonnes of cargoes during the year, including approximately 1,953,683 tonnes of coal, representing approximately 69% of the Group's total cargo volume. The Group's fleets will have a coverage rate of about 42% during the six months ended 30 September 2014 and all vessels will be operating in the spot market. The Group was able to exert stringent control over the costs and expenses for vessel management and had strived to minimize voyage expenses, hence managed to control the management expenses for the Group's vessels within budget.

In order to reduce operational risks and achieve better operational efficiency, the Group upheld its proactive and prudent operating strategies and sought to charter out vessels to more reputable charterers while endeavoring to provide better transportation services to charterers, so as to maintain a favorable market image.

On 6 November 2013, the Group entered into a memorandum of agreement with an independent third party to acquire a secondhand panamax dry bulk vessel at a purchase price of US$9.36 million (equivalent to HK$73.01 million). The vessel was delivered to the Group on 10 December 2013. Further details of the acquisition of the vessel are set out in the announcement of the Company dated 6 November 2013.

Reference is also made to the paragraph headed "Business of the Group — Fleet composition" in the section headed "Business" of the prospectus of the Company dated 27 September 2010 in relation to the finance lease arrangement concerning GREAT HARVEST, the oldest dry bulk vessel of the Group. In accordance with the agreement with the Korean charterer concerned, the finance lease arrangement of GREAT HARVEST was completed and the vessel was handed over to the charterer on 11 December 2013.

On 20 May 2014, the Group entered into a memorandum of agreement with an independent third party to acquire a secondhand paramax dry bulk vessel at a purchase price of US$22.8 million (equivalent to about HK$176.7 million). The vessel shall be due for delivery during the period from 1 July 2014 to 10 August 2014. Further details of the acquisition of the vessel are set out in the announcement of the Company dated 22 May 2014.

Market outlook

Forecast over the dry bulk marine transportation market is comparatively positive for the 2014 spot rate market. Generally, it is considered that the rising trend of both the spot rate market and the daily average income and annual average income of vessels could be maintained at last year's level and grows to a certain extent. However, there will not be a substantial change in the current oversupply situation in the dry bulk marine transportation market. The International Monetary Fund (IMF) forecasts that the world economy will grow by about 3.7%, while the aggregate international trade volume will increase by about 4.5%, both of which are higher than that of last year (being about 3% and 2.7% respectively). Therefore, it is expected that the demand for dry bulk marine transportation will also keep growing, and the growth will be greater than last year's growth of about 5% and 6%. According to the current record of orders for newly built vessels, there will be approximately 724 newly built vessels (about 55,530,000 dwt) to be delivered in the year of 2014, which will be less than the 65,000,000 dwt of last year, whereas the number of aged vessels available for demolishing is decreasing. If the number of aged vessels being demolished remain at the same level as last year, it is expected that the growth in size of the dry bulk fleet will be slower than that of last year. Under the condition that demand slightly outweighs supply, it is generally expected that the relationship between supply and demand of dry bulk vessels will be on a trend favourable to vessel owners. That is also one of the key factors driving the growth in the cost of newly built dry bulk vessels and the price of secondhand dry bulk vessels.

MANAGEMENT DISCUSSION AND ANALYSIS

According to statistics from shipping broker companies, the volumes of major types of dry bulk cargoes by marine transportation all recorded growth this year, while the demand volume of iron ore and coal by marine transportation recorded a relatively large increase which was higher than the expected growth in the dry bulk cargoes fleet of approximately 3.3% this year. The oversupply of vessels in the spot rate market will be further eased this year, which will provide a better environment and condition for the recovery of spot rate.

Based on the statistics from market reports, the imported iron ore volume by marine transportation in China will increase by approximately 12.5% this year, while the imported coal volume by marine transportation will increase by approximately 7.2%. Due to the large base number of China's imported iron ore and coal volume, further high growth will make a significant contribution to the global marine transportation volume, in particular the positive effect on the Pacific freight market is expected to be especially remarkable. There is a possibility that the level of the spot rate market this year may surpass that of 2013 if the existing oversupply situation in vessel market could be further improved as expected, which may result in the average income of vessels of this year surpassing that of last year. However, since the significant rebound of spot rate recorded in September 2013, the spot rate market has experienced substantial fluctuation due to the continuous oversupply of dry bulk vessels. In the event that there were a lot of dry bulk vessels unoccupied and looking for cargoes at the same time, the spot rate market would immediately be under pressure and the freight rate would decrease. In other words, if the vessels operating in the spot market are involved in the fluctuation valley of the freight rate, their operating income would also suffer significant losses.

As the spot rate market is full of fluctuation, the Group will maintain prudent operating strategies by enhancing daily management of vessels, making efforts to provide better transportation service to customers and striving to lease out its vessels to reputable and reliable customers at higher rates, thus generating more operational income for the Group. The Group will also strictly control the operating costs and reduce all unnecessary expenses. The Group intends to identify more new development opportunities and/or to expand our scope of business and diversify our income streams by actively expanding into other businesses apart from shipping business, such as upstream businesses.

Financial review

Revenue

Revenue of the Group decreased from approximately US$23.3 million for the year ended 31 March 2013 to approximately US$22.9 million for the year ended 31 March 2014, representing a decrease of approximately US$0.4 million, or approximately 1.5%. It comprised time charter income of approximately US$14.3million (constituted approximately 62.2% of the revenue of the Group) (2013: approximately US$9.3 million, constituted approximately 39.9% of the revenue of the Group), voyage charter income of approximately US$4.2 million (constituted approximately 18.3 % of the revenue of the Group) (2013: approximately US$7.2 million, constituted approximately 31.0% of the revenue of the Group) and service income of approximately US$4.4 million (constituted approximately 19.5 % of the revenue of the Group) (2013: approximately US$6.8 million, constituted approximately 29.1% of the revenue of the Group) for the year ended 31 March 2014. The decrease in charter income was mainly attributable to the decrease in voyage charter income which was mainly due to the decrease in income for the year ended 31 March 2014 derived from completion of voyage charters with aggregate shipping volume of 348,506 metric tonnes of cargo like salt, petcoke, soy bean and coal as compared with completion of shipping volume of 464,900 metric tonnes of iron ore for the year ended 31 March 2013. The increase in time charter income contributed to the slight improvement of the average Daily TCE of the Group's fleet from approximately US$9,805 for the year ended 31 March 2013 to approximately US$10,785 for the year ended 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

Cost of services of the Group decreased from approximately US$25.1 million for the year ended 31 March 2013 to approximately US$19.5 million for the year ended 31 March 2014, representing a decrease of approximately US$5.6 million or approximately 22.4%. The decrease of cost of services was mainly due to decrease in direct expenses including bunker expenses and port charges related to voyage chartering and decrease in depreciation after impairment of vessel recognised during the year ended 31 March 2014.

Gross profit/loss

The Group recorded gross profit of approximately US$3.5 million for the year ended 31 March 2014 as compared with gross loss of approximately US$1.8 million for the year ended 31 March 2013, representing a difference of approximately US$5.3 million, while the gross profit margin increased from approximately −7.8% for the year ended 31 March 2013 to approximately 15.1% for the year ended 31 March 2014. The increase in gross profit margin of the Group was mainly attributable to the increase in average Daily TCE of the Group's vessels.

General and administrative expenses

General and administrative expenses of the Group slightly decreased by US$20,000 or approximately 0.7%, which was mainly due to the decrease in amortization of share-based payments which was partially offset by increase in legal fee incurred for issue of convertible bonds and acquisition of vessel during the year ended 31 March 2014.

Finance costs

Finance costs of the Group increased from approximately US$1.3 million for the year ended 31 March 2013 to approximately US$1.6 million for the year ended 31 March 2014, representing an increase of approximately US$0.3 million or approximately 19%. Such increase was mainly attributable to the new bank borrowings for financing the acquisition costs of vessels and issue of convertible bonds during the year.

Loss and total comprehensive loss for the year

The Group incurred a loss of approximately US$6.6 million for the year ended 31 March 2014 as compared with approximately US$13.4 million for the year ended 31 March 2013. Such change was mainly due to (i) the turnaround from gross loss for the year ended 31 March 2013 to gross profit for the year ended 31 March 2014 with a difference of approximately US$5.3 million; and (ii) the decrease in impairment loss of the Group's vessels, which was partially offset by the other loss incurred from revaluation of convertible bonds and interest rate swap.

Liquidity, financial resources, capital structure and gearing ratio

As at 31 March 2014, the Group's bank balances and cash amounted to approximately US$6.0 million (31 March 2013: approximately US$1.1 million), of which approximately 99.1% was denominated in US$ and approximately 0.7% in HK$. Outstanding bank loans amounted to approximately US$46.3 million (31 March 2013: approximately US$41.7 million), which were denominated in US$.

As at 31 March 2013 and 31 March 2014, the Group had a gearing ratio (being the bank loans of the Group divided by the total assets of the Group) of approximately 29.4% and 32.5% respectively. The increase in gearing ratio as at 31 March 2014 was mainly due to the new bank loan raised for financing the acquisition costs of vessels during the year under review.

The Group's net current assets had increased from approximately US$5.6 million as at 31 March 2013 to approximately US$6.9 million as at 31 March 2014. Such improvement was mainly due to increase in working capital arisen from the increase in operating income of the Group.

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

Convertible Bonds

On 5 July 2013, the Company entered into the Subscription Agreement with Ablaze Rich in respect of the issue and subscription of the Convertible Bonds at the conversion price of HK$1.184 per Conversion Share in an aggregate principal amount of US$8,000,000 comprising the First Convertible Bonds in the principal amount of US$3,000,000 and the Second Convertible Bonds in the principal amount of US$5,000,000, which may be converted into 52,702,702 Conversion Shares at the exchange rate of HK$7.8 to US$1.0.

The First Completion took place on 2 September 2013. The Company may, at any time within one year thereafter, issue a written notice to Ablaze Rich for the purpose of the Second Completion. The Second Completion had not yet taken place as at 31 March 2014. Ablaze Rich had not yet exercised the conversion rights attached to the First Convertible Bonds as at 31 March 2014.

Further details of the issue of the Convertible Bonds are set out in the announcements of the Company dated 5 July 2013 and 2 September 2013, and the circular of the Company dated 23 July 2013.

Exposure to fluctuations in exchange rate and related hedges

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

During the year ended 31 March 2014, the Group had entered into an interest rate swap to hedge for the future fluctuations of London Interbank offered rate or cost of fund arising from the Group's variable-rate borrowings. The total notional principal amount of the outstanding interest rate swap as at 31 March 2014 was US$13,350,000 (2013: Nil).

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

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer. As at 31 March 2014, the Group recorded outstanding bank loans of approximately US$46.3 million and all the bank loans carried interest at floating rate. The bank loans, namely the GH FORTUNE/GH PROSPERITY Loan, the GH POWER Loan and the GH GLORY Loan, were for financing the acquisition costs of vessels of the Group and were secured by, inter alia, the following:

- Corporate guarantee from the Company;

MANAGEMENT DISCUSSION AND ANALYSIS

- First preferred mortgages over the vessels held by Bryance Group, Joy Ocean, Way Ocean and Prosperity Plus respectively;
- Assignment of the charter-hire income and insurance in respect of the vessels held by Bryance Group, Joy Ocean, Way Ocean and Prosperity Plus respectively;
- Charges over shares of each of Bryance Group, Joy Ocean, Way Ocean and Prosperity Plus.

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

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

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

Charges on assets

As at 31 March 2014, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2014 **US$'000**	2013 US$'000
Property, plant and equipment	**122,262**	125,750
Pledged bank deposits	**10,682**	8,096
	132,944	133,846

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2014.

Employees' remuneration and retirement scheme arrangements

As at 31 March 2014, the Group had 120 employees (31 March 2013: 121 employees). For the year ended 31 March 2014, the total salaries and related cost (including Directors' fees and share-based payments) amounted to approximately US$5.5 million (31 March 2013: US$5.7 million). It is the Group's policy to remunerate its employees according to the relevant market situation, and accordingly the remuneration level of the Group's employees remains at a competitive level and is adjusted in accordance with the employees' performance. Other benefits offered by the Group include mandatory provident fund scheme and medical insurance.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

Board of Directors

Executive Directors

Mr. YAN Kim Po (殷劍波), aged 52, is the chairman of the Company, an executive Director and the co-founder of the Group. Mr. Yan is the spouse of Ms. Lam. Mr. Yan is primarily responsible for the operation of the Board and is the key decision-maker of the Group. He is responsible for the Group's overall strategic planning and the management and development of the Group's businesses. Mr. Yan is also a director of each of the subsidiaries of the Company. Mr. Yan is an experienced entrepreneur and has extensive experience in the marine transportation industry and in the investment, development, production, processing, operation and trading of the mining and steel industry. Mr. Yan was appointed as Justice of Peace and was granted a Doctor of Philosophy Honoris Causa from Lansbridge University, Canada. He was also honoured as World Outstanding Chinese in 2010. He is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. He is also a fellow of the Hong Kong Institute of Directors and the chairman of the Hong Kong Energy and Minerals United Associations (International) Limited. He is also active in social affairs and was appointed as the Honorary Chairman of Hong Kong Association of Youth Development, the Honorary President of the Junior Police Call, the Honorary President of the Fire Safety Ambassador Club and a member of the Friends of the Community Chest Shatin District Committee. Mr. Yan is currently a director of Ablaze Rich, which has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated companies" of this annual report.

Ms. LAM Kwan (**林群**), aged 46, is the chief executive officer of the Company, an executive Director and the co-founder of the Group. Ms. Lam is the spouse of Mr. Yan. Ms. Lam is primarily responsible for the Group's day-to-day management and overall business operations as well as its finance and administrative management. She is also a director of each of the subsidiaries of the Company. Ms. Lam has extensive experience in the marine transportation industry. Ms. Lam is currently a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. She is also a director of Pok Oi Hospital, an honorary director of Hong Kong Baptist University Foundation and a fellow of the Hong Kong Institute of Directors. She graduated from Dongbei University of Finance and Economics in 1990 with a bachelor's degree in English for Finance in the Department of Foreign Language for Finance. Ms. Lam is currently a director of Ablaze Rich, which has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated companies" of this annual report.

Mr. CAO Jiancheng (**曹建成**), aged 57, has been serving as an executive Director of the Company since June 2010. Mr. Cao is responsible for the Group's overall operational management. Mr. Cao has more than 29 years of experience in the marine transportation industry. Mr. Cao has been a captain of ocean-going cargo ships since around 1982. Before joining the Group, he had worked for 廣州海順船務有限公司 (Guangzhou Hai Shun Shipping Corporation) as a captain from 1985 to 1989. Mr. Cao also worked for Hong Kong Ming Wah Shipping Company Limited from 1989 to 2000 as an operator, chartering member, deputy manager, manager and vice-president during that period. He also held management position as a manager at Valles Steamship Company Limited from 2001 to 2002. Mr. Cao completed the training course for international shipping professional education and obtained a certificate of completion from 上海海運學院 (Shanghai Maritime Institute) in December 1991 through long distance learning, and graduated from Murdoch University with a Master degree of Business Administration in March 1999. Mr. Cao had also been a captain as recognised by the Maritime Affairs Inspection Bureau of the PRC, the Directorate General of Consular and Maritime Affairs of The Republic of Panama and the Bureau of Maritime Affairs of the Ministry of Transport of The Republic of Liberia. Mr. Cao has an interest in such number of Shares under Part XV of the SFO as disclosed in the section headed "Directors' Report — Directors' interests in Shares, underlying Shares and debentures of the Company and its associated companies" of this annual report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. CHEUNG Kwan Hung (**張鈞鴻**), aged 62, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Cheung obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic in 1978, and is a qualified accountant in both United Kingdom and Hong Kong. Mr. Cheung has extensive experience in the investment banking, corporate management and consultancy profession. Mr. Cheung is currently also an independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely PetroAsian Energy Holdings Limited (Stock Code: 850) and NewOcean Energy Holdings Limited (Stock Code: 342), and a company listed on the Growth Enterprise Market of the Stock Exchange, namely Gold Tat Group International Limited (formerly known as Mobile Telecom Network (Holdings) Limited) (Stock Code: 8266).

Dr. CHAN Chung Bun, Bunny (**陳振彬**), aged 56, has been serving as an independent non-executive Director of the Company since September 2010. Dr. Chan has extensive experience in commerce and is currently the chairman of Prospectful Holdings Limited. Dr. Chan is active in community affairs in Hong Kong. He is the chairman of the Commission of Youth of Hong Kong since 1 April 2009. Dr. Chan was appointed as Justice of Peace in 2002 and was awarded the Bronze Bauhinia Star medal in 2004 and Silver Bauhinia Star medal in 2009 by the government of Hong Kong. Dr. Chan was awarded the title of Honorary University Fellow in 2008 and conferred Doctor of Business Administration, honoris causa, in December 2013 by the Open University of Hong Kong. Dr. Chan is currently also an independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely Li Ning Company Limited (Stock Code: 2331) and Speedy Global Holdings Limited (Stock Code: 540).

Mr. WAI Kwok Hung (**韋國洪**), aged 59, has been serving as an independent non-executive Director of the Company since September 2010. Mr. Wai has been an independent non-executive director of Town Health International Investments Limited (Stock Code: 3886), a company listed on the Main Board of the Stock Exchange, since July 2002. Mr. Wai was appointed as Justice of Peace in July 2002 and was awarded the Silver Bauhinia Star medal in 2008 by the government of Hong Kong.

Senior management

Mr. SUNG Lik Man (**宋力文**), aged 42, the vice general manager of the Group. Mr. Sung is responsible for the Group's overall operational management. He obtained his bachelor's degree in Maritime Management from Dalian Maritime University (大連海事大學) in July 1995. Mr. Sung has extensive experiences in the marine transportation industry and he joined the Group in June 2010 as the vice general manager of Union Apex. Before joining Union Apex, Mr. Sung was the chartering manager of Million Miles Shipping (Hong Kong) Limited from March 2003 to June 2010. Before joining Million Miles Shipping (Hong Kong) Limited, Mr. Sung also worked for COSCO (Hong Kong) Shipping Co., Ltd., a subsidiary of China COSCO Holdings Company Limited (Stock Code: 1919), a company listed on the Main Board of the Stock Exchange, from February 2000 to February 2003.

Mr. LAU Ying Kit (**劉英傑**), aged 40, has been serving as the chief financial officer and company secretary of the Company since August 2010. Mr. Lau is responsible for the oversight of the Group's financial and accounting operations, and company secretarial and internal control function. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and holds a master degree in finance from the City University of Hong Kong. Mr. Lau gained extensive experience in auditing, accounting and financing across the PRC and Hong Kong. Prior to joining the Group, Mr. Lau has worked as the chief financial officer and company secretary in several listed companies in Hong Kong. He is currently also a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada and an independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely Kingdom Holdings Limited (Stock Code: 528) and Xiezhong International Holdings Limited (Stock Code: 3663), and a company listed on the Growth Enterprise Market of the Stock Exchange, namely China Wood Optimization (Holding) Limited (Stock Code: 8099).

CORPORATE GOVERNANCE REPORT

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

The CG Code

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as the Company's code on corporate governance practices. Throughout the year ended 31 March 2014 and up to the date of this annual report, the Company had been in compliance with the code provisions set out in the CG Code.

The Board

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

Board composition

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

Executive Directors

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

Independent non-executive Directors

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

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

Save for the spousal relationship between Mr. Yan and Ms. Lam, both being executive Directors, there is no other family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

CORPORATE GOVERNANCE REPORT

Roles and responsibilities of the Board

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

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

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

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

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, investment plans, annual and interim results, recommendations on Directors' appointment or reappointment, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the day-to-day responsibility to the senior management under the supervision of the Board.

Appointment and election of Directors

The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. The Board has delegated to the Nomination Committee the duty to identify and recommend individuals suitably qualified to become Board members when necessary. The Nomination Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to assess the independence of the independent non-executive Directors, having regard to the requirements under the Listing Rules.

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

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

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

Board Diversity Policy

The Board has adopted a board diversity policy since August 2013. The policy sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Company considered that diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(i) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors;

(ii) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; and

(iii) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialised in.

The Nomination Committee shall monitor the implementation of the board diversity policy and review the progress of its measurable objectives from time to time. Based on its review, the Nomination Committee considers that the current Board is well-balanced and of a diverse mix appropriate for the business development of the Company.

Independent non-executive Directors

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

Induction, development and training of Directors

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

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

CORPORATE GOVERNANCE REPORT

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company shall arrange and fund suitable training for Directors to develop and refresh their knowledge and skills. During the year under review, the Directors participated in the kinds of training as follows:

Name of Director	Kind of Training
Executive Directors	
Mr. YAN Kim Po	A, B
Ms. LAM Kwan	A, B
Mr. CAO Jiancheng	A, B
Independent non-executive Directors	
Mr. CHEUNG Kwan Hung	A, B
Dr. CHAN Chung Bun, Bunny	A, B
Mr. WAI Kwok Hung	A, B

A: Reading materials on legal and regulatory updates

B: Attending seminar, training and/or conference relevant to the Group's business or Directors' duties

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties and has adopted a written guideline on corporate governance functions in compliance with the CG code.

The duties of the Board in respect of corporate governance functions are summarized as follows:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

During the year, the Board reviewed and monitored the training of the Directors, and the Company's policies and practices on compliance with legal and regulatory requirements.

Board committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Audit Committee

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

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

The Audit Committee held two meetings during the year ended 31 March 2014 to review, with the management and the Company's external auditors, the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast), the Group's significant internal control and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The Company's annual results and continuing connected transactions for the year ended 31 March 2014 have been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established to recommend to the Board on the appointment of Directors, evaluate the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually, agree on measurable objectives for achieving diversity on the Board, assess the independence of the independent non-executive Directors and the management of board succession, having regard to the requirements under the Listing Rules. The written terms of reference of the Nomination Committee were adopted by the Board on 13 September 2010 and revised on 30 August 2013 and have been posted on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

The Nomination Committee has adopted written nomination procedures for selection of candidates for directorship of the Company. The Nomination Committee shall, based on criteria such as skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations, identify and recommend the proposed candidate to the Board for approval of appointment.

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

The Nomination Committee held two meetings during the year ended 31 March 2014 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company and make recommendations to the Board on the re-appointment of Directors.

Remuneration Committee

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

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

The Remuneration Committee held two meetings during the year ended 31 March 2014 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

Remuneration of Directors

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

Board and Board committee meetings

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

Senior management is invited to join all Board meetings to enhance the Board and management communication.

The individual attendance record of each Director at the meetings of the Board and the Board committees during the year ended 31 March 2014 is set out below.

Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Mr. YAN	9/9	—	2/2	2/2
Ms. LAM	8/9 *(note 1)*	—	—	—
Mr. CAO Jiancheng	8/9 *(note 1)*	—	—	—
Mr. CHEUNG Kwan Hung	9/9	2/2	2/2	—
Dr. CHAN Chung Bun, Bunny	9/9	2/2	2/2	2/2
Mr. WAI Kwok Hung	9/9	2/2	—	2/2

Note:

1. During the year ended 31 March 2014, one meeting was held between the Chairman and independent non-executive Directors without the executive Directors present in compliance with the code provision A2.7 of the CG Code.

Auditor's remuneration

During the year ended 31 March 2014, the remuneration payable/paid to PricewaterhouseCoopers, the external auditor of the Company, is set out as follows:

Services rendered	**Year ended 31 March 2014** US$'000
Audit services	140

The Model Code

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

The Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards as set out in the Model Code for the year ended 31 March 2014 and up to the date of this annual report.

Company secretary

The company secretary of the Company is Mr. Lau Ying Kit, who is also the chief financial officer of the Company and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

CORPORATE GOVERNANCE REPORT

Internal control

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

During the year ended 31 March 2014, the Board has conducted a review of the effectiveness of the system of internal control of the Group and is satisfied with the scope and effectiveness of the system. The Board also reviewed on the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, its training programmes and budget for the year ended 31 March 2014.

Management function

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

Responsibilities in respect of the consolidated financial statements

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

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

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 38.

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

Shareholders' communication and rights

A shareholder's communication policy was established by the Company to promote effective communication with shareholders of the Company and encourage effective participation by shareholders at general meetings of the Company.

During the year ended 31 March 2014, two general meetings of the Company were held, i.e. the annual general meeting and the extraordinary general meeting of the Company held on 8 August 2013, and the attendance of each Director at the annual general meeting and the extraordinary general meeting of the Company is set out as follows:

Name of Directors	**General meetings of the Company**
Mr. YAN	2/2
Ms. LAM	2/2
Mr. CAO Jiancheng	2/2
Mr. CHEUNG Kwan Hung	2/2
Dr. CHAN Chung Bun, Bunny	2/2
Mr. WAI Kwok Hung	2/2

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

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

External auditor of the Company will be invited to attend the forthcoming annual general meeting of the Company to answer any questions from the shareholders on the audit of the Company.

In accordance with article 58 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Investor relations

The Company maintains a website at www.greatharvestmg.com where information and updates on the list of Directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedure for shareholders to propose candidate(s) for election as Directors, and other corporate communications of the Company are posted. Information on the Company's website will be updated from time to time.

There was no change in the Company's constitutional documents during the year ended 31 March 2014.

AUDIT COMMITTEE REPORT

For the year ended 31 March 2014, the Audit Committee's review covered the audit plans and findings of the external auditor and internal control consultant, external auditor's independence and performance, the Group's accounting principles and practices, Listing Rules and statutory compliance, connected transactions, internal control, risk management, treasury, financial reporting matters (including the interim and annual reports for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the audited consolidated financial information for the year ended 31 March 2014. In carrying out this review, the Audit Committee has relied on the audit conducted by the Group's external auditor in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Based on this review and discussions with the management, the Audit Committee is satisfied that the consolidated financial statements have been prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 March 2014. The Audit Committee therefore recommended the consolidated financial statements for the year ended 31 March 2014 to be approved by the Board.

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

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

The consolidated financial statements of the Company for the year ended 31 March 2014 have been audited by PricewaterhouseCoopers.

Members of the Audit Committee
Mr. CHEUNG Kwan Hung *(Chairman of Audit Committee)*
Dr. CHAN Chung Bun, Bunny
Mr. WAI Kwok Hung

Hong Kong, 23 June 2014

DIRECTORS' REPORT

The Directors are pleased to present this annual report together with the audited consolidated financial statements for the year ended 31 March 2014.

Principal activities

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

The principal activities and other particulars of the subsidiaries of the Company are set out in Note 16 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 40. The Directors did not recommend payment of any final dividend for the year ended 31 March 2014 (2013: Nil).

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 21 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

Share capital

Details of the movements in the share capital of the Company are set out in Note 19 to the consolidated financial statements.

Distributable reserves

At 31 March 2014, distributable reserves of the Company amounted to US$72,865,000 (2013: US$73,151,000).

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS' REPORT

Five-year financial summary

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

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries had purchased, redeemed or cancelled any of the Company's listed securities for the year ended 31 March 2014.

Directors

The Directors of the Company during the year and up to the date of this annual report:

Executive Directors

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

Independent non-executive Directors

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

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

Biographical details of Directors and senior management

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

Directors' service contracts

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

Directors' interests in Shares, underlying Shares and debentures of the Company and its associated corporation

As at 31 March 2014, the interests and short positions of the Directors and/or the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares, underlying Shares and debentures of the Company:

Name of Director	Capacity/Nature of interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of interest (%) *(Note 6)*
Mr. Yan	Interest of controlled corporation *(Note 2)*	616,322,500 (L)	—	74.26%
	Beneficial owner *(Note 3)*	—	2,100,000 (L)	0.25%
	Family interest *(Note 3)*	—	2,100,000 (L)	0.25%
	Interest of controlled corporation *(Note 4)*	—	52,702,702 (L)	6.35%
Ms. Lam	Interest of controlled corporation *(Note 2)*	616,322,500 (L)	—	74.26%
	Beneficial owner *(Note 3)*	—	2,100,000 (L)	0.25%
	Family interest *(Note 3)*	—	2,100,000 (L)	0.25%
	Interest of controlled corporation *(Note 4)*	—	52,702,702 (L)	6.35%
Mr. Cao Jiancheng	Beneficial owner *(Note 5)*	—	6,000,000 (L)	0.72%

Note(s):

(1) The letter "L" denotes the person's long position in the Shares and underlying Shares of the Company.

(2) These 616,322,500 Shares were held by Ablaze Rich, the entire issued share capital of which was owned as to 51% by Mr. Yan and 49% by Ms. Lam, who were also directors of Ablaze Rich. Each of Mr. Yan and Ms. Lam was deemed to be interested in the Shares held by Ablaze Rich by virtue of the SFO.

(3) On 21 October 2011, each of Mr. Yan and Ms. Lam was granted share options of the Company in respect of 2,100,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2014. As they have a spousal relationship, each of Mr. Yan and Ms. Lam was deemed to be interested in such number of Shares beneficially held by each other by virtue of the SFO.

DIRECTORS' REPORT

(4) These 52,702,702 Shares represented (i) 19,763,513 Conversion Shares which may be allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the First Convertible Bonds in the principal amount of US$3,000,000 and (ii) 32,939,189 Conversion Shares which may be allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the Second Convertible Bonds in the principal amount of US$5,000,000, at a conversion price of HK$1.184 per Conversion Share, at the exchange rate of HK$7.8 to US$1.0. The First Completion took place on 2 September 2013. Upon the First Completion, the First Convertible Bonds were issued by the Company and subscribed by Ablaze Rich. The Second Completion had not yet taken place as at 31 March 2014. Ablaze Rich had not yet exercised the conversion rights attached to the First Convertible Bonds as at 31 March 2014. Pursuant to the Subscription Agreement, Ablaze Rich would only convert the Convertible Bonds in a manner that would not cause the Company to be in breach of the public float requirement of the Shares under Rule 8.08 of the Listing Rules. As the entire issued share capital of Ablaze Rich was owned as to 51% by Mr. Yan and 49% by Ms. Lam, each of Mr. Yan and Ms. Lam was deemed to be interested in these 52,702,702 Shares by virtue of the SFO.

(5) On 21 October 2011, Mr. Cao Jiancheng was granted share options of the Company in respect of 6,000,000 Shares pursuant to the Share Option Scheme. All these share options remained outstanding as at 31 March 2014.

(6) The percentage is calculated on the basis of 830,000,000 Shares in issue as at 31 March 2014.

Interest in shares and underlying shares of an associated corporation:

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

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

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 March 2014, the interests and short positions of each person, other than a Director or chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of interest (%) *(Note 3)*
Ablaze Rich	Beneficial owner	616,322,500 (L)	—	74.26%
	Beneficial owner *(Note 2)*	—	52,702,702 (L)	6.35%

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(2) These 52,702,702 Shares represented (i) 19,763,513 Conversion Shares which may be allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the First Convertible Bonds in the principal amount of US$3,000,000 and (ii) 32,939,189 Conversion Shares which may be allotted and issued to Ablaze Rich upon the exercise of the conversion rights attached to the Second Convertible Bonds in the principal amount of US$5,000,000, at a conversion price of HK$1.184 per Conversion Share, at the exchange rate of HK$7.8 to US$1.0. The First Completion took place on 2 September 2013. Upon the First Completion, the First Convertible Bonds were issued by the Company and subscribed by Ablaze Rich. The Second Completion had not yet taken place as at 31 March 2014. Ablaze Rich had not yet exercised the conversion rights attached to the First Convertible Bonds as at 31 March 2014. Pursuant to the Subscription Agreement, Ablaze Rich would only convert the Convertible Bonds in a manner that would not cause the Company to be in breach of the public float requirement of the Shares under Rule 8.08 of the Listing Rules.

(3) The percentage is calculated on the basis of 830,000,000 Shares in issue as at 31 March 2014.

Save as disclosed above, as at 31 March 2014, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares of the Company that were recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

Share Option Scheme

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

During the year ended 31 March 2014, movements of the share options granted under the Share Option Scheme are summarized as follows and in Note 20 to the consolidated financial statements:

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

Continuing connected transactions

Certain related party transactions as disclosed in Note 29 to the consolidated financial statements also constituted continuing connected transactions within the meaning of the Listing Rules. Details of such transactions have been disclosed in accordance with Chapter 14A of the Listing Rules and summarised below:

	2014	2013
	US$'000	US$'000
Rental expenses paid to a related company *(Note 1)*	**286**	267

Note:

(1) On 28 March 2014, the Group entered into a new lease agreement (the "New Lease Agreement") with Toprich (Asia) Limited (the "Landlord"), which is ultimately wholly-owned by Mr. Yan and Ms. Lam, for the renewal of the lease of a property located at 12th Floor, No. 200 Gloucester Road, Wanchai, Hong Kong (the "Property") with an exclusive office floor area of about 2,260 square feet and the right to use the common area and ancillary facilities as office for a further term of two years from 1 April 2014 to 31 March 2016 (both dates inclusive) upon the expiry of the lease agreement dated 22 March 2013 (the "Old Lease Agreement") which was entered between the Group and the Landlord for a term of one year from 1 April 2013 to 31 March 2014 (both dates inclusive).

Pursuant to the New Lease Agreement, the Group (but not the Landlord) has the unilateral option to renew the New Lease Agreement for a further term of two years from 1 April 2016 to 31 March 2018 (both dates inclusive) at the market rent by giving not less than three months' prior written notice to the Landlord.

Under the New Lease Agreement, the monthly rental payable to the Landlord, exclusive of the Government rates and management fee but inclusive of electricity, water and air-conditioning, was HK$217,208. The aggregate annual consideration payable by the Group under the New Lease Agreement for the year ending 31 March 2015 will not exceed HK$2,700,000.

For the year ended 31 March 2014, the total consideration paid by the Group to the Landlord under the Old Lease Agreement amounted to HK$2,234,136 which did not exceed the annual cap of HK$2,300,000.

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

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

Further details of the Old Lease Agreement and New Lease Agreement are set out in the the announcements of the Company dated 22 March 2013 and 28 March 2014 respectively.

DIRECTORS' REPORT

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or a controlling shareholder of the Company (as defined under the Listing Rules) or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted for the year ended 31 March 2014.

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in Note 29 to the consolidated financial statements in accordance with Rule 14A.38 of the Listing Rules.

Public float

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

Major customers and suppliers

For the year ended 31 March 2014, the Group's five largest customers together accounted for about 56.8% of the Group's total revenue and the largest customer accounted for about 19.0% of the Group's total revenue. The relatively high concentration of revenue attributable to a few customers during the year was due to the relatively small fleet size of the Group and that one of the vessels was chartered to a customer for charter terms of over one year.

For the year ended 31 March 2014, the Group's five largest suppliers together accounted for about 95.5% of the Group's costs of services, and the largest supplier accounted for about 61.4% of the Group's total costs of services. The Group's key suppliers include insurance underwriters, ship managers, shipbrokers, bunker fuel providers and shipyards.

None of the Directors or their respective associates, and, to the best knowledge of the Directors, none of the existing shareholders who owns more than 5% of the issued share capital of the Company, had any interest in any of the five largest customers or suppliers of the Group during the year.

DIRECTORS' REPORT

Directors and controlling shareholders' interests in competing business

For the year ended 31 March 2014 and up to the date of this annual report, none of the Directors and controlling shareholders of the Company (i.e. Mr. Yan, Ms. Lam and Ablaze Rich) (the "Controlling Shareholders") was interested in any business which competes or is likely to compete with the businesses of the Group.

We have received annual written confirmation from the Controlling Shareholders in respect of the compliance with the provisions of the deed of non-competition (the "Deed of Non-competition") entered into between the Company and the Controlling Shareholders as set out in the section headed "Relationship with the Controlling Shareholders — Deed of Non-competition" of the prospectus of the Company dated 27 September 2010.

Our independent non-executive Directors have reviewed the compliance with the Deed of Non-competition during the year ended 31 March 2014 and up to the date of this annual report based on information and confirmation provided by the Controlling Shareholders, and they were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-competition.

Corporate governance

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

Auditor

The consolidated financial statements of the Group for the year ended 31 March 2014 have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers will retire at the conclusion the forthcoming annual general meeting of the Company and, being eligible offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers as the auditor of the Company in the following year will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

YAN Kim Po
Chairman

Hong Kong, 23 June 2014

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Great Harvest Maeta Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 92, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of agreement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 US$'000	2013 US$'000
Revenue	5	22,938	23,290
Cost of services		(19,482)	(25,108)
Gross profit/(loss)		3,456	(1,818)
Other loss	6	(698)	—
Other income		60	22
General and administrative expenses	7	(2,764)	(2,784)
Impairment loss recognised on property, plant and equipment	7	(5,245)	(7,700)
Operating loss		(5,191)	(12,280)
Finance income	8	155	189
Finance costs	8	(1,576)	(1,324)
Finance costs — net		(1,421)	(1,135)
Loss before income tax		(6,612)	(13,415)
Income tax expense	11	—	—
Loss for the year and total comprehensive loss attributable to owners of the Company	12	(6,612)	(13,415)
Loss per share for loss attributable to owners of the Company			
— Basic and diluted	13	(US0.80 cents)	(US1.62 cents)
Dividends	14	—	—

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**122,269**	125,760
Pledged bank deposits	18	**4,250**	3,000
		126,519	128,760
Current assets			
Inventory		**—**	696
Finance lease receivable	25	**—**	1,867
Trade and other receivables	17	**3,215**	4,371
Pledged bank deposits	18	**6,432**	5,096
Cash and cash equivalents	18	**6,038**	1,146
		15,685	13,176
Total assets		**142,204**	141,936
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,064**	1,064
Reserves	21	**89,627**	96,026
Total equity		**90,691**	97,090
LIABILITIES			
Non-current liabilities			
Bank borrowings	22	**38,910**	37,237
Convertible bonds	23	**3,702**	—
Derivative financial instruments	26	**101**	—
		42,713	37,237
Current liabilities			
Other payables and accruals	24	**1,430**	3,123
Bank borrowings	22	**7,370**	4,486
		8,800	7,609
Total liabilities		**51,513**	44,846
Total equity and liabilities		**142,204**	141,936
Net current assets		**6,885**	5,567
Total assets less current liabilities		**133,404**	134,327

Director *Director*

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries and amounts due from subsidiaries	16	**74,901**	73,702
Current assets			
Amounts due from subsidiaries	16	**2,258**	1,587
Other receivables and prepayment	17	**90**	83
Cash and cash equivalents	18	**3,541**	18
		5,889	1,688
Total assets		**80,790**	75,390
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,064**	1,064
Reserves	21	**72,865**	73,151
Total equity		**73,929**	74,215
LIABILITIES			
Non-current liabilities			
Convertible bonds	23	**3,702**	—
Current liabilities			
Amount due to subsidiaries	29(d)	**3,137**	1,153
Other payables and accruals	24	**22**	22
		3,159	1,175
Total liabilities		**6,861**	1,175
Total equity and liabilities		**80,790**	75,390
Net current assets		**2,730**	513
Total assets less current liabilities		**77,631**	74,215

Director *Director*

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Special reserve US$'000	Other reserves US$'000	Retained profit US$'000	Total US$'000
Balance at 1 April 2012	1,064	25,120	283	46	13,636	69,873	110,022
Comprehensive income:							
Loss for the year	—	—	—	—	—	(13,415)	(13,415)
Total comprehensive loss for the year, net of tax	—	—	—	—	—	(13,415)	(13,415)
Total contributions by and distributions to owners of the Company recognised directly in equity							
Employee share option scheme:							
— Employee share-based compensation benefits	—	—	483	—	—	—	483
Balance at 31 March 2013	1,064	25,120	766	46	13,636	56,458	97,090
Balance at 1 April 2013	**1,064**	**25,120**	**766**	**46**	**13,636**	**56,458**	**97,090**
Comprehensive income:							
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(6,612)**	**(6,612)**
Total comprehensive loss for the year, net of tax	**—**	**—**	**—**	**—**	**—**	**(6,612)**	**(6,612)**
Total contributions by and distributions to owners of the Company recognised directly in equity							
Employee share option scheme:							
— Employee share-based compensation benefits	**—**	**—**	**213**	**—**	**—**	**—**	**213**
Balance at 31 March 2014	**1,064**	**25,120**	**979**	**46**	**13,636**	**49,846**	**90,691**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Net cash generated from operating activities	27	8,824	6,559
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,327)	(1,427)
Proceeds from settlement of finance lease receivable		2,000	—
Interest received		22	7
Net cash used in investing activities		(7,305)	(1,420)
Cash flows from financing activities			
Interest paid		(1,154)	(1,324)
Proceeds from issuance of convertible bonds		3,000	—
Proceeds from bank borrowings		15,700	—
Repayments of bank borrowings		(11,587)	(5,485)
Net decrease in pledged bank deposits		(2,586)	(3,130)
Net cash generated from/(used in) financing activities		3,373	(9,939)
Net increase/(decrease) in cash and cash equivalents		4,892	(4,800)
Cash and cash equivalents at beginning of year		1,146	5,946
Cash and cash equivalents at end of year	18	6,038	1,146

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Great Harvest Maeta Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") engaged in chartering out of dry bulk vessels. The principal activity of the Company is investment holding.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square Hutching Drive P.O. Box 2681, Grand Cayman KYI-1111 Cayman Islands.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in United States dollars ("US$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 June 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2013.

HKAS 1 (Revised)	Financial Statements Presentation
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 (Amendment)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
HKFRS 1 (Amendment)	First Time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 (Amendment)	Transition Guidance
HKFRS 13	Fair Value Measurement

Except for the amendment to HKFRS 7, "Financial Instruments: Disclosure" on asset and liability offsetting, the adoption of the above standards and amendments to standards does not have any significant impact to the results and financial position of the Group.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments and interpretations to standards that have been issued but not yet effective and have not been early adopted by the Group:

The following new standards, amendments and interpretation to standards relevant to the Group has been issued but are not effective for the financial years beginning 1 April 2013 and have not been early adopted:

HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC) — Int 21	Levies[1]
Annual Improvement to HKFRSs — 2010–2012 Cycle[2]	
Annual Improvement to HKFRSs — 2011–2013 Cycle[2]	

[1] Effective for the Group for annual period beginning 1 January 2014
[2] Effective for the Group for annual period beginning 1 July 2014
[3] Effective for the Group for annual period beginning 1 January 2016
[4] To be announced by HKICPA

The Group will apply the above new standards, interpretation, amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the impact of these new standards, interpretation, amendments or improvements to existing standards, and anticipated that the adoption of new standards, interpretation, amendments or improvements to existing standards will not have a material effect on the Group's operating result or financial position.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chairman and Chief Executive Officer of the Company that makes strategic decisions.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "other loss" in the consolidated profit or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation is calculated using straight-line method to allocate their cost to their residual values over the estimated useful lives, as follows:

— Vessels	25 years
— Office equipment	5 years

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. This cost is depreciated over the period to the next dry docking. Costs incurred on subsequent dry docking of vessel are capitalised as part of the cost of vessel and depreciated on a straight-line basis over the estimated period until the next dry docking.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other loss" in the consolidated profit or loss.

2.6 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of an investment in a subsidiary is required upon receiving a dividend if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's statement of financial position exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Financial assets

2.7.1 Classification

The Group classifies its financial assets depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.12 and 2.13).

2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in consolidated profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated profit or loss within "other loss" in the period in which they arise.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (Continued)

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Impairment assessment of trade and other receivables is described in Note 4(b).

2.10 Derivative financial instruments which do not qualify for hedging accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair values.

Changes in fair value of the derivative instruments which do not qualify for hedge accounting are recognised immediately in consolidated income statement within "other loss". All derivatives outstanding on the reporting date are classified as financial assets measured at fair value through profit or loss when their fair values are positive and as financial liabilities at fair value through profit or loss when their fair values are negative.

2 Summary of significant accounting policies (Continued)

2.11 Inventories

Inventories represented bunkers on board of vessels, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific 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.

2.18 Convertible bonds

Convertible bonds with conversion options which are not settled by exchanging a fixed amount of cash for a fixed number of the Company's shares comprise a derivative component and a liability component.

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of the proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs relating to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability component. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured at fair value, with changes in fair value recognised immediately in profit or loss. The liability component is subsequently measured at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Retirement benefit obligations

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee- administered funds.

Under the rules of the MPF Scheme, contributions to the scheme by the Group and the employees are calculated as a percentage of employee's relevant income, subject to a cap of monthly relevant income of HK$25,000. The Group has no further payment obligations once the contribution has been paid. The Group's contributions to the scheme are recognised as employee benefit expenses when they are due. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in the parent entity accounts.

2 Summary of significant accounting policies (Continued)

2.22 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Charter income

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

(b) Service income

Service income is recognised when services are rendered.

(c) Interest income

Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivables is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Currency risk

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk arises from bank deposits and long-term borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group's convertible bonds issued at fixed interest rate at 4% per annum expose the Group to fair value interest rate risk. During 2014 and 2013, the Group's bank borrowings at variable rate were denominated in the US$.

Details of the Group's bank borrowings and convertible bonds are disclosed in Notes 22 and 23.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of London Interbank Offered rate ("LIBOR") or the cost of funds arising from the Group's variable-rate bank borrowings. Management considers the exposure to interest rate risk in relation to bank balance is insignificant due to the low level of bank interest rate.

The Group also entered into in interest rate swap which expose the Group to cash flow and interest rate risk. Details of the Group's interest rate swaps are disclosed in Note 26.

Except for the Company's convertible bonds issued at fixed interest rate at 4% per annum, the Company has no significant interest-bearing assets and liabilities. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

As at 31 March 2014, if interest rates on bank borrowings had been 60 basis points fluctuated with all other variables held constant, the Group's pre-tax loss for the year would have been affected by US$278,000 (2013: US$250,000), mainly as a result of fluctuation on interest expenses on floating rate bank borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from derivative financial instruments, cash and cash equivalents and deposits with banks, as well as credit exposures to trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31 March 2014 and 2013, for derivative financial instruments, cash and cash equivalents and deposits with banks and financial institutions, they are all deposited or traded with high quality financial institutions without significant credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Apart from major customers disclosed in Note 5, management considered there is no significant concentration of credit risk. The Group has put in place policies to ensure that services are provided to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

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

(c) Liquidity risk

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

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Total US$'000**
At 31 March 2014				
Bank borrowings	7,370	7,518	31,392	46,280
Interest on bank borrowings	1,262	1,009	1,162	3,433
Derivative financial instrument	101	—	—	101
Convertible bonds and interest payable	—	—	3,600	3,600
Other payables and accruals	1,019	—	—	1,019

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk (Continued)*

Group	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31 March 2013				
Bank borrowings	4,486	4,486	32,751	41,723
Interest on borrowings	993	869	1,663	3,525
Other payables and accruals	1,342	—	—	1,342
Company				
At 31 March 2014				
Convertible bonds and interest payable	—	—	3,600	3,600
Other payables	22	—	—	22

As at 31 March 2013, the Company's financial liabilities were due for settlement contractually within 12 months or repayable on demand.

The Group's derivative financial instruments with a negative fair value have been included at their fair value of US$101,000 (2013: Nil) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, repurchase the Company's shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets. Total debt calculated as total convertible bonds and bank borrowings (including current and non-current as shown in the consolidated statement of financial position). As at 31 March 2014, the gearing ratio is 35.1% (2013: 29.4%).

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 March 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's and Company's financial liabilities that are measured at fair value at 31 March 2014.

Group	**Level 1** US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
Liabilities				
Derivative financial instrument — interest rate swap	—	101	—	101
Convertible bonds — derivative components	—	1,032	—	1,032
	—	1,133	—	1,133
Company				
Liability				
Convertible bonds — derivative components	—	1,032	—	1,032

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The Group and Company did not have any financial instruments that are measured at fair value at 31 March 2013.

During the year, no financial assets or financial liabilities were classified under Level 3. During 2014 and 2013, there were no transfers between instruments in Level 1 and Level 2.

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of remaining financial instruments are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted financial instruments of the counterparties.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers of financial instruments between level 1, level 2 and level 3 fair value hierarchy classification during the year.

(b) Group's valuation processes

The Group's finance department reviews the valuations of financial instruments that are stated at fair value and involves independent valuers to perform the valuations that are required for financial reporting purposes, including level 3 fair values. These valuation results are then reported to the chief financial officer, group senior management and board of directors for discussions in relation to the valuation processes and the reasonableness of the valuation results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair values of financial instruments measured at amortised cost

The fair value of the trade and other receivables, pledged bank deposits, cash and cash equivalents, other payables and accruals as at 31 March 2014 approximate their carrying amounts due to their short term maturities.

The fair values of the bank borrowings as at 31 March 2014 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31 March 2014			As at 31 March 2013		
	Gross amounts of recognised financial assets US$'000	Gross amounts of recognised financial liabilities set off in the balance sheet US$'000	Net amounts of financial assets presented in the balance sheet US$'000	Gross amounts of recognised financial assets US$'000	Gross amounts of recognised financial liabilities set off in the balance sheet US$'000	Net amounts of financial assets presented in the balance sheet US$'000
Pledged bank deposits	10,682	—	10,682	8,096	—	8,096

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31 March 2014			As at 31 March 2013		
	Gross amounts of recognised financial liabilities US$'000	Gross amounts of recognised financial assets set off in the balance sheet US$'000	Net amounts of financial liabilities presented in the balance sheet US$'000	Gross amounts of recognised financial liabilities US$'000	Gross amounts of recognised financial assets set off in the balance sheet US$'000	Net amounts of financial liabilities presented in the balance sheet US$'000
Bank borrowings	46,280	—	46,280	41,723	—	41,723

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

4 Critical accounting estimates and judgements

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the consolidated financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The matters described below are considered to be the most critical in understanding the estimates and judgements that are involved in preparing the Group's consolidated financial statements.

(a) Current and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(c) Impairment of vessels

The operation of shipping industry is subject to cyclical fluctuations, which in turn affects the results of operations. Management performs review for impairments of the vessels whenever event or changes in circumstances indicate that the carrying amount of the vessels may not be recoverable.

Management reviews certain indicators of potential impairment, such as results of operation of the vessels, reported sale and purchase prices, market demand and general market conditions and performs impairment assessments on its vessels. Based on management's review, impairment indication exists for certain vessels of the Group and impairment assessment for these vessels has been performed.

4 Critical accounting estimates and judgements (Continued)

(c) Impairment of vessels (Continued)

The recoverable amounts of the Group's vessels have been determined from value in use calculations. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and direct costs during the year. Management estimates a discount rate of 9.84% (2013: 9%) using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the Group's vessels. The growth rate for the next five years is based on industry growth forecasts. Direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections. Cash flows beyond 5-year period have been extrapolated using growth rates of 3.7% (2013: 3%) per annum, which is based on inflation rate. Based on management's best estimates, the carrying amount of certain vessel exceeded the recoverable amount calculated based on value in use by US$5,245,000. The Board considered provision for impairment loss of US$5,245,000 (2013: US$7,700,000) is necessary as at 31 March 2014. Except for the above, the recoverable amounts exceeded carrying values of vessels by US$37,800,000.

Were the recoverable amounts of these vessels to lower by 5% from management's estimates, it is estimated that the provision for impairment loss would increase by US$1,900,000 (2013: US$2,100,000).

(d) Useful lives of vessels

Management determines the estimated useful lives and related depreciation expenses for the vessels. Management estimates useful lives of its vessels by reference to expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market. Useful lives of vessel could change significantly as a result of the changes in these factors.

Management will revise the depreciation charge where useful life is different from previously estimated life, if any.

(e) Residual values of vessels

The Group's management determines the residual values for its vessels. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels as scrap steels. Depreciation expenses would increase where the residual values are less than previously estimated value.

With all other variables held constant, increasing the residual value by 10% from management's estimates with all other variable held constant, it is estimated that the carrying value would increase by US$363,000 (2013: US$262,000) as at 31 March 2014.

4 Critical accounting estimates and judgements (Continued)

(f) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market condition's existing at each reporting date. Refer to Note 3.3 for the fair value measurement of derivative financial instruments.

(g) Employee benefits — share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the profit or loss in the subsequent remaining vesting period of the relevant share options.

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

Stock price as of the date of grant	HK$1.15
Exercise price	HK$1.15
Expected volatility *(Note i)*	35%
Expected life	6–9 years
Risk-free rate *(Note ii)*	0.985%–1.306%
Expected dividend yield *(Note iii)*	0%

Notes:

(i) Expected volatility was determined with reference to annualised historical weekly volatility of comparable companies' share prices as of the date of grant.

(ii) Risk-free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes as of the date of grant.

(iii) Expected dividend yield was determined with reference to historical dividend payment up to the date of grant.

5 Revenue and segment information

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

	2014 US$'000	2013 US$'000
Time charter income	14,266	9,284
Voyage charter income	4,206	7,231
Service income	4,466	6,775
	22,938	23,290

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

The chief operating decision maker regularly reviews the revenue components of time charter income, voyage charter income and service income, which is considered as a single operating segment on a combined basis. The gross profit and profit before tax are also reported internally on a combined basis for the resources allocation and performance assessment by the chief operating decision maker. Accordingly, no separate segment information is prepared.

Segment assets and liabilities

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

Geographical information

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors consider that it is not meaningful to provide the financial information by geographical segment. Accordingly, geographical segment revenue for the provision of vessel chartering services is not presented.

5 Revenue and segment information (Continued)

Information about major customers

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

	2014 US$'000	2013 US$'000
Customer A	4,466	6,775
Customer B *(Note 1)*	4,280	—
Customer C *(Note 2)*	—	2,864
Customer D *(note 2)*	—	2,576
	8,746	12,215

Notes:

1. No revenue was generated from customer B for the year ended 31 March 2013.

2. No revenue was generated from customer C and D for the year ended 31 March 2014.

6 Other loss

During the year ended 31 March 2014, other loss represented the fair value loss on derivative financial instrument and unrealised loss on interest rate swap (2013: Nil). Details of the Group's derivative financial instruments are disclosed in Note 26.

7 Expenses by nature

Operating loss is stated after charging the following:

	2014 US$'000	2013 US$'000
Crew expenses (included in cost of services)	4,024	4,024
Depreciation of property, plant and equipment *(Note 15)*	7,573	9,133
Operating lease rental for land and buildings	286	267
Auditors' remuneration — audit services	140	128
Provision for impairment of trade receivables *(Note 17)*	—	8
Bad debt written-off	3	32
Impairment losses on property, plant and equipment *(Note 15)*	5,245	7,700
Employee benefit expense (including directors' emoluments) *(Note 9)*	1,427	1,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Finance costs — net

	2014 US$'000	2013 US$'000
Finance income		
Interest income	(22)	(7)
Finance income on finance lease receivable	(133)	(182)
	(155)	(189)
Finance costs		
Interest expense on bank borrowings	1,163	1,209
Interest expenses on convertible bonds	105	—
Loan arrangement fee	308	115
	1,576	1,324
Finance costs — net	1,421	1,135

No borrowing costs were capitalised during the years ended 31 March 2014 and 2013.

9 Employee benefit expense

	2014 US$'000	2013 US$'000
Wages and salaries	1,202	1,203
Share option granted to directors and employees *(Note 20)*	213	483
Pension costs — retirement contribution plans	12	18
	1,427	1,704

10 Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31 March 2014 is as follows:

Name	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Share-based payments US$'000	Retirement benefits scheme contribution US$'000	Total US$'000
Executive directors					
Mr. Yan Kim Po	—	231	28	2	261
Ms. Lam Kwan *(Note i)*	—	192	28	2	222
Mr. Cao Jiancheng	—	171	78	2	251
Independent non-executive directors					
Mr. Cheung Kwan Hung	19	—	—	—	19
Dr. Chan Chung Bun, Bunny	19	—	—	—	19
Mr. Wai Kwok Hung	13	—	—	—	13
Total	51	594	134	6	785

The remuneration of the directors for the year ended 31 March 2013 is as follows:

Name	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Share-based payments US$'000	Retirement benefits scheme contribution US$'000	Total US$'000
Executive directors					
Mr. Yan Kim Po	—	231	62	2	295
Ms. Lam Kwan	—	192	62	2	256
Mr. Cao Jiancheng	—	169	178	2	349
Independent non-executive directors					
Mr. Cheung Kwan Hung	19	—	—	—	19
Dr. Chan Chung Bun, Bunny	19	—	—	—	19
Mr. Wai Kwok Hung	13	—	—	—	13
Total	51	592	302	6	951

During the year, no remuneration was waived by any directors (2013: Nil).

Note:

i Ms. Lam Kwan is also the chief executive officer of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Directors' and senior management's emoluments (Continued)

Of the five individuals with the highest remunerations in the Group, three (2013: three) were directors of the Company whose emoluments are included in the above disclosures. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014 US$'000	2013 US$'000
Basic salaries, housing allowances and other benefits in kind	273	268
Pension costs — retirement contribution plans	4	4
Share-based payments	79	181
	356	453

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK$1,000,000 to HK$1,500,000 (equivalent to US$128,205 to US$192,308)	1	1
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,308 to US$256,410)	1	—
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,410 to US$320,513)	—	1

No emoluments were paid or payable to the directors and above highest paid individuals as an inducement to join the Group or as compensation for loss of office during the financial years ended 31 March 2014 and 2013.

11 Income tax expense

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year ended 31 March 2014 (2013: Nil).

Taxation on profits has been calculated on the estimated assessable profits for the year ended 31 March 2014 at the rates of taxation prevailing in the countries/places in which the Group operates.

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 16.5% (2013: 16.5%) applicable to profit/(loss) of the majority of the consolidated entities as follows:

	2014 US$'000	2013 US$'000
Loss before income tax	**(6,612)**	(13,415)
Calculated at a taxation rate of 16.5% (2013: 16.5%)	**(1,091)**	(2,214)
Offshore income not taxable for tax purpose	**(3,813)**	(3,874)
Expenses not deductible for tax purposes	**4,702**	5,881
Tax losses not recognised	**202**	207
Income tax expense	**—**	—

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profit is probable. The Group did not recognised deferred income tax assets in respect of losses amounting to US$4,723,000 (2013: US$3,500,000) that can be carried forward against future taxable income and with no expiry date.

12 Loss attributable to owners of the Company

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of US$499,000 (2013: US$26,740,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Loss attributable to owners of the Company (US$'000)	6,612	13,415
Weighted average number of ordinary shares in issue (thousands)	830,000	830,000
Basic loss per share (US cents per share)	0.80	1.62

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options and convertible bonds which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share prices of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and convertible bonds. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options and convertible bonds.

Diluted loss per share for the year ended 31 March 2014 and 2013 equal basic loss per share as the exercise of the outstanding share options and convertible bonds would be anti-dilutive.

14 Dividends

The directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

15 Property, plant and equipment

Group	Vessels US$'000	Office equipment US$'000	Total US$'000
At 1 April 2012			
Cost	206,263	16	206,279
Accumulated depreciation	(57,403)	(3)	(57,406)
Accumulated impairment losses	(7,707)	—	(7,707)
Net book amount	141,153	13	141,166
Year ended 31 March 2013			
Opening net book amount	141,153	13	141,166
Additions	1,427	—	1,427
Depreciation *(Note 7)*	(9,130)	(3)	(9,133)
Provision for impairment losses *(Note 7)*	(7,700)	—	(7,700)
Closing net book amount	125,750	10	125,760
At 31 March 2013			
Cost	207,690	16	207,706
Accumulated depreciation	(66,533)	(6)	(66,539)
Accumulated impairment losses	(15,407)	—	(15,407)
Net book amount	125,750	10	125,760
Year ended 31 March 2014			
Opening net book amount	125,750	10	125,760
Additions	9,327	—	9,327
Depreciation *(Note 7)*	(7,570)	(3)	(7,573)
Provision for impairment losses *(Note 7)*	(5,245)	—	(5,245)
Closing net book amount	122,262	7	122,269
At 31 March 2014			
Cost	217,017	16	217,033
Accumulated depreciation	(74,103)	(9)	(74,112)
Accumulated impairment losses	(20,652)	—	(20,652)
Net book amount	122,262	7	122,269

Depreciation expenses of approximately US$7,570,000 (2013: US$9,130,000) have been charged in "cost of services", US$3,000 (2013: US$3,000) in "administrative expenses" respectively.

As at 31 March 2014, the Group's property, plant and equipment of US$122,262,000 (2013: US$125,750,000) was pledged as security for bank borrowings of the Group (Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investments in subsidiaries and amounts due from subsidiaries

	Company	
	2014	2013
	US$'000	US$'000
Unlisted shares, at cost	**77,472**	77,452
Less: Provision for impairment *(Note i)*	**(22,571)**	(23,751)
	54,901	53,701
Amounts due from subsidiaries *(Note iii)*	**22,258**	23,413
Less: Provision for doubtful debt *(Note ii)*	**—**	(1,825)
	22,258	21,588
	77,159	75,289
Less: Current portion *(Note iii)*	**(2,258)**	(1,587)
	74,901	73,702

Notes:

(i) Movement on the Company's provision for impairment in investments in subsidiaries are as follows:

	2014	2013
	US$'000	US$'000
At 1 April	**23,751**	—
Provision for impairment	**5,690**	23,751
Reversal of impairment recognised in prior year	**(6,870)**	—
At 31 March	**22,571**	23,751

(ii) During the year, provision of US$1,825,000 was written off as uncollectible. Movement of the Company's provision on doubtful debt due from subsidiaries is disclosed in Note 29(d) to the consolidated financial statements.

(iii) Except for the amounts due from a subsidiary of US$20,000,000 (2013: US$20,000,000) which are unsecured, have no fixed term of repayment and are expected to be repaid more than 12 months after the year end, all the remaining amounts due from subsidiaries are unsecured, interest fee and repayable on demand.

16 Investments in subsidiaries and amounts due from subsidiaries (Continued)

The following is a list of the principal subsidiaries of the Company as at 31 March 2014:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital	Interest directly held by the Company
Bryance Group Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%
Great Ocean Shipping Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%
Greater Shipping Company Limited	British Virgin Islands	Provision of marine transportation services	10,002 ordinary shares of US$1 each	100%
Joy Ocean Shipping Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%
Prosperity Plus Enterprises Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%
Way Ocean Shipping Limited	British Virgin Islands	Provision of marine transportation services	10,000 ordinary shares of US$1 each	100%
Union Apex Mega Shipping Limited	Hong Kong	Provision of agency services	50,000 ordinary shares of HK$1 each	100%
United Edge Holdings Limited	British Virgin Islands	Inactive	10,000 ordinary shares of US$1 each	100%

17 Trade and other receivables

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade receivables	**2,319**	3,457	**—**	—
Less: Provision for impairment of trade receivables	**(8)**	(8)	**—**	—
Trade receivables, net	**2,311**	3,449	**—**	—
Prepayments and deposits	**904**	922	**90**	83
	3,215	4,371	**90**	83

The carrying amounts of trade receivables, prepayments and deposits approximate their fair values.

Time charter income and service income are prepaid in advance. The credit period granted by the Group to the customers of voyage charter is within 7 days after completion of loading, signing and/or releasing bill of lading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Trade and other receivables (Continued)

As at 31 March 2014 and 2013, the ageing analysis of the trade receivables based on invoice date were as follows:

	Group	
	2014	2013
	US$'000	US$'000
0–30 days	**2,247**	3,189
31–365 days	**63**	145
Over 365 days	**9**	123
	2,319	3,457

As at 31 March 2014, trade receivables of US$64,000 (2013: US$260,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	2014	2013
	US$'000	US$'000
0–30 days	**—**	7
31–365 days	**63**	138
Over 365 days	**1**	115
	64	260

As at 31 March 2013, trade receivables of US$8,000 were impaired.

Movements on the provision for impairment of trade receivables are as follows:

	2014	2013
	US$'000	US$'000
At 1 April	**8**	—
Provision for impairment of receivables	**—**	8
At 31 March	**8**	8

The carrying amounts of trade and other receivables are mainly denominated in the US$.

The Group does not hold any collateral as security.

18 Cash and bank balances

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Current				
Cash at bank and on hand	**6,038**	1,146	**3,541**	18
Pledged bank deposits	**6,432**	5,096	**—**	—
	12,470	6,242	**3,541**	18
Non-current				
Pledged bank deposits	**4,250**	3,000	**—**	—
Cash and bank balances	**16,720**	9,242	**3,541**	18

The cash and bank balance of US$6,038,000 (2013: US$1,146,000) is included for the purpose of the consolidated statement of cash flows.

As at 31 March 2014, the Group's bank deposits of US$10,682,000 (2013: US$8,096,000) were pledged as security for bank borrowings of the Group. In case of default under the loan agreements, the banks have the right to seize the pledged bank deposits.

The interest rates for current bank deposits was approximately 0.18% to 0.25% (2013: 0.01% to 1.90%) per annum. The deposits have a maturity of ranging from 7 to 90 days.

Cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
US$	**16,582**	9,164	**3,518**	2
HK$	**116**	70	**23**	16
Australian dollar	**22**	8	**—**	—
	16,720	9,242	**3,541**	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Share capital

	2014 HK$'000	2013 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	10,000	10,000
	US$'000	US$'000
Issued and fully paid:		
830,000,000 ordinary shares of HK$0.01 each	1,064	1,064

20 Share option scheme — Group and Company

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

(i) The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings for the year ended 31 March 2014:

Date of grant	Exercise price HK$	Vesting period	Exercisable period	Number of option (thousands)
— on 21 October 2011	1.15	21 October 2011–20 October 2012	21 October 2012–20 October 2021	5,900
— on 21 October 2011	1.15	21 October 2011–20 October 2013	21 October 2013–20 October 2021	5,900
— on 21 October 2011	1.15	21 October 2011–20 October 2014	21 October 2014–20 October 2021	5,900
Total share options				17,700

20 Share option scheme — Group and Company (Continued)

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price in HK$ per share option	**Number of options (thousands)**	Average exercise price in HK$ per share option	Number of options (thousands)
At 1 April	**1.15**	**17,700**	1.15	17,700
Granted	**1.15**	**—**	1.15	—
Expired	**1.15**	**—**	1.15	—
At 31 March	**1.15**	**17,700**	1.15	17,700

No option was exercised during the year ended 31 March 2014 (2013: Nil).

As 31 March 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,700,000 shares, representing 2.13% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

For the year ended 31 March 2014, the total expenses for share options granted to directors and employees amounted to US$213,000 (2013: US$483,000) are recognized as "employee benefit expenses" in the consolidated income statement (Note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Reserve

Group

	Share premium US$'000	Share option reserve US$'000	Special reserve US$'000	Other reserves *(Note)* US$'000	Retained profit US$'000	Total US$'000
At 1 April 2012	25,120	283	46	13,636	69,873	108,958
Comprehensive income:						
Loss for the year	—	—	—	—	(13,415)	(13,415)
Total comprehensive loss for the year, net of tax	—	—	—	—	(13,415)	(13,415)
Total contributions by and distributions to owners of the Company recognised directly in equity						
Employee share option scheme:						
— Employee share-based compensation benefits	—	483	—	—	—	483
At 31 March 2013	25,120	766	46	13,636	56,458	96,026
At 1 April 2013	25,120	766	46	13,636	56,458	96,026
Comprehensive income:						
Loss for the year	—	—	—	—	(6,612)	(6,612)
Total comprehensive loss for the year, net of tax	—	—	—	—	(6,612)	(6,612)
Total contributions by and distributions to owners of the Company recognised directly in equity						
Employee share option scheme:						
— Employee share-based compensation benefits	—	213	—	—	—	213
At 31 March 2014	25,120	979	46	13,636	49,846	89,627

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

21 Reserve (Continued)

Company

	Share premium US$'000	Share option reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 April 2012	25,120	283	77,443	(3,438)	99,408
Employee share-based compensation benefit	—	483	—	—	483
Loss for the year	—	—	—	(26,740)	(26,740)
At 31 March 2013	25,120	766	77,443	(30,178)	73,151
Employee share-based compensation benefit	—	213	—	—	213
Loss for the year	—	—	—	(499)	(499)
At 31 March 2014	25,120	979	77,443	(30,677)	72,865

22 Bank borrowings

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Non-current				
Bank borrowings	**38,910**	37,237	**—**	—
Current				
Bank borrowings	**7,370**	4,486	**—**	—
Total bank borrowings	**46,280**	41,723	**—**	—

22 Bank borrowings (Continued)

The Group's and the Company's bank borrowings were repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Within 1 year	**7,370**	4,486	**—**	—
Between 1 and 2 years	**7,518**	4,486	**—**	—
Between 2 and 5 years	**31,392**	32,751	**—**	—
	46,280	41,723	**—**	—

The effective interest rates at the balance sheet date were as follows:

	2014	2013
Bank borrowings	**2.69%**	2.75%

The carrying amounts of the Group's bank borrowings are denominated in US$.

The fair value of the bank borrowings approximate their carrying amounts which bear interest at floating rates that are market dependent.

23 Convertible bonds — Group and Company

	2014	2013
	US$'000	US$'000
Convertible bonds	**3,702**	—

On 5 July 2013, the Group entered into a subscription agreement with Ablaze Rich Investments Limited ("Ablaze Rich"), pursuant to which the Group has conditionally agreed to issue, and Ablaze Rich has conditionally agreed to subscribe for convertible bonds with an aggregate principal amount of US$8,000,000 which would be issued in two tranches (comprising the first convertible bonds in the principal amount of US$3,000,000 (the "First Convertible Bonds") and the second convertible bonds in the principal amount of US$5,000,000 (the "Second Convertible Bonds"). The First Convertible Bonds bear interest from their date of issue at a rate of 4% per annum on the principal amount, and may be converted in full or in part (multiples of US$100,000) at the initial conversion price of HK$1.184 per conversion share (subject to anti-dilutive adjustment) any time within five years from the date of issue.

23 Convertible bonds — Group and Company (Continued)

On 2 September 2013, the Group issued the First Convertible Bonds with principal amount of US$3,000,000 and will be due on 1 September 2018. At initial recognition, the First Convertible Bonds comprised two elements and were accounted for as follows:

- The debt element of US$2,565,000 was treated as a financial liability and measured at amortised cost and interest expense was recognised in consolidated profit or loss using the effective interest method.
- The share conversion option element of approximately US$559,000 was treated as a derivative liability with subsequent changes in fair value being recognised in consolidated profit or loss.

The movements of the liability component and derivative component of the convertible bonds for the year since issuance are set out below:

	Liability component US$'000	**Derivative component** US$'000	**Total** US$'000
Issuance of the convertible bonds	2,565	559	3,124
Interest expenses *(Note 8)*	105	—	105
Fair value loss *(Note 6)*	—	473	473
At 31 March 2014	2,670	1,032	3,702

The fair value of the liability component of the Convertible Bonds at 31 March 2014 amounted to US$2,829,000. The fair value is determined by using the Binomial Option Pricing Model. Major inputs to the model included the valuation of share of the Company, expected volatility and risk free rate. The Convertible Bonds are within level 2 of the fair value hierarchy.

The Second Convertible Bonds bear interest from their date of issue at a rate of 4% per annum on the principal amount, and may be converted in full or in part (in multiples of US$100,000) at the initial conversion price of HK$1.184 per conversion share (subject to anti-dilutive adjustment) any time from the date of issue of the Second Convertible Bonds up to five years from the date of issue of the First Convertible Bonds.

Although the Second Convertible Bonds have not been issued during the year, according to the subscription agreement, contractual provisions in relation to issuance of the Second Convertible Bonds were established and the derivative financial assets were recognised. The fair value of the derivative financial asset was assessed at US$124,000 initially on issue date and subsequently re-measured as US$274 as at 31 March 2014.

The fair values of the derivative financial asset and Convertible Bonds were valued by Cushman & Wakefield Valuation Advisory Services (HK) Ltd, an independent valuer.

Details of the Group's derivative financial instruments are disclosed in Note 26.

24 Other payables and accruals

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Other payables and accruals	**1,019**	1,342	**22**	22
Receipt in advance from charterers	**411**	1,781	**—**	—
	1,430	3,123	**22**	22

The carrying amounts of other payables and accruals approximate their fair values.

The carrying amounts of other payables and accruals are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
US$	**1,293**	2,886	**—**	—
HK$	**137**	237	**22**	22
	1,430	3,123	**22**	22

25 Finance lease receivable

	Group					
	2014			2013		
	Gross receivables	**Unearned finance income**	**Present value of minimum lease payment receivables**	Gross receivables	Unearned finance income	Present value of minimum lease payment receivables
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
Amount receivable under finance leases:						
Current portion	**—**	**—**	**—**	2,000	(133)	1,867

The Group entered into a 5-year finance lease contract for leasing of a vessel in May 2008. The vessel was derecognized during the year ended 31 March 2009 at the carrying amount of US$9,841,000 while the value at the inception of the lease was US$8,900,000.

The effective interest rate is approximately 10.8% per annum for the years ended 31 March 2014 and 2013. Finance lease receivable balance is secured over the leased vessel. On 6 December 2013, the finance lease receivable was fully settled in cash.

26 Derivative financial instruments

	Group		Company	
	2014 Asset US$'000	2014 Liability US$'000	2014 Asset US$'000	2014 Liability US$'000
Issue right component *(Note a)*	—	—	—	—
Interest rate swap *(Note b)*	—	(101)	—	—
	—	(101)	—	—

The Group and the Company did not have any derivative financial instruments as at 31 March 2013.

Changes in fair values of derivative financial instruments are recorded in "other loss" in the consolidated income statement (Note 6).

Notes:

(a) The movement of the issue right component of convertible bonds for the year since issuance is set out below:

	US$'000
Issuance of the convertible bonds	124
Fair value loss *(Note 6)*	(124)
At 31 March 2014	—

As at 31 March 2014, the fair value of the option right to issue Second Convertible Bonds is US$274 (2013: Nil).

(b) The Group has bank borrowings exposed to floating interest rates. In order to hedge against the fluctuations in interest rates related to the bank borrowings, the Group entered into interest rate swap contract with banks to manage exposure to 3-month floating rate LIBOR.

The total notional principal amount of the outstanding interest rate swap as at 31 March 2014 was US$13,350,000 (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to consolidated statement of cash flows

Cash generated from operations

	2014 US$'000	2013 US$'000
Loss before income tax	(6,612)	(13,415)
Adjustments for:		
— Finance costs	1,576	1,324
— Finance income	(155)	(189)
— Depreciation on property, plant and equipment	7,573	9,133
— Share options granted to directors and employees	213	483
— Fair value changes in derivative financial instruments	698	—
— Impairment loss of property, plant and equipment	5,245	7,700
	8,538	5,036
Changes in working capital:		
— Trade and other receivables	1,156	1,719
— Inventory	696	(696)
— Other payables and accruals	(1,566)	500
Cash generated from operations	8,824	6,559

28 Commitments

(a) Operating lease commitments — Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 US$'000	2013 US$'000
Office premise		
Not later than one year	668	286

28 Commitments (Continued)

(b) Operating lease commitments — Group as lessor

At 31 March 2014, the Group has the following future aggregate minimum lease receivables under non-cancellable operating leases in relation to chartering of vessels. There vessels chartering agreements have varying terms ranging from 1 to 3 months:

	2014	2013
	US$'000	US$'000
Vessels		
Not later than one year	**4,919**	2,168

29 Related party transactions

The ultimate and immediate holding company of the Company is Ablaze Rich Investments Limited ("Ablaze Rich"), a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling shareholders of Ablaze Rich are Mr. Yan Kim Po and Ms. Lam Kwan.

(a) Transactions with Ablaze Rich

On 5 July 2013, the Group entered into a subscription agreement with Ablaze Rich, pursuant to which the Group has conditionally agree to issue, and Ablaze Rich has conditionally agreed to subscribe for convertible bonds with an aggregate principal amount of US$8,000,000.

Details of the Group's convertible bonds are disclosed in Note 23.

(b) Transactions with related parties

During the years ended 31 March 2014 and 2013, the Group had the following significant transactions with its related companies.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	2014	2013
	US$'000	US$'000
Rental expenses *(Note)*	**286**	267

Note:

Rental expenses paid to a related company were charged at rates as mutually agreed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Related party transactions (Continued)

(c) Transactions with key management personnel

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2014 US$'000	2013 US$'000
Salaries and other short-term employee benefits	869	860
Pension costs — retirement contribution plans	10	10
Share option granted to directors and employees	213	483
	1,092	1,353

(d) Year-end balances

	Company	
	2014 US$'000	2013 US$'000
Receivables from subsidiaries *(Note i)*	22,258	21,587
Payables to subsidiaries *(Note ii)*	3,137	1,153

Notes:

(i) Except for the amounts due from a subsidiary of US$20,000,000 (2013: US$20,000,000), which are unsecured, have no fixed term of repayment and are expected to be repaid more than 12 months after the year end, all the remaining amounts due from subsidiaries are unsecured, interest free and repayable on demand.

Provision of US$1,825,000 was held against amounts due from subsidiaries as at 31 March 2013. During the year, US$1,825,000 was written off as uncollectible by management.

(ii) As at 31 March 2014 and 2013, payables to subsidiaries bear no interest with repayable date due within one year.

30 Event after the balance sheet date

Acquisition of vessel

On 20 May 2014, a subsidiary of the Group acquired a vessel from an independent third party at a purchase price of US$22.8 million (equivalent to about HK$176.7 million). The vessel shall be due for delivery during the period from 1 July 2014 to 10 August 2014.