TRADING RECORD

The following table is a summary of our combined results for each of the three years ended 31 December 2010 prepared on the basis that our current structure was in existence throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this document.

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Revenue	75,660	27,939	46,521
Cost of services	(35,513)	(29,011)	(35,192)
Gross profit (loss)	40,147	(1,072)	11,329
Other income	1,833	2,395	399
Other gains and losses	3,215	1,863	973
Administrative expenses	(3,961)	(2,599)	(3,487)
Share of result of an associate	(542)	(223)	–
Finance costs	(198)	(257)	(119)
Profit before income tax	40,494	107	9,095
Income tax expense	(11)	(32)	(71)
Profit for the year	40,483	75	9,024
Other comprehensive income			
Exchange differences arising on translation of the Group's foreign operation	4	(49)	–
Surplus on revaluation of leasehold land and building	–	–	152
	4	(49)	152
Total comprehensive income for the year attributable to owners of the Company	40,487	26	9,176

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Global and regional economic and trade conditions

Our business depends substantially on the global economic and regional economic and market conditions, in particular, the China economic, level of international and regional trade in particular, the China trade. For the year ended 31 December 2009, our revenue and net profit decreased by approximately 63.1% and 99.8% respectively as compared to the previous year, which was mainly due to the general decrease in freight rates in the market resulted from the slowdown of the global economy as a result of the financial tsunami which occurred in December 2008. On the other hand, our revenue is also affected by the increasing importance of dry bulk trading in China as compared with the world. Any fluctuation of the global economic and China economic and trade may affect the market freight rate and our revenue.

World dry bulk vessels

Increase in the supply of vessel chartering capacity in the world can intensify the competitive pressure in the market and thereby affect the charter freight rates to be offered by us. Due to the increasing total capacity of the world dry bulk fleet from approximately 294.7 million dwt at the end of 2002 to approximately 515.3 million dwt at the end of 2010, representing a CAGR of approximately 7.2% and the capacity of ordered vessels as at end-Dec 2010 as compared with that of the world fleet as at 31 December 2010 of approximately 46.9%, the supply of world dry bulk vessels in near future is expected to increase which may have adverse affect on the market freight rate.

Spot Charter hire rate

Except for 2009, the majority of our revenue was derived from spot charter contracts. Spot charter hire rate could be fluctuated in line with global economic conditions and trade activities.

Fleet composition and capacity of the Group

Our revenue is fundamentally varied by the number of vessels owned and by us and our fleet composition. As at the Latest Practicable Date, our fleet comprised one Capsize vessel, four Panamax vessels, two Handymax vessels and two Handysize vessels with a total carrying capacity of approximately 577,000 dwt. By acquiring additional vessels or disposing any of our vessels, we are able to change and optimise our fleet structure. The utilization rate of our vessels depends on the supply and demand of the market.

BASIS OF PRESENTATION

The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies described in "Appendix I – Accountants' Report", and are drawn up in accordance with IFRS. The consolidated financial statements incorporate the financial statements of our Company and entities controlled by our Company (its subsidiaries). Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of our Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results as reported in our consolidated financial statements included elsewhere is this document. Some of the accounting policies require us to make difficult and subjective judgments. Below is a summary of the accounting policies in accordance with IFRS that we believe are both important to the presentation of our financial results and involve the need to make judgments, estimates and assumptions about the effect of matters that are inherently uncertain. We also have other policies that we consider to be significant accounting policies, which are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this document.

Critical accounting policies

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Income from voyage charter and time charter is recognised as revenue on the percentage of completion basis, so that revenue is recognised on the time proportion method of each individual voyage.

Ship management income is recognised when the services are rendered.

Rentals receivable under operating leases are recognised in profit or loss on a straight-line basis over the relevant lease term.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's right to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment Properties

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held-for-trading and those designated as FVTPL, of which interest income is included in gains or losses.

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

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

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

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

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

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment loss on financial assets

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Key sources of estimation uncertainty

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

Residual value and useful lives of property, plant and equipment

As described in note 3 to the accountants' report set out in Appendix I to this document, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to the estimated residual value. The Group determined residual value for all its vessels. This estimate is based on the relevant factors (including the use of the current scrap values of steels in an active market as a reference value) at each measurement date. The Group assesses regularly the residual value and useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year in which such estimate has been changed.

Impairment of property, plant and equipment

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group reviews the carrying amounts of the vessels based on the value in use of the vessels. These calculations require the use of judgment and estimates. On the above basis, the Group is of the view that no impairment of vessels is required. The carrying amount of the Group's vessels was approximately US$63,081,000, US$53,643,000 and US$66,397,000 as at 31 December 2008, 2009 and 2010 respectively.

Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables was approximately US$2,678,000, US$2,228,000 and US$1,257,000 as at 31 December 2008, 2009 and 2010, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE TRACK RECORD PERIOD

Investors should read the following management discussion and analyses in conjunction with the combined financial statements of our Group for the Track Record Period, which is set forth in the accountants' report set out in Appendix I to this document. Except for the financial information extracted from the combined financial statements of our Group, the remainder of our financial information presented herein has been extracted or derived from other financial records of our Group which the Directors have taken a reasonable amount of care to prepare. Investors should read the whole of the accountants' report and not rely merely on the financial synopsis contained in this section.

Overview

We provide vessel chartering services to our charterers. We own and operate nine dry bulk vessels, including one Capsize vessel, four Panamax vessels, two Handymax vessels and two Handysize vessels with a total carrying capacity of approximately 577,000 dwt. During the Track Record Period, we mainly deployed our existing and disposed vessels in the waters around the Greater China region as well as Indonesia, Singapore, Korea, Vietnam, Cambodia, the Philippines, Russia and certain territories in Asia. We generally transport dry bulk commodities including coal, sea sand and bauxite as well as iron ore and minerals during the Track Record Period.

During the Track Record Period, other than the CoA we entered into with a Singapore construction company, all other charter contracts we secured were spot charter contracts. Spot charter contracts are one-off charter contracts where their freight rates are agreed based on instant (i.e. current) market rate. CoAs are longer-term vessel charter contracts where their freight rates are pre-determined and prevail throughout the agreed period under the contracts.

Under spot charter contracts, freight rates could be calculated based on voyage charter or time charter. In voyage charter, subject to a minimum fixed freight, we charge freight rates based on the weight of cargos transported and charterers are responsible for both operating costs and voyage costs, mainly bunker costs, of the vessels. The final rates might be adjusted depending on the occurrence of demurrage or dispatch, if any. Additional charges will be imposed on the charterer in demurrage whereas credits will be given to the charterer in dispatch. We will issue the final invoice or credit note to the charterer after the above is ascertained.

Under time charter, we charge charter-hire on a per day basis, and we are responsible for the operating costs of the vessels, while charterers are responsible for the voyage costs of the vessels and bear the risk of any delays at port or during the voyage except for delays caused by us.

During the Track Record Period, we only had one CoA made with a Singapore construction company and its charter term was voyage charter.

We generate revenue mainly from providing vessel chartering services. For each of the three years ended 31 December 2010, our revenue was approximately US$75.7 million, US$27.9 million and US$46.5 million respectively; and our net profit was approximately US$40.5 million, US$75,000 and US$9 million respectively. Our Directors believe that the relatively significant drop in our profitability in 2009 was mainly due to the contraction of global trade finance resulted from the global financial crisis and a drop in China's coal exports during such period, which lowered the global demand for vessel chartering services and our freight rates. Following recovery of the global economy and trade activities, our financial performance in 2010 has steadily improved.

Overview of major items of statement of our comprehensive income

Revenue

During the Track Record Period, our revenue was mainly derived from the provision of vessel chartering services. Our revenue decreased by approximately 63.1% from approximately US$75.7 million in 2008 to approximately US$27.9 million in 2009. Such decline was mainly due to a drop in China's coal exports and the contraction of global trade finance resulted from the global financial crisis during such period. In this regard, as there were (i) more stringent credit criteria lines being applied; (ii) more capital allocation restrictions being imposed; and (iii) reductions in inter-bank lending, the decrease in credit lines resulted in a decline in global trade activities. Accordingly, the demand for vessel charter services decreased which led to a decrease in the freight rates of the whole shipping industry (including ours).

Due to the global contraction of trade finance resulted from the financial crisis in late 2008, the demand for spot charter contracts and the market freight rates were adversely affected. Since our vessel chartering services heavily rely on spot charter contracts which are more prone to market fluctuation, the decrease in the demand for spot charter contracts and the decrease in freight rates had a greater impact on our revenue in 2009 than our competitors, which might have different extent of reliance on spot charter contracts. If our competitors have more CoAs, as the duration term and the freight rates of such long-term contracts are pre-determined, their performance would be less affected by the poor economic condition. In addition, the decrease in coal exports from China in 2009 resulted in a decrease in the number of spot charter contracts we secured in 2009. Notwithstanding the increase in coal imports to China in 2009, we were unable to secure more spot charter contracts in respect of coal imports to China because of (i) keen competition; and (ii) low demand from our existing customers, and therefore we could not capture the upside of such increase in coal imports. Due to the abrupt change in the market condition during 2009, we had less spot charter contracts, and therefore the overall utilization rate of our vessels decreased from approximately 76.5% to approximately 71.2%. Together with the effect of the decrease in our freight rates, our revenue experienced a significant decrease in 2009.

Our revenue increased by approximately 66.7% from approximately US$27.9 million in 2009 to approximately US$46.5 million in 2010. We acquired a Capesize vessel (i.e. MV Cape Warrior) and a Panamax vessel (i.e. MV Panamax Leader) in 2010, which increased our fleet's total carrying capacity. Following the global economic recovery from the financial crisis, given that we rely on spot charter contracts which allow flexibility in capturing the upside in the shipping market, the overall utilization rate of our vessel increased from approximately 71.2% in 2009 to approximately 85.1% in 2010. Due to the increase in our fleet's total carrying capacity and the improved freight rates and overall utilization rate of our vessels, our revenue recorded a increase in 2010 compared to 2009.

The following table set outs a breakdown of our revenue during the Track Record Period.

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Revenue			
Spot charter contracts	61,878	12,992	35,122
CoA	13,642	14,587	11,135
Ship management	140	360	264
	75,660	27,939	46,521

For the year ended 31 December 2008, the revenue attributable to spot charter contracts and the CoA were approximately US$61.9 million and US$13.6 million respectively, which represented approximately 81.8% and 18.0% of our revenue of such year respectively. For the year ended 31 December 2009, the revenue attributable to spot charter contracts and the CoA were approximately US$13 million and US$14.6 million respectively, which represented approximately 46.5% and 52.2% of our revenue of such year respectively. There was a significant change in the proportion between the revenue attributable to spot charter contracts and the CoA in 2009 as compared to 2008. This was mainly due to the decrease in the revenue generated from spot charter contracts from approximately US$61.9 million in 2008 to approximately US$13 million in 2009, which was due to the contraction of the global trade finance during such period as explained above. On the other hand, our revenue generated from the CoA remained steady in 2008 and 2009 as the performance of such long-term contract was not affected by the poor economic condition. As a result, the revenue proportion attributable to spot charter contracts and the CoA became nearly even in 2009.

For the year ended 31 December 2010, the revenue attributable to spot charter contracts and the CoA were approximately US$35.1 million and US$11.1 million respectively, which represented approximately 75.5% and 23.9% of our revenue of such year respectively. For the year ended 31 December 2009, the revenue attributable to spot charter contracts and the CoA were approximately US$13 million and US$14.6 million respectively, which represented approximately 46.5% and 52.2% of our revenue of such year respectively. Since we were able to secure more spot charter contracts in 2010 compared to the number in 2009, the proportion of the revenue attributable to spot charter contracts had an increase in 2010.

The following table sets forth the breakdown of shipment revenue attributable to each type of our dry bulk commodities transported during the Track Record Period:–

Breakdown by percentage of revenue

	For the years ended 31 December		
	2008	**2009**	**2010**
Coal	69.8%	30.4%	51.3%
Sea sand	18.3%	52.7%	23.9%
Bauxite	7.9%	8.5%	15.5%
Iron ore	0.7%	1.3%	7.1%
Others	3.3%	7.1%	2.2%
Total	100.0%	100.0%	100.0%

The following table sets out the information of our fleet capacity during the Track Record Period.

Name of vessels	**Type of dry bulk vessels**	**Tonnage available (DWT)**	**Date of becoming the registered owner of the vessels**
Cape Warrior	Capesize	146,000	September 2010
Courage	Panamax	67,000	August 2003
Panamax Leader	Panamax	67,000	September 2010
Sea Pioneer	Panamax	67,000	February 2009
Valour	Panamax	67,000	March 2006
Heroic	Handymax	42,000	June 2006
Zorina	Handymax	48,000	November 2008
Bravery	Handysize	36,000	March 2006
Raffles	Handysize	38,000	April 2005
Cape Ore *(Note)*	Capesize	128,000	February 2010
Panamax Mars *(Note)*	Panamax	62,000	July 2004
Ally II *(Note)*	Handysize	35,000	April 2002
Jeannie III *(Note)*	Handysize	35,000	December 2001

Note:

We disposed such vessels during the Track Record Period and they are no longer our vessels.

The following table sets out our fleet utilization information for the Track Record Period.

Vessel name	Utilization rate *(Note)* Year ended 31 December 2008	2009	2010
Capesize	–	–	61.9%
Panamax	62.3%	57.8%	81.3%
Handymax	90.4%	78.2%	98.5%
Handysize	83.7%	79.9%	86.9%
Overall	**76.5%**	**71.2%**	**85.1%**

Note: The utilization rate for each vessel is calculated based on the aggregated number of days during which the underlying vessel(s) was/were owned and operated by us, less such estimated aggregated number of off-hire days due to dry-docking or other repair and maintenance and the off-hire period in between two charter periods, divided by the total number of days of the underlying vessel(s) owned and operated by us for the year (on the basis of 365 days per year).

The following tables set forth the details of calculating the utilization rate of each type of our vessels and the overall utilization rate of our fleet during the Track Record Period:–

	For the year ended 31 December 2008				
Vessel Name	**Aggregated number of days for which the type of vessel(s) operated by us (A)**	**Aggregated number of days without charter hire due to repair and maintenance (B)**	**Aggregated number of days without charter hire for reasons other than repair and maintenance (C)**	**Aggregated number of days for calculating the average Daily TCE (A)-(B)-(C)**	**Utilization Rate ((A)-(B)-(C))/(A)**
Capesize	–	–	–	–	–
Panamax	1,138	250	179	709	62.3%
Handymax	437	–	42	395	90.4%
Handysize	1,407	163	66	1,178	83.7%
Overall	2,982	413	287	2,282	76.5%

Vessel Name	For the year ended 31 December 2009 Aggregated number of days for which the type of vessel(s) operated by us (A)	Aggregated number of days without charter hire due to repair and maintenance (B)	Aggregated number of days without charter hire for reasons other than repair and maintenance (C)	Aggregated number of days for calculating the average Daily TCE (A)-(B)-(C)	Utilization Rate ((A)-(B)-(C))/(A)
Capesize	–	–	–	–	–
Panamax	1,098	143	320	635	57.8%
Handymax	730	57	102	571	78.2%
Handysize	1,095	72	148	875	79.9%
Overall	2,923	272	570	2,081	71.2%

Vessel Name	For the year ended 31 December 2010 Aggregated number of days for which the type of vessel(s) operated by us (A)	Aggregated number of days without charter hire due to repair and maintenance (B)	Aggregated number of days without charter hire for reasons other than repair and maintenance (C)	Aggregated number of days for calculating the average Daily TCE (A)-(B)-(C)	Utilization Rate ((A)-(B)-(C))/(A)
Capesize	278	49	57	172	61.9%
Panamax	1,321	3	244	1,074	81.3%
Handymax	730	4	7	719	98.5%
Handysize	952	45	80	827	86.9%
Overall	3,281	101	388	2,792	85.1%

For each of the three years ended 31 December 2010, the overall utilization rates of our vessels were approximately 76.5%, 71.2% and 85.1% respectively. The utilization rates of our Panamax vessels were relatively low comparing to those of other vessels in 2008 and 2009. Such low utilization rates were mainly due to the decrease in the number of spot charter contracts we secured in the second half of 2008 and first half of 2009 resulted from the contraction of global trade finance and global economic crisis and also a drop in China's coal exports. These were also the primary reasons for the decrease in the utilization rate of our Handysize vessels in 2009. As our Handysize vessels were engaged in connection with the CoA made with a Singapore construction company during such period, the utilization rates of which was not significantly affected by the unfavourable economic condition in 2008 and 2009.

Following the global economic recovery, the utilization rates of our Panamax, Handymax and Handysize vessels were all improved in 2010. In particular, the utilization rate of our Handymax vessels reached approximately 98.5% in such year. The utilization rate of our Capesize vessel in 2010 was approximately 61.9%, which was mainly due to the non-operating time used for the repair and maintenance work performed after our acquisition of which in May 2010.

Our Directors are of the view that our diverse fleet could provide us with the flexibility to meet various needs of our customers. We intend to look for reasonably priced second-hand vessels to expand of our fleet. To generate long-term value, we remain open to the possibilities of purchasing new vessels in the future. Our Directors are of the view that by expanding and modernizing our fleet and optimising our fleet composition, we will be able to (i) maintain and consolidate our customer base; (ii) enhance our overall competitiveness; (iii) secure more stable charter hire income; and (iv) achieve a better cost-efficiency as a result of economy of scale.

Cost of services

Our cost of services represented the operating expenses of our vessels, which mainly include depreciation expenses, port expenses, bunker expenses, agency fees for vessel crews, insurance and repair and maintenance.

The following table sets out the breakdown of our cost of services during the Track Record Period.

	Year ended 31 December					
	2008		2009		2010	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Depreciation expenses	6,647	18.7	10,548	36.4	9,087	25.8
Agency fees for vessel crews	3,774	10.6	3,628	12.5	4,682	13.3
Repairs and maintenance expenses	2,085	5.9	1,892	6.5	2,032	5.8
Insurance	1,683	4.7	1,590	5.5	2,382	6.8
Port expenses	2,760	7.8	1,973	6.8	2,670	7.6
Bunker expenses	16,840	47.4	7,355	25.3	12,116	34.4
Others	1,724	4.9	2,025	7.0	2,223	6.3
Total	**35,513**	**100.0**	**29,011**	**100.0**	**35,192**	**100.0**

Our cost of services decreased by approximately 18.3% from approximately US$35.5 million in 2008 to approximately US$29 million in 2009. The decrease was mainly due to the decrease in bunker expenses and port expenses. Notwithstanding the depreciation expenses increased from approximately US$6.6 million in 2008 to US$10.5 million in 2009 resulted from the expansion of our fleet towards the end of 2008 which increased our depreciation expenses in 2009, the bunker expenses and port expenses decrease from approximately US$16.8 million and US$2.8 million in 2008 to approximately US$7.4 million and US$2 million in 2009 respectively due to the decrease in the utilization rate of our fleet as a result of the global economic crisis. Notwithstanding the decrease in our cost of services in 2009 compared to 2008, the agency fees for our vessel crew did not alter much. Since each of our vessels is required to maintain a minimum number of crew members at all times in accordance with the ISM Code, and the agency fees for vessel crew paid to Tianjin Cross-Ocean is calculated with reference to the number of vessel crew members paid instead of the number of voyages that the vessel crew members worked on, therefore the agency fees for vessel crew incurred in 2009 did not decrease substantially even though there is less voyages during the same period.

Our cost of services increased by approximately 21.4% from approximately US$29 million in 2009 to approximately US$35.2 million in 2010. The increase was mainly due to the increase in bunker expenses and port expenses as the bunker expenses and port expenses increase from approximately US$7.4 million and US$2 million in 2009 to approximately US$12.1 million and US$2.7 million in 2010 respectively due to the increase in the utilization rate of our fleet as a result of the recovery from the global economic crisis. Due to the expansion of our fleet size and the increase in crew agency fee per head, our total crew agency fee and insurance also increased correspondingly from approximately US$3.6 million and US$1.6 million in 2009 to approximately US$4.7 million and US$2.4 million in 2010 respectively. The increase in insurance cost in 2010 was attributable to the amortisation effect of the insurance payments. Accordingly, we recorded an increase in our cost of services in 2010 compared to 2009.

Gross profit and gross profit margin

The following table sets out our gross profit during the Track Record Period.

	Year ended 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Gross profit (loss)	40,147	(1,072)	11,329
Gross profit (loss) margin	53.1%	(3.8)%	24.4%

During the Track Record Period, our gross profit (loss) margins were approximately 53.1%, (3.8)% and 24.4% respectively.

Other income

Our other income mainly includes rental income, interest income from banks and certificate of deposit, insurance claims and sundry income. For each of the three years ended 31 December 2010, our other income was approximately US$1.8 million, US$2.4 million, and US$0.4 million respectively.

Other gains and losses

Our other gains and losses mainly include gain on disposal of property, plant and equipment, gain on disposal of assets held for sale, change in fair value of investment property, change in fair value of held-for-trading investments, gain on disposal of an associate, exchange gain and allowance for doubtful receivables. For each of the three years ended 31 December 2010, our other gains and losses was approximately US$3.2 million, US$1.9 million, and US$1 million respectively.

Administrative expenses

Our administrative expenses mainly comprise salary and bonus, directors' remuneration, office rent, legal and professional fees and auditors' remuneration. For each of the three years ended 31 December 2010, our administrative expenses were approximately US$4 million, US$2.6 million and US$3.5 million respectively.

Share of result of an associate

Our share of result of an associate was due to our acquisition of 11,200,420 ordinary shares of Sunrise, representing approximately 25% of its issued share capital, in August 2007. In connection with the acquisition, we were granted a put option in which we were entitled to sell the acquired shares to the seller at the purchase price. This put option was exercised by us in May 2009 and was accepted by the seller in July 2009. As a result, we have equity accounted for Sunrise up to 30 June 2009.

Finance costs

Our finance costs mainly comprise interest expenses from bank loans. For each of the three years ended 31 December 2010, our finance costs were approximately US$198,000, US$257,000 and US$119,000 respectively.

Income tax expenses

The Company's subsidiaries incorporated in Hong Kong, namely, Courage Marine HK, Courage Marine Holdings and Courage Marine Property, are required to pay profit tax on their respective assessable profit (if any) in each year of assessment during Track Record Period. Courage Marine HK paid profit tax in Hong Kong during the Track Record Period, which was arisen from (i) the taxable trading gain of disposal of listed securities in 2009; and (ii) the management fees received from other group companies for assistance in handling bank transactions, accounting and financial management in Hong Kong. Courage Marine Holdings and Courage Marine Property have not incurred any profit tax during the Track Record Period. The Company's subsidiary incorporated in Taiwan, namely, Courage Amego Agency, is required to pay business tax (based on turnover) for each tax year during the Track Record Period. However, Courage Amego Agency has not incurred any profit tax during the Track Record Period. Courage Marine Shanghai Office is required to pay PRC income tax quarterly and it has opted to pay such tax based on the cost-plus method (based on expenses) during the Track Record Period. The abovementioned subsidiaries are not liable to income tax in any other jurisdiction. In the opinion of the Directors, none of the members of the Group (other than as stated above) is liable to income tax in any jurisdiction. The Group's effective tax rates during the Track Record Period are as follows:

2008	:	0.03%
2009	:	29.91%
2010	:	0.78%

The amount of our income taxes during the Track Record Period was relatively stable, i.e. approximately US$11,000, US$32,000 and US$71,000 respectively. The particularly high effective tax rate in 2009 was due to our comparatively low profit before taxation as a result of the global financial crisis.

Hong Kong tax laws apply to our subsidiaries in Hong Kong. No provision for Hong Kong profit tax has been made during the years ended 31 December 2008 and 2009 as our income neither arises in, nor is derived from Hong Kong. Hong Kong profit tax is calculated at 16.5% of the estimated assessable profit of our Hong Kong subsidiary for the year ended 31 December 2010. PRC tax laws apply to the Courage Marine Shanghai Office. PRC income tax for the year ended 31 December 2010 is calculated at 25% of the assessable profit of Courage Marine Shanghai Office. Taiwan tax laws apply to Courage Amego Agency. Taiwan income tax is calculated at 25% of the assessable profit of Courage Amego Agency during the Track Record Period.

During the Track Record Period, the exposure to the withholding tax on our freight income charged by the tax authority of the relevant countries is considered not significant as the withholding tax should have been included in port expenses payable by charterers. Consequently, no further provision on withholding tax is required to be made. If the charterers shall fail to pay the port expenses, we are required to pay such withholding tax on its freight income.

Nevertheless, the Controlling Shareholders (save for Sea-Sea Marine) have entered into the Deed of Indemnity pursuant to which they will indemnity our Group against any unprovided taxes and liabilities falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued on received on or before the date on which Introduction becomes unconditional. Please refer to the paragraph headed "Deed of Indemnity" in Appendix VI of this document.

Other comprehensive income

Our other comprehensive income is mainly the reversal of exchange differences on translation of foreign operations and surplus on revaluation of leasehold land and building. For each of the three years ended 31 December 2010, our other comprehensive income was approximately US$4,000, a loss of US$49,000 and US$152,000 respectively.

Review of historical operating results

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Our revenue decreased by approximately 63.1% from approximately US$75.7 million in 2008 to approximately US$27.9 million in 2009. Such decline was mainly due to a drop in China's coal exports and the contraction of global trade finance resulted from the global financial crisis during such period. In this regard, as there were (i) more stringent criteria for credit lines were being applied; (ii) more capital allocation restrictions being imposed; and (iii) reductions in inter-bank lending, the decrease in credit lines resulted in a decline in global trade activities. Accordingly, the demand for vessel charter services decreased which led to a decrease in freight rates for the whole shipping industry (including ours).

Due to the global contraction of trade finance resulted from the financial crisis in late 2008, the demand for spot charter contracts and the market freight rates were adversely affected. Since our vessel chartering services heavily rely on spot charter contracts which are more prone to market fluctuation, the decrease in the demand for spot charter contracts and the decrease in freight rates had a greater impact on our revenue in 2009 than our competitors, which might have different extent of reliance on spot charter contracts. If our competitors have more CoAs, as the duration term and the freight rates of such long-term contracts are pre-determined, their performance would be less affected by the poor economic condition. In addition, the decrease in coal exports from China in 2009 resulted in a decrease in the number of spot charter contracts we secured from our customers in 2009. Notwithstanding the increase in coal imports to China in 2009, we were unable to secure more spot charter contracts in respect of coal imports to China because of (i) keen competition; and (ii) low demand from our existing customers, and therefore we could not capture the upside of such increase in coal imports. Due to the abrupt change in the market condition during 2009, we had less spot charter contracts, and therefore the overall utilization rate of our vessels decreased from approximately 76.5% to approximately 71.2%. Together with the effect of the decrease in our freight rates, our revenue experienced a significant decrease in 2009.

For the year ended 31 December 2008, the revenue derived from spot charter contracts and the CoA were approximately US$61.9 million and US$13.6 million respectively, which represented approximately 81.8% and 18.0% of our revenue of such year respectively. For the year ended 31 December 2009, the revenue derived from spot charter contracts and the CoA were approximately US$13 million and US$14.6 million respectively, which represented approximately 46.5% and 52.2% of our revenue of such year respectively. There was a significant change in the proportion between the revenue derived from spot charter contracts and the CoA in 2009 compared to 2008. This was mainly due to the decrease in the revenue generated from spot charter contracts from approximately US$61.9 million in 2008 to approximately US$13 million in 2009, which was due to the contraction of the global trade finance resulted from the global financial crisis during such period as explained above. On the other hand, our revenue generated from the CoA remained steady in 2008 and 2009 as the performance of such long-term contract was not affected by the poor economic conditions. As a result, the revenue proportion attributable to spot charter contracts and the CoA became nearly even in 2009.

Cost of services

Our cost of services decreased by approximately 18.3% from approximately US$35.5 million in 2008 to approximately US$29 million in 2009. The decrease was mainly due to the decrease in bunker expenses and port expenses. Notwithstanding the increase in depreciation expenses from approximately US$6.6 million in 2008 to US$10.5 million in 2009 as a result of the expansion of our fleet towards the end of 2008 which increased our depreciation expenses in 2009, the bunker expenses and port expenses decreased from approximately US$16.8 million and US$2.8 million in 2008 to approximately US$7.4 million and US$2 million in 2009 respectively. This was due to the decrease in the utilization rate of our fleet as a result of the global economic crisis. Notwithstanding the decrease in our cost of services in 2009 compared to 2008, the agency fees for our vessel crew did not alter much. Since each of our vessels is required to maintain a minimum number of crew members at all times in accordance with the ISM Code, the agency fees for our vessel crew are relatively fixed by reference to the number of vessels owned by us. Even when there were no voyage for our vessels, the agency fees for our vessel crew would still have been incurred.

Gross loss

Due to (i) the drop in China's coal exports and the contraction of global trade finance resulted from the global financial crisis during such period which led to a decrease in the market freight rates (including ours); (ii) our heavy reliance on spot charter contracts; and (iii) our inability to secure more spot charter contracts in respect of coal import to China, where our cost of services comprised a number of fixed cost items which were not materially affected by the decrease in our revenue, we recorded a gross loss of approximately US$1.1 million in 2009 compared to the gross profit of approximately US$40.1 million in 2008.

Other income

Our other income increased by approximately 33.3% from approximately US$1.8 million in 2008 to approximately US$2.4 million in 2009. The increase was mainly due to the insurance claims received of approximately US$2.2 million in 2009.

Other gain and losses

Our other gain and losses decreased by approximately 40.6% from approximately US$3.2 million in 2008 to approximately US$1.9 million in 2009. The decrease was mainly due to the decrease in our gain on disposal of plant and equipment and assets held for sale from approximately US$3.1 million in 2008 to approximately US$0.3 million in 2009.

Administrative expenses

Our administrative expenses decreased by approximately 35.0% from approximately US$4 million in 2008 to approximately US$2.6 million in 2009. The decrease was mainly due to the waiver and/or reduction of certain directors' fees, the decrease in our Director's remuneration as well as employees' salary and bonus from approximately US$0.9 million and US$1.2 million in 2008 to approximately US$0.4 million and US$0.7 million respectively.

Share of result of an associate

Our share of result of an associate decreased by approximately 58.9% from approximately US$542,000 in 2008 to approximately US$223,000 in 2009. The decrease was mainly due to the loss recorded by Sunrise where we had approximately 25% equity interest in it.

Finance costs

Our finance costs increased by approximately 29.8% from approximately US$198,000 in 2008 to approximately US$257,000 in 2009. The increase was mainly due to the increase in the interest expenses of bank loans (which were drawn in the fourth quarter of 2008) in 2009 compared to 2008.

Profit before income tax

As a result, our profit before income tax decreased from approximately US$40.5 million in 2008 to approximately US$107,000 in 2009.

Income tax expense

Our income tax expense for the year ended 31 December 2009 increased by approximately 190.9% from approximately US$11,000 to approximately US$32,000. The increase was mainly due to the increase in management fees received by Coverage Amego Agency (incorporated in Taiwan) as a result of the expansion of our fleet.

Other comprehensive income/loss

Our comprehensive income for the year ended 31 December 2008 was approximately US$4,000, but we recorded a loss (in respect of exchange difference arising on translation of the Group's foreign operations concerning funrise) of approximately US$49,000 in such item for the year ended 31 December 2009, which represents a decrease of approximately 1,325.0%.

Net profit

As a result, our net profit decreased from US$40.5 million in 2008 to approximately US$75,000 in 2009.

Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue

Our revenue increased by approximately 66.7% from approximately US$27.9 million in 2009 to approximately US$46.5 million in 2010. We acquired a Capesize vessel, MV Cape Warrior, in 2010, which increased our fleet's total carrying capacity. Following the global economic recovery from the financial crisis, given that we rely on spot charter contracts which allow flexibility in capturing the upside in the shipping market, our freight rates had a general increase and the overall utilization rate of our vessel increased from approximately 71.2% in 2009 to approximately 85.1% in 2010. Due to the increase in our fleet's total carrying capacity (as a result of our acquisition of two vessels, namely, MV Cape Warrior and MV Panamax Leader) and the improved freight rates and overall utilization rate of our vessels, our revenue recorded a significant increase in 2010 compared to 2009.

For the year ended 31 December 2010, the revenue derived from spot charter contracts and the CoA were approximately US$35.1 million and US$11.1 million respectively, which represented approximately 75.5% and 23.9% of our revenue of such year respectively. For the year ended 31 December 2009, the revenue derived from spot charter contracts and the CoA were approximately US$13 million and US$14.6 million respectively, which represented approximately 46.5% and 52.2% of our revenue of such year respectively. Since we were able to secure more spot charter contracts in 2010 compared to the number in 2009, the proportion of our revenue attributable to spot charter contracts had an increase in 2010.

Cost of services

Our cost of services increased by approximately 21.4% from approximately US$29 million in 2009 to approximately US$35.2 million in 2010. The increase was mainly due to the increase in bunker expenses and port expenses as the bunker expenses and port expenses increase from approximately US$7.4 million and US$2 million in 2009 to approximately US$12.1 million and US$2.7 million in 2010 respectively due to the increase in the utilization rate of our fleet as a result of the recovery of the global economy. Due to the expansion of our fleet size, our crew agency fee and insurance premium also increased correspondingly from approximately US$3.6 million and US$1.6 million in 2009 to approximately US$4.7 million and US$2.4 million in 2010 respectively. The increase in insurance in 2010 was attributable to the amortisation effect of the insurance payments. Accordingly, we recorded an increase in our cost of services in 2010 compared to 2009.

Gross profit

Due to (i) the recovery of the global economic recovery from the financial crisis; and (ii) the increase in our fleet's total carrying capacity, which increased our general freight rates and improved our utilization rate, we recorded a gross profit of approximately US$11.3 million in 2010 compared to the gross loss of approximately US$1.1 million in 2009.

Other income

Our other income decreased by approximately 83.3% from approximately US$2.4 million in 2009 to approximately US$0.4 million in 2010. The decrease was mainly due to the decrease in one-off insurance claims received of approximately US$2.2 million in 2009 to approximately US$0.3 million in 2010.

Other gains and losses

Our other gain and losses decreased by approximately 47.4% from approximately US$1.9 million in 2009 to approximately US$1 million in 2010. The decrease was mainly due to the one-off gain on disposal in 2009 of our equity interest in Sunrise of approximately US$1.3 million which did not have recurrence in 2010.

Administrative expenses

Our administrative expenses increased by approximately 34.6% from approximately US$2.6 million in 2009 to approximately US$3.5 million in 2010. The increase was mainly due to full payment of Directors' fees, the increase in our Director's remuneration as well as employees' bonus from approximately US$0.4 million and US$0.7 million in 2009 to approximately US$0.5 million and US$0.9 million in 2010 respectively. Our legal and professional fees was also increased from approximately US$0.2 million in 2009 to approximately US$0.4 million in 2010 (part of which was incurred in connection with the Listing exercise).

Finance costs

Our finance costs decreased by approximately 66.7% from approximately US$0.3 million in 2009 to approximately US$0.1 million in 2010. The decrease was mainly due to the decrease in the interest expenses of bank loans in 2010 (as a result of the repayment of part of the bank loan) compared to 2009.

Profit before income tax

As a result, our profit before income tax increased from approximately US$0.1 million in 2009 to approximately US$9.1 million in 2010.

Income tax expense

Our income tax expense in 2010 increased by approximately 121.9% from approximately US$32,000 to approximately US$71,000. The increase was partly due to the increase in management fees received by Courage Amego Agency (incorporated in Taiwan) as a result of the expansion of our fleet which resulted in higher tax expenses in 2010, and partly due to the income tax arrived in 2010 in respect of the disposal of certain held-for-trading investment in the Hong Kong stock market which took place in 2009.

Net profit

As a result, our net profit increased from approximately US$75,000 in 2009 to approximately US$9 million in 2010.

Other comprehensive income

We recorded other comprehensive income of approximately US$152,000 in 2010 compared to the other comprehensive loss of approximately US$49,000 in 2009.

The following table is a summary of our financial results for the three months ended 31 March 2010 and 2011. The summary should be read in conjunction with the unaudited interim financial information set out in Appendix II to this document.

	Three months ended 31 March	
	2010	**2011**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	12,853	5,815
Cost of services	(9,275)	(8,089)
Gross profit (loss)	3,578	(2,274)
Other income	27	71
Other gains and losses	40	285
Administrative expenses	(578)	(664)
Other expenses	–	(1,087)
Finance costs	(35)	(17)
Profit (loss) before income tax	3,032	(3,686)
Income tax expense	(7)	(7)
Profit (loss) for the period	3,025	(3,693)
Other comprehensive income		
Surplus on revaluation of leasehold land and building	–	517
Total comprehensive income (expense) for the period attributable to owners of the Company	3,025	(3,176)
Earnings (loss) per share		
Basic	0.29 US cent	(0.35) US cent

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED 31 MARCH 2011

Investors should read the following management discussion and analysis in conjunction with the consolidated financial statements of our Group for three months ended 31 March 2010 and 2011, which is set forth in the unaudited interim financial information set out in Appendix II to this document. Except for the financial information extracted from the consolidated financial statements of our Group, the remainder of our financial information presented herein has been extracted or derived from other financial records of our Group which the Directors have taken a reasonable amount of care to prepare. Investors should read the whole Appendix II and not rely merely on the financial synopsis contained in this section.

Review of historical operating results

Three months ended 31 March 2011 compared to the three months ended 31 March 2010

Revenue

Our revenue decreased by approximately 55.0% from approximately US$12.9 million in the three months ended 31 March 2010 to approximately US$5.8 million in the three months ended 31 March 2011.

Our vessel chartering services heavily rely on spot charter contracts. The decrease in revenue was mainly due to the political instability in the Middle East leading to concerns about global oil supply and substantial increase in bunker price, being one of the major variable costs, which discouraged us from taking orders negotiated with lower freight rates. The over-supply of vessels within the Asian region caused by cutting of cargo shipment to and from Japan as a result of the Japanese earthquake, tsunami and nuclear pollution breakout leads to the decrease in the demand for our services in March 2011. The above led to a decrease in the overall utilization rate of our vessels from approximately 94.5% to approximately 44.1%. In line with the approximate 55% decrease in the Baltic Dry Index from the average of approximately 3,027 points for the first quarter of 2010 to the average of approximately 1,365 points for the first quarter of 2011, our revenue decreased by approximately 55% in the first quarter of 2011 compared to the same period in 2010 because of decrease in freight rates. Our Directors are of the view that the above circumstantial factors, which were the main causes of the decline in our financial performance, affect not only us, but the majority of the dry bulk vessel charterers focusing on the Asian region.

The following table set outs a breakdown of our revenue for the three months ended 31 March 2010 and 2011.

	Three months ended 31 March	
	2010	**2011**
	US$'000	*US$'000*
Revenue		
Spot charter contracts	8,964	3,178
CoA	3,799	2,613
Ship management	90	24
	12,853	5,815

For the three months ended 31 March 2010, the revenue attributable to spot charter contracts and the CoA were approximately US$9 million and US$3.8 million respectively, which represented approximately 69.7% and 29.6% of our revenue of such period respectively. For the three months ended 31 March 2011, the revenue attributable to spot charter contracts and the CoA were approximately US$3.2 million and US$2.6 million respectively, which represented approximately 54.7% and 44.9% of our revenue of such year respectively. There was a significant change in the proportion between the revenue attributable to spot charter contracts and the CoA in the first quarter of 2011 as compared to the first quarter of 2010. Revenue attributable to spot charter contracts decreased from approximately US$9 million for the three months ended 31 March 2010 to approximately US$3.2 million for the three months ended 31 March 2011. This was because the market condition in relation to spot charter contracts was sensitive to the abnormal incidental factors as explained above. On the other hand, our revenue generated from the CoA remained steady in the first quarter of 2010 and 2011 as the performance of such long-term contract was not affected by the low freight rate in the market.

The following table sets forth the breakdown of shipment revenue attributable to each type of our dry bulk commodities transported for the three months ended 31 March 2010 and 2011:

Breakdown of revenue by percentage

	For the Three months ended 31 March	
	2010	**2011**
Coal	47.5%	39.0%
Sea sand	29.2%	44.9%
Bauxite	7.2%	15.4%
Iron Ore	16.1%	–
Others	–	0.7%
Total	100%	100%

The following table sets out our fleet utilization information for the three months ended 31 March 2010 and 2011.

	Utilization rate *(Note)* Three months ended 31 March	
Vessel name	**2010**	**2011**
Capesize	100.0%	22.2%
Panamax	87.5%	50.3%
Handymax	100.0%	53.3%
Handysize	100.0%	33.3%
Overall	**94.5%**	**44.1%**

Note: The utilization rate for each vessel is calculated based on the aggregated number of days during which the underlying vessel(s) was/were owned and operated by us, less such estimated aggregated number of off-hire days due to dry-docking or other repair and maintenance and the off-hire period in between two charter periods, divided by the total number of days of the underlying vessel(s) owned and operated by us for the year (on the basis of 365 days per year).

The following tables set forth the details of calculating the utilization rate of each type of our vessels and the overall utilization rate of our fleet during the three months ended 31 March 2010 and 2011:–

	For the three months ended 31 March 2010				
Vessel Name	**Aggregated number of days for which the type of vessel(s) operated by us (A)**	**Aggregated number of days without charter hire due to repair and maintenance (B)**	**Aggregated number of days without charter hire for reasons other than repair and maintenance (C)**	**Aggregated number of days for calculating the average Daily TCE (A)-(B)-(C)**	**Utilization Rate ((A)-(B)-(C))/(A)**
Capesize	3	–	–	3	100.0%
Panamax	360	31	14	315	87.5%
Handymax	180	–	–	180	100.0%
Handysize	270	–	–	270	100.0%
Overall	**813**	**31**	**14**	**768**	94.5%

	For the three months ended 31 March 2011				
Vessel Name	**Aggregated number of days for which the type of vessel(s) operated by us (A)**	**Aggregated number of days without charter hire due to repair and maintenance (B)**	**Aggregated number of days without charter hire for reasons other than repair and maintenance (C)**	**Aggregated number of days for calculating the average Daily TCE (A)-(B)-(C)**	**Utilization Rate ((A)-(B)-(C))/(A)**
Capesize	90	–	70	20	22.2%
Panamax	360	–	179	181	50.3%
Handymax	180	27	57	96	53.3%
Handysize	180	–	120	60	33.3%
Overall	810	27	426	357	44.1%

For each of the three months ended 31 March 2010 and 2011, the overall utilization rates of our vessels were approximately 94.5% and 44.1% respectively. Such low utilization rates were mainly due to the decrease in the number of spot charter contracts we secured in the first quarter of 2011 for reason explained above.

During the period where the utilization rate of our vessels is low, we would arrange and schedule certain maintenance work to be performed during such period to reduce the idle time of our vessels and reduce the time to be spent on maintenance in the future. The Directors consider that the reschedule of such maintenance work would not affect our financial position as we such maintenance work is mandatory and has to be done within a certain period of time, even if we do not perform such work during the period where the utilization rate of our vessels is low.

CoAs

During the Track Record Period and up to the Latest Practicable Date, our CoAs could be categorised into two types:

(1) CoA regarding transportation of sea sand

Pursuant to the 2007 CoA, we agreed to transport a certain agreed volume of sea sand for the customer at a pre-determined fixed rate. Despite that the 2007 CoA will be expired in May 2012, the obligations between the parties have been completely fulfilled. We further entered into the 2011 First CoA in May 2011. Pursuant to the 2011 First CoA, we have agreed to transport a certain agreed volume of sea sand for the customer at a pre-determined fixed rate during the period between August 2011 and July 2013. The credit period given to the customer is 30 days. If the agreed volume of sea sand could not be delivered by us within the contract period, the Directors confirm that the contract period will be reasonably extended according to the common practice of the industry and the customer is obliged to pay the outstanding amount in respect of such volume of sea sand to us. During the Track Record Period, approximately 18.0%, 52.2% and 23.9% of our revenue was generated from the 2007 CoA. Since the Singapore construction company is sizable, has a good track record, is a qualified supplier of the government and has been successful in tendering for governmental construction projects, the Directors consider that the financial situation of the Singapore construction company is stable.

In May 2011, we entered into the 2011 Second CoA. Under the 2011 Second CoA, we agreed to transport certain agreed volume of sea sand for the charterer at a pre-determined fixed rate during the period between July 2011 to July 2013. The credit period given to this Singapore construction company is 30 days.

(2) CoA regarding transportation of steam coal

We also entered into the China Coal CoA with China Coal, a top five customer of us during the Track Record Period, in May 2011. Pursuant to the China Coal CoA, we agreed to transport a certain agreed volume of steam coal for China Coal at a pre-determined fixed rate during August 2011 to July 2012. The credit period given to China Coal is 30 days.

Cost of services

Our cost of services represented the operating expenses of our vessels, which mainly include depreciation expenses, port expenses, bunker expenses, agency fees for vessel crews, insurance and repair and maintenance.

The following table sets out the breakdown of our cost of services during the three months ended 31 March 2010 and 2011.

	Three months ended 31 March			
	2010		2011	
	US$'000	*%*	*US$'000*	*%*
Depreciation expenses	2,338	25.2	2,075	25.7
Agency fees for vessel crews	891	9.6	1,084	13.4
Repairs and maintenance expenses	410	4.4	223	2.8
Insurance	461	5.0	482	6.0
Port expenses	719	7.7	521	6.4
Bunker expenses	4,043	43.6	3,110	38.4
Others	413	4.5	594	7.3
Total	**9,275**	**100.0**	**8,089**	**100.0**

Our cost of services decreased by approximately 12.9% from approximately US$9.3 million for the three months ended 31 March 2010 to approximately US$8.1 million for the three months ended 31 March 2011. The decrease was mainly due to the decrease in bunker expenses, port expenses and repair and maintenance.

Notwithstanding that the daily Singapore bunker price (380 cst) per tonne increased from US$508/tonne at the beginning of January 2011 to US$654/tonne at the end of March 2011, our bunker expenses decreased from approximately US$4 million for the three months ended 31 March 2010 to approximately US$3.1 million for the three months ended 31 March 2011 respectively due to the decrease in the utilization rate of our fleet.

The port expenses decreased from approximately US$0.7 million for the three months ended 31 March 2010 to US$0.5 million for the three months ended 31 March 2011.

Notwithstanding the decrease in our cost of services for the three months ended 31 March 2011 compared to the three months ended March 2010, the agency fees for our vessel crew increased from approximately US$0.9 million for the three months ended 31 March 2010 to approximately US$1.1 million for the three months ended 31 March 2011 due to increase in the wages of some of our crew members. Despite the decrease in our vessel's utilization rate during such period, our agency fees for our vessel crew did not decrease substantially because (i) each of our vessels is required to maintain a minimum number of crew members at all times in accordance with the ISM Code, and (ii) the agency fees for vessel crew paid to Tianjin Cross-Ocean is calculated with reference to the number of vessel crew members paid instead of the number of voyages that the vessel crew members worked on.

Gross profit and gross profit margin

The following table sets out our gross profit during the three months ended 31 March 2010 and March 2011.

	Three month ended 31 March	
	2010	**2011**
	US$'000	*US$'000*
Gross profit (loss)	3,578	(2,274)
Gross profit (loss) margin	27.8%	(39.1)%

For the three months ended 31 March 2010 and 2011 our gross profit (loss) margins were approximately 27.8% and (39.1%) respectively.

Other income

Our other income mainly includes rental income, interest income from banks and certificate of deposit, insurance claims and sundry income. For each of the three months ended 31 March 2010 and 2011, our other income was approximately US$27,000 and US$71,000 respectively.

Other gains and losses

Our other gains and losses mainly include change in fair value of investment property, change in fair value of held-for-trading investments and exchange gain. For each of the three months ended 31 March 2010 and 2011, our other gains and losses was approximately US$40,000 and US$0.3 million respectively.

Administrative expenses

Our administrative expenses mainly comprise salary and bonus, directors' remuneration, office rent, legal and professional fees and travelling. For each of the three months ended 31 March 2010 and 2011, our administrative expenses were approximately US$0.6 million and US$0.7 million respectively.

Other expenses

Our other expenses for the three months ended 31 March 2011 was approximately US$1.1 million, where we did not have such other expenses for the three months ended 31 March 2010. Such amount was mainly attributable to the professional fees and other expenses relating to our Hong Kong listing exercise.

Finance costs

Our financial costs decreased from approximately US$35,000 for the three months ended 31 March 2010 to approximately US$17,000 for the three months ended 31 March 2011. The decrease was mainly due to the decrease in the interest expenses of bank loans in first quarter of 2011 (as a result of the repayment of part of the bank loan) compared to the first quarter of 2010.

Income tax expenses

Our income tax expenses for the three months ended 31 March 2010 and 2011 were both approximately US$7,000.

Net loss

As explained above, we recorded an approximately 55% decrease in revenue due to the 55% decrease in the Baltic Dry Index which adversely affected our freight rates during the first quarter of 2011. However, our cost of services for the first quarter of 2011 had a relatively less decrease mainly due to certain fixed cost items including crew agency fees and maintenance fees coupled with the increase in per tonne market bunker price, despite the decrease in our vessels' utilization rate during such period. In addition, we incurred approximately US$1.1 million other expenses (attributable to the professional fees and other expenses relating to our Hong Kong listing exercises), which is non-recurring in nature, during the period. As a result, we recorded a net loss of approximately US$3.7 million for the three months ended 31 March 2011 as compared to our net profit of approximately US$3 million for the three months ended 31 March 2010 representing a decrease of approximately 223%.

There is no assurance that such net loss will not recur or we will be able to generate and sustain revenue growth and profitability in the future.

Other comprehensive income

We recorded other comprehensive income of approximately US$517,000 for the three months ended 31 March 2011 due to the surplus on revaluation of our leasehold land and building.

Gearing ratios

Our gearing ratios (being calculated as our total liabilities divided by our total equity) for the three months ended 31 March 2010 and 2011 were approximately 7.4% and 4.4% respectively. The decreasing trend of our gearing ratios was mainly due to our repayment of the bank loan in relation to the acquisition of MV Zorina during such period.

Overview of major items of statement of financial position of our Group

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Property, plant and equipment	63,149	54,876	70,070
Investment property	–	–	1,671
Interest in an associate	2,787	–	–
Deposit paid for drydocking of vessels	–	–	2,000
Long-term receivables	–	2,855	3,767
Structured deposit	–	–	1,000
Certificate of deposit	–	–	1,074
	65,936	57,731	79,582
Current assets			
Trade receivables	2,678	2,228	1,257
Other receivables, deposits and prepayments	5,401	11,690	3,382
Held-for-trading investments	526	–	742
Tax recoverable	–	–	58
Pledged bank deposits	7,280	5,000	5,674
Bank balances and cash	45,556	43,159	29,929
	61,441	62,077	41,042
Assets classified as held for sale	6,717	–	–
	68,158	62,077	41,042
Current liabilities			
Other payables and accruals	5,886	2,769	2,607
Bank borrowing – due within one year	3,200	3,200	3,600
	9,086	5,969	6,207
Net current assets	59,072	56,108	34,835
Total assets less current liabilities	125,008	113,839	114,417
Non-current liability			
Bank borrowing – due after one year	6,800	3,600	–
	118,208	110,239	114,417
Capital and reserves			
Share capital	19,059	19,059	19,059
Reserves	99,149	91,180	95,358
	118,208	110,239	114,417

Property, Plant and equipment

As at 31 December 2008, 2009 and 2010, our plant and equipment was approximately US$63.1 million, US$54.9 million and US$70.1 million respectively, which accounted for approximately 47.1%, 45.8% and 58.1% of our total assets respectively in the relevant financial year. Vessels are the main item of our plant and equipment. The fluctuation of the balance was mainly due to our acquisitions of two vessels and disposal of one vessel in 2008, disposal of one vessel in 2009, acquisition of three vessels and disposal of two vessels in 2010 as well as the incurrence of yearly depreciation expenses.

Trade and other receivables

	As at 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Trade receivables	2,678	2,228	1,275
Other receivables, deposits and prepayments	5,401	11,690	3,382
	8,079	13,918	4,657

Generally, we have a policy of requesting the customers of voyage charter to prepay the freight income in full before completing the voyage (i.e. unloading relevant cargoes at designated ports), while the credit period granted by us to certain customers of voyage charter is within two weeks after the receipt of invoices. Further, we normally invoice our customers of time charter in advance, that is after the receipt of sales confirmation from our customer and usually before we load the cargoes, or right after completely loading the cargoes subject to the terms of the freight agreements.

Aging analyses of trade receivables

	As at 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
0-30 days	855	2,093	1,257
31-60 days	1,699	1	–
More than 60 days	124	134	–
	2,678	2,228	1,257

The US$1.7 million trade receivables which was outstanding for 31 to 60 days as at 31 December 2008 mainly comprised the late service payment from one of our customers due to its short-term financial difficulties, and the outstanding amount was fully paid by the customer in 2009.

Our trade receivable turnover days (being calculated as the average of beginning and closing trade receivable of the year divided by the total revenue and multiplied by 365 days) for the three years ended 31 December 2010 were approximately 15.1 days, 32.1 days and 13.7 days respectively. Due to the increase in the trade receivables in December 2009 resulted from the charter contracts we secured during such period, our trade receivables turnover days in 2009 were higher than those in 2008 and 2010.

Subsequent to 31 December 2010 and as at the Latest Practicable Date, the Group's trade receivables as of 31 December 2010 were all settled.

Breakdown of other receivables, deposits and prepayments

	As at 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Deferred consideration for disposal of a vessel – MV Ally II	4,500	1,500	–
Deferred consideration for disposal of a vessel – MV Panamax Mars	–	4,250	2,000
Deferred consideration for disposal of interest in an associate	–	3,767	3,767
Other receivables	256	4,464	879
Prepayments	170	135	459
Deposits	475	429	44
	5,401	14,545	7,149
Less: Non-current portion	–	(2,855)	(3,767)
	5,401	11,690	3,382

In connection with the disposals of MV Ally II and MV Panamax Mars completed in November 2008 and January 2009 respectively, the purchase prices were payable on instalments. As a result, there was outstanding deferred considerations as at 31 December 2009, resulting in a greater amount of "Other receivables and prepayments".

We previously held 25% equity interest in Sunrise. In May 2009, the put option given by the original vendor to the Group was exercised in respect of such 25% interest in Sunrise (which was accepted by the original vendor in July 2010) at a cash consideration of about US$3.8 million, which was then agreed to be settled by 8 equal instalmens with a quarterly payment of US$471,000 commencing from 3 May 2010. In October 2010 and March 2011, AIC-SP Agreement and Supplemental AIC-SP Agreement were respectively entered into between the original vendor and our Group such that the outstanding balance of approximately US$3.8 million is to be settled pursuant to the terms of the AIC-SP Agreement and the Supplemental AIC-SP Agreement. Please refer to the section headed "Business – Investment in Sunrise and AIC" for further details.

Pledged bank deposits

As at 31 December 2008, 2009 and 2010, our pledged bank deposits amounted to approximately US$7.3 million, US$5 million and US$5.7 million respectively, which were placed in designated banks as part of the security provided for trade financing granted to our Group.

Other payables and accruals

Breakdown of other payables and accruals

	As at 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Payables for drydocking	3,665	–	–
Other payables	106	898	39
Accrued vessel related expenses	514	1,145	1,021
Accrued staff costs	1,196	367	476
Deposits received	–	–	266
Other accruals	405	359	805
	5,886	2,769	2,607

Our trade payable turnover days (being calculated as the average of beginning and closing accrued vessel related expenses of the year divided by the total cost of services (excluding depreciation expenses) and multiplied by 365 days) for the three years ended 31 December 2010 were approximately 12.4 days, 16.4 days and 15.1 days respectively.

Bank loans

As at 31 December 2008, 2009 and 2010, we recorded outstanding bank loans of approximately US$10 million, US$6.8 million and US$3.6 million respectively which accounted for approximately 62.9%, 71.1% and 58.0% of our total liabilities respectively in the relevant financial year.

	As at 31 December		
	2008	**2009**	**2010**
	US$'000	*US$'000*	*US$'000*
Bank loans			
Within one year	3,200	3,200	3,600
More than one year but not exceeding two years	3,200	3,600	–
More than two years but not exceeding five years	3,600	–	–
Total	10,000	6,800	3,600

In October 2008, a bank loan of US$10 million was granted to the Group under a loan agreement in connection with the acquisition of MV Zorina. The loan was interest bearing and repayable by 11 consecutive fixed US$800,000 quarterly instalments commencing from 31 January 2009 followed by a final payment of US$1.2 million in October 2011.

Our gearing ratios (being calculated as our total liabilities divided by our total equity) for the three years ended 31 December 2010 were approximately 13.4%, 8.7% and 5.4% respectively. The decreasing trend of our gearing ratios was mainly due to our repayment of the bank loan in relation to the acquisition of MV Zorina during the Track Record Period.

Investment and structured deposit

When we have short-term excess cash flow, we occasionally make conservative investments. As at 31 December 2010, our held-for-trading investments and structured deposit were approximately US$742,000 and US$1 million respectively.

During the Track Record Period, we made certain held-for-trading investments. We subscribed approximately one million shares in one of the largest PRC banks during its initial public offering in Hong Kong in 2007, and such shares were sold in 2009 with approximately 100% profit. We also subscribed one million TDR shares in a Chinese shipyard company listed in the SGX during its offering in Taiwan in 2010, and we are still holding such shares.

We have adopted a policy in relation to our investment in financial instruments. Our investment is restricted to shares of listed companies, and the investment amount is restricted to not more than 5% of our cash balance. Any proposed investment has to be approved by the Board and the Audit Committee. If the investment is approved and made, our management will review and monitor such investment on a weekly basis and will sell the shares when consider appropriate.

Liquidity, financial resources and indebtedness

Overview

During the Track Record Period, we financed our working capital and capital expenditure requirements principally through net cash flow from operating activities and bank borrowings.

Cash flows

The table below sets out a summary of the cash flows information of our Group during the Track Record Period:

	For the year ended 31 December 2008	2009	2010
	US$'000	*US$'000*	*US$'000*
Net cash from operating activities	44,573	7,008	21,035
Net cash (used in) from investing activities	(32,496)	2,047	(25,948)
Net cash used in financing activities	(28,869)	(11,452)	(8,317)
Net decrease in cash and cash equivalents	(16,792)	(2,397)	(13,230)
Cash and cash equivalents at beginning of the year	62,348	45,556	43,159
Cash and cash equivalents at end of the year	45,556	43,159	29,929

Operating Activities

We recorded a net cash inflow from operating activities of approximately US$44.6 million for the year ended 31 December 2008. This net inflow was mainly attributable to the approximately US$43.7 million of operating cash flows before movements in working capital.

We recorded a net cash inflow from operating activities of approximately US$7 million for the year ended 31 December 2009. This net inflow was mainly attributable to the approximately US$9.2 million of operating cash flows before movements in working capital.

We recorded a net cash inflow from operating activities of approximately US$21 for the year ended 31 December 2010. This net inflow was mainly attributable to the approximately US$17.4 million of operating cash flows before movements in working capital.

Investing activities

We recorded net cash used in investing activities of approximately US$32.5 million for the year ended 31 December 2008. The net cash outflow was mainly attributable to the approximately US$28.7 million of purchase of property, plant and equipment resulted from our acquisition of two vessels, namely MV Sea Pioneer and MV Zorina, and approximately US$1.5 million sales proceeds received from disposal of one vessel, namely MV Ally II, in such year. We also had a pledged bank deposits of approximately US$7.3 million in such year.

We recorded net cash used from investing activities of approximately US$2 million for the year ended 31 December 2009. The net cash inflow was mainly attributable to our withdrawal of pledged bank deposits amounting to approximately US$7.3 million, notwithstanding the approximately US$6 million we used in purchase of property, plant and equipment. We had a pledged bank deposits of approximately US$5 million in 2009. We also received proceeds in respect of disposal of property, plant and equipment of approximately US$5.8 million in such year.

We recorded net cash used in investing activities of approximately US$25.9 million for the year ended 31 December 2010. The net cash outflow was mainly attributable to the approximately US$34 million of purchase of property, plant and equipment resulted from our acquisition of three vessels, namely MVs Cape Warrior, Cape Ore and Panamax Leader, and US$14.3 million sales proceeds received from disposal of two vessels, namely MVs Cape Ore and Jeannie III, in such year.

Financing activities

We recorded a net cash used in financing activities of approximately US$28.9 million for the year ended 31 December 2008. The net cash outflow was mainly attributable to the dividends paid of approximately US$38 million in such year and was offset by the new bank borrowing raised of approximately US$10 million.

We recorded a net cash outflow used in financing activities of approximately US$11.5 million for the year ended 31 December 2009. The net cash outflow was mainly attributable to the dividends paid of approximately US$8 million and the repayment of bank borrowing of US$3.2 million in such year.

We recorded a net cash outflow used in financing activities of approximately US$8.3 million for the year ended 31 December 2010. The net cash outflow was mainly attributable to the dividends paid of approximately US$5 million and the repayment of bank borrowing of approximately US$3.2 million in such year.

Our Group's cash and cash equivalent as at 31 December 2008, 2009 and 2010 is no less than US$29.9 million. Our Directors consider that the healthy cashflow is attributable to our prudent financial management policy.

Indebtedness

As at 30 April 2011, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, we had total bank borrowing due within one year of approximately US$2 million.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, we did not have, at the close of business on 30 April 2011, any debt securities authorised or otherwise created but unissued, or term loans or bank overdrafts, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

Subsequent changes

We had US$1.4 million trade receivables which were outstanding for 61 to 90 days as at 31 March 2011, which mainly comprised the several late service payments due from the Singapore construction company which entered into the 2007 CoA with us during the Track Record Period. The Directors confirm that the late service payment was mainly due to the one-time specific payment arrangement agreed between the customer and us, where such service payments was agreed to be paid by the customer to us in a lump sum as the customer preferred to pay us after receiving the lump sum service payment from a government project. Such payment has been paid by the customer as of the Latest Practicable Date. The trade receivable turnover days as at 31 March 2011 was approximately 41.49 days. As at the Latest Practicable Date, our trade receivables as at 31 March 2011 were all settled. Accordingly, our Directors and the Sole Sponsor are of the view that no provision has to be made in relation to the doubtful debts as at 31 March 2011.

Save as discussed herein, the Directors confirm that there are no material adverse changes in our indebtedness position and contingent liabilities since 30 April 2011.

Capital structure

Net tangible assets

Based on our unaudited combined management accounts as at 30 April 2011, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, we had net tangible assets of approximately US$109.7 million, comprising non-current assets of approximately US$78.1 million (mainly comprising property, plant and equipment of approximately 68.3 million) and net current assets of approximately US$31.6 million.

Net current assets

Based on our unaudited combined management accounts as at 30 April 2011, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, we had net current assets of approximately US$31.6 million comprising current assets of approximately US$35.9 million and current liabilities of approximately US$4.3 million.

Our current assets as at 30 April 2011 of approximately US$35.9 million mainly comprise pledge bank deposits and bank balances and cash of approximately US$7.7 million and 23.7 million respectively.

Our current liabilities as at 30 April 2011 of approximately US$4.3 million mainly comprise bank borrowing of approximately US$2 million.

Financial resources

As at 30 April 2011, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, the Group does not have material capital commitment nor major expenditures that would have material impact on the liquidity of the Group.

Working capital

The Directors are of the opinion that after taking into account (i) our existing cash flow; (ii) the cash flow to be generated from the operating activities partly contributed by the 2011 First CoA, the 2011 Second CoA and the China Coal CoA we secured in May 2011; and (iii) the standby banking facilities to be guaranteed by a pledge, the working capital available to our Group is sufficient for our requirements for at least 12 months from the date of this document.

Quantitative and qualitative information about market risks

Interest rate risk

Our cash flow interest rate risk primarily relates to bank deposits and balances carried variable rate and variable-rate bank loans. We have not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated. Our exposures to interest rates on financial liabilities are detailed in the liquidity risk. Our cash flow interest rate risk is mainly concentrated on the fluctuations of London Interbank Offered Rate ("LIBOR") or the cost of funds arising from our variable rate bank loans.

Credit risk

As at 31 December 2008, 2009 and 2010, our maximum exposure to credit risk, which will cause a financial loss to us due to failure to perform an obligation by the counterparties, is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial position.

Our credit risk is primarily attributable to its trade receivables. The management reviews the recoverable amount of each individual trade receivable regularly to ensure that follow up actions is taken to recover overdue debts and adequate impairment losses, if any, are recognized for irrecoverable amounts. In this regard, the management considers that our credit risk is significantly reduced.

Restricted bank deposits and pledged bank deposits which are placed in a financial institution with high credit ratings, we have no other significant concentration of credit risk.

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

Liquidity risk

Our liquidity position is monitored closely by the management. In the management of the liquidity risk, we maintain sufficient cash inflows from its operations so as to finance its working capital. We also monitor the current and expected liquidity requirements regularly to mitigate the effects of fluctuations in cash flows. In this regard, our Directors have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs. Our Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values at the end of the respective reporting period.

PROPERTY INTEREST AND PROPERTY VALUATION

As at the Latest Practicable Date, we own Suite 1801, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong as its principal office in Hong Kong.

Further details of this property interest of the Group are set out in the valuation report issued by RHL Appraisal Limited, independent professional surveyor, the full text of which is contained in Appendix III to this document.

A reconciliation of the net book value of our property interests from audited consolidated financial information as at 31 December 2010 to their fair value as stated in Appendix III of this document is as follows:

	US$000
Net book value of the following properties as at 31 December 2010	
– Leasehold land and building	2,563
– Investment property	1,671
Depreciation of leasehold land and building for the 3 months ended 31 March 2011	(21)
Surplus on revaluation of leasehold land and building for the 3 months ended 31 March 2011	517
Change in fair value of investment property for the 3 months ended 31 March 2011	321
Net book value as at 31 March 2011	5,051
Valuation amount as at 31 March 2011	
– Leasehold land and building	3,059
– Investment property	1,992
	5,051

DISTRIBUTABLE RESERVES

The Company was incorporated in the Bermuda on 5 April 2005. The Company's reserves available for distribution to shareholders as at 31 December 2010 comprised the retained profits of approximately US$28.2 million.

DIVIDEND POLICY

Subject to the Bermuda Companies Act, the Company may declare dividends at general meetings in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Subject to the Bermuda Companies Act, our Directors may also from time to time declare a dividend or other distribution.

The payment and the amount of dividends by the Company in the future will depend on, among other factors, our results, cash flows and financial condition and position, operating and capital requirements, the amount of distributable profits based on IFRS, compliance with the memorandum of association and the Bye-laws of our Company, the Bermuda Companies Act, applicable laws and regulations, other legal and contractual limitations relating to distribution and payment of dividends that we may from time to time be subject to and other factors that the Directors consider to be relevant to our Group. The declaration, payment and the amount of dividends will be subject to the Board's discretion.

DISCLOSURE UNDER RULE 13.09(2) OF THE LISTING RULES

We are required to publish quarterly reports containing the unaudited financial statements on the SGX-ST in accordance with the Listing Manual. Our Directors confirm that, in order to comply with Rule 13.09(2) of the Listing Rules, we will publish the full text of our quarterly reports in Hong Kong at the same time when such reports are published in Singapore.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

At the Latest Practicable Date, the Directors confirmed that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

Material adverse changes

Our Directors confirm that there has been or may be a material adverse change in our financial or trading position since 31 December 2010 (being the date to which our latest combined financial statements were prepared which was set out in the accountants' report in Appendix I to this document) as our revenue decreased by approximately 55.0% from approximately US$12.9 million in the three months ended 31 March 2010 to approximately US$5.8 million in the three months ended 31 March 2011. The decrease in revenue during such period was mainly due to the political instability in the Middle East leading to concerns about global oil supply and substantial increase in bunker price, being one of the major variable costs, which discouraged us from taking orders negotiated with lower freight rates. The over-supply of vessels within the Asian region caused by cutting of cargo shipment to and from Japan as a result of the Japanese earthquake, tsunami and nuclear pollution breakout leads to the decrease in the demand for our services in March 2011. The above led to a decrease in the overall utilization rate of our vessels from approximately 94.5% to approximately 44.1%. Together with the effect of the decrease in our freight rates, our revenue, together with our net profit, experienced a significant decrease in the three months ended 31 March 2011. Our Directors are of the view that the above circumstantial factors, which were the main causes of the decline in our financial performance, affect not only us, but the majority of the dry bulk vessel charterers focusing on the Asian region.

There is no assurance that such net loss will not recur or we will be able to generate and sustain revenue growth and profitability in the future.