Global Strategic Holdings

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BRIDGING THE WORLD

ANNUAL REPORT 2012

Contents

Corporate Profile

GSH Corporation Limited and its group of companies ("GSH Corporation") are established distributors of IT, photographic, timepiece and healthcare products, with distribution networks spanning many emerging markets in Asia, the Middle East and Central Asia, for renowned brands such as Apple, Fujifilm ,Tamron, Marumi, Velbon, Metz, Titan, Corum, Wenger, Nixon, Nichiban and Hakuzo, as well as its two in-house brands, efiniti and Ecochem.

As part of its inorganic growth strategy, GSH Corporation is seeking to diversify into property development in the PRC.

Mission/Vision

As an investment holding company, our mission is to grow shareholder value by leveraging on our core competency of being a strategic bridge between developed and emerging markets, bringing first world expertise such as product marketing, human resource and financial management best practices to emerging markets. Whilst we continue to focus on our growing our distribution channels for a diversified marketing portfolio in the key markets of Asia, Middle East and Central Asia, the Group seeks to diversify into property development in the PRC as well as other inorganic growth opportunities.

Global Brands

efiniti life's rewards
iCenter
FUJIFILM
eco-chem
TAMRON New eyes for industry
TITAN
marumi
Metz
Velbon The Tripod Innovators
NIXON
CORUM
TOMMY HILFIGER
LACOSTE
BOSS HUGO BOSS
WENGER
VANGUARD
NORITSU
MITSUBISHI ELECTRIC
NICHIBAN
HAKUZO

Message to Shareholders

Dear Shareholders,

4 September 2012 marked the beginning of an exciting new chapter for GSH, as our Company was removed from SGX-ST's Watch-List. Following our return to profitability in FY2011, a rights issue that funded the total discharge of our bank debts, and a shares placement which enabled us to exceed SGX-ST's market capitalisation criterion, GSH became one of the very few listed companies that successfully got off the Watch-List. Arising from the shares placement exercise, Mr Sam Goi Seng Hui became the largest shareholder of GSH and Non-Executive Chairman, with effect from 23 August 2012.

STRATEGIC DIVERSIFICATION

The year in review also marked the launch of the Group's entry into property development in the PRC, in keeping with our inorganic growth strategy.

We made further progress this year with the signing of a Memorandum of Intent on 7 January 2013, to jointly develop the massive Longhai-Singapore Marine Eco-City Project, with the Longhai City Government. The intention is to develop this Eco-City Project, which has a land area of approximately 5.3 million square metres, into an iconic coastal marina integrating hotel, commercial retail and residential properties. Located in the city of Zhangzhou, positioned as the "Garden and Eco-City" of Fujian Province, minutes away from Xiamen, this Eco-City project will be our first foray into the PRC real estate industry. We are excited about the prospects of this unique project, and are working diligently towards a definitive agreement with the Longhai City Government.

The government of PRC has been implementing measures to control the level of property speculation. We believe this is positive for the market and that the fundamentals of the PRC real estate market are good and continue to be strong. The PRC's real estate and construction industries are poised for a rebound as fundamental demand for housing continues to build in cities that are experiencing high levels of urbanization. At a recent press conference by China's National Development and Reform Commission ("NDRC") chief, it was noted that there are plans to move 400 million rural Chinese into cities over the next decade, and improving urban development will be key to achieving this goal.[1] This certainly bodes well for our Company.

Meanwhile, our efforts to build up our 'war chest' continue. We are pleased that through two separate but concurrent private placements – the Lippo Group, through its investment vehicle, Golden Super Holdings Limited ("Golden Super"), and a private equity fund, SkyVen Growth Opportunities Fund Pte Ltd ("SkyVen"), which is managed by Singapore-based SkyVen Asset Management – have subscribed, in aggregate, for 395,179,985 new ordinary shares in the capital of GSH; for a total consideration of S$37.5 million. After the completion of the subscription, Golden Super and SkyVen, will have a 3.7% and 4.3% stakes, respectively, in our Company. Their investments represent yet another endorsement in the prospects of our Company, as we seed another substantial new business, even while we continue to focus on growing our existing core distribution businesses, in emerging markets in Asia, Middle East and Central Asia.

[1] The Straits Times, "Urbanisation drive to boost Chinese consumption", dated 7 March 2013

To ensure that our shareholders can fully participate in this exciting growth phase of our Group, the Board has also recently announced a one-for-one rights issue, at an attractive discount for shareholders. When completed, it will help to recapitalise the Group and boost the 'war chest' for our expansion plans. More details will be announced after press time of this Annual Report, as and when they become available.

BUSINESS PROSPECTS

With our resources and strategies in place, we have every reason to be optimistic about GSH's future. We are fully committed to grow GSH inorganically, and expand beyond our existing distribution business. We believe that with the right people in place, our team will be fully motivated to succeed – both in our new property businesses and in our core distribution businesses.

ACKNOWLEDGMENTS

We would like to take this opportunity to express our appreciation to each of our fellow directors on the GSH Board, and to the Management team for their faithfulness in dealing with the many challenges faced by the Group, in the last few years. It was through their sheer ingenuity and determination that the Group turned around. We hope that by working together, we will make an even bigger difference and propel GSH to greater heights.

We would also like to welcome new directors on the Board - Ms Huang Lui, who joined us on 23 August 2012 as Independent Director; and Mr Goi Kok Ming and Ms Juliette Lee Hwee Khoon, who were appointed as Executive Director, Business Development and Non-Executive Director, respectively, from 23 July 2012.

We look forward to meeting you soon, at our Annual General Meeting.

SAM GOI SENG HUI
Non-Executive Chairman

GILBERT EE GUAN HUI
Chief Executive Officer

Financial Highlights

SELECTED GROUP'S FINANCIAL DATA:

US$'000	FY2012	FY2011	% Variance
Revenue	102,716	98,220	4.6%
Gross profit*	6,171	6,478	-4.7%
Gross margin*	6.0%	6.6%	
Administrative expenses**	(5,605)	(5,905)	-5.1%
EBITDA***	566	573	-1.2%
Profit/(loss) before tax	4,313	(313)	Nm

* Gross profit/margin after deducting distribution and selling expenses.

** Administrative expenses after adding back rental income and excluding amortisation and depreciation, and net foreign exchange gain/loss.

*** EBITDA excluding other operating income and other expenses.

The Group achieved a revenue of US$102.7m which was 4.6% higher then previous year and also returned to profitability with a net income of US$4.3m before tax. The turnaround is a result of the Group, maintaining its operational profitability and also having the benefit of a gain arising from the restructured debt.

This marks a complete turnaround of a second consecutive year of sustained operational profitability after four years of operating losses.

Across it's market's the Groups businesses saw slightly lower margins by 0.6% as these markets faced economic volatility and increased competition, however these were offset by a decrease in expenses by 5.1%.

Corporate Information

BOARD OF DIRECTORS

Sam Goi Seng Hui
Non-Executive Chairman

Lee Choon Hui, Francis
Non-Executive Vice Chairman and Independent Director

Ee Guan Hui, Gilbert
Chief Executive Officer and Executive Director

Lee Hwee Khoon, Juliette
Non-Executive Director

Michael Grenville Gray
Independent Director

Huang Lui
Independent Director

Ryo Kobayashi
Chief Operating Officer and Executive Director

Goi Kok Ming, Kenneth
Executive Director, Business Development

AUDIT COMMITTEE

Mr Michael Grenville Gray (Chairman)
Mr Francis Lee Choon Hui
Ms Juliette Lee Hwee Khoon
Ms Huang Lui

REMUNERATION COMMITTEE

Mr Francis Lee Choon Hui (Chairman)
Mr Sam Goi Seng Hui
Mr Michael Grenville Gray
Ms Huang Lui

NOMINATING COMMITTEE

Ms Huang Lui (Chairman)
Mr Francis Lee Choon Hui
Mr Gilbert Ee Guan Hui
Mr Kenneth Goi Kok Ming

SHARE REGISTRAR

Boardroom Corporate &
Advisory Service Pte Ltd.
50 Raffles Place
#32-01, Singapore Land Tower,
Singapore 048623
Tel: 6256 5355 Fax: 6536 1360

AUDITORS

Ernst & Young LLP
One Raffles Quay North Tower Level 18,
Singapore 048582
Partner- in- Charge : Lim Tze Yuen
(Since financial year ended 31 December 2009)

REGISTERED OFFICE

GSH Centre
11 Changi North Way,
Singapore 498796
Tel: (65) 6841 1000
Fax: (65) 6881 1000
www.gshcorporation.com

REGISTERATION NO:

200106139K

BANKERS

Bank of China Limited, Singapore Branch
Malayan Banking Berhad

Board of Directors

SAM GOI SENG HUI

(Chairman)

Sam Goi Seng Hui was appointed as Non-Executive Chairman on 23 July 2012. Mr Goi is the Executive Chairman of Tee Yih Jia Group (a global food and beverage group with operations in Singapore, Malaysia, USA, Europe and China); and Yangzhou Junhe Real Estate Group (a growing property development company in China). Apart from these core businesses, Mr Goi has investments across a range of listed and private entities in numerous industries, such as food and beverage, consumer essentials, recycling, distribution and logistics. Mr Goi also serves on the board of four other Mainboard-listed companies – as Vice Chairman of Super Group Limited, Vice Chairman of Etika International Hldgs Ltd, Vice-Chairman of JB Foods Limited, and Director of Tung Lok Restaurants (2000) Ltd.

He is also Enterprise 50 Club's Honorary Past President and Vice Chairman of IE Singapore's "Network China" Steering Committee, Regional Representative for Fuzhou City and Fujian Province, council member of the Singapore-Zhejiang Economic & Trade Council, as well as Senior Consultant to Su-Tong Science & Technology Park. He is currently the Honorary Chairman for the International Federation of Fuqing Association, and a member of the Singapore University of Technology and Design (SUTD) Board of Trustee, and Chairman of Dunman High School Advisory Committee and Ulu Pandan Citizens Consultative Committee.

LEE CHOON HUI, FRANCIS

(Vice Chairman and Independent Director)

Lee Choon Hui, Francis was appointed as our Non-Executive Vice Chairman and Independent Director, on 23 July 2012. Mr Lee first joined the Board as an Independent Director in 2003. Following a reconstitution of the Board, he became Non-Executive Chairman of the Board on 8 January 2008 and remained an Independent Director. To welcome and facilitate the appointment of Mr Goi Seng Hui as our new Non-Executive Chairman, Mr Francis Lee Choon Hui had voluntarily stepped down as Non-Executive Chairman and at the request of the new Non-Executive Chairman, assumed the role as Non-Executive Vice Chairman and Independent Director of the Company with effect from 23 July 2012. Mr Lee is a lawyer by training. He practiced law for 23 years in the fields of corporate law, civil litigation and general commercial practice. In 1992, Mr Lee retired from legal practice to found Corporate Ventures Group, a consultancy firm for mergers and acquisitions, of which he is the Chairman. Mr Lee also sits on the board of another listed company, Sunright Limited.

EE GUAN HUI, GILBERT

(Chief Executive Officer and Executive Director)

Ee Guan Hui, Gilbert was appointed our Chief Executive Officer and an Executive Director, on 1st May 2007. In this role he will be responsible for the day to day management of the group. He will also be responsible for formulating the strategic and business plans and for their implementation. Mr Ee was previously the Regional Head, Global Financial Markets, at Rabobank International, overseeing all Capital markets and Treasury activities. Prior to that, Mr Ee also held various management positions in Barclays Capital and Citibank. He is currently a Director of Solstice Investments Pte Ltd, Europlastik Sdn Bhd and Oxley JV Pte Ltd, Solstice Development Pte Ltd and S11 Group Co. Limited.

LEE HWEE KHOON, JULIETTE

(Non-Executive Director)

Lee Hwee Khoon, Juliette was appointed as Non-Executive Director on 23 July 2012. Ms Lee is currently Executive Director of Tee Yih Jia Food Manufacturing Pte Ltd, a position she has held since 1992. With 30 years in the food industry, Ms Lee spearheaded the turnaround to profitability of Tee Yih Jia's Fuzhou brewery from 2000 – 2001 as its General Manager. Besides the food industry, she also sits on the Board of several property development Companies in the People's Republic of China. Ms Lee is the Alternate Director to Mr Goi Seng Hui on Super Group Ltd's board. She also sat on the Board of Tung Lok Restaurants (2000) Ltd during the period 2007 to 2011. She holds a Masters In Business Administration BA (Strategic Management) from Maastricht School of Management.

MICHAEL GRENVILLE GRAY

(Independent Director)

Michael Grenville Gray was appointed as our Independent Director on 17 October 2007. Mr Gray has more than 30 years of extensive experience in professional advisory and audit practice, mostly in Southeast Asia. Prior to his retirement at the end of 2004, he was a partner in PricewaterhouseCoopers Singapore and, before that, Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos). He is an Independent Director and chairman of the Audit Committees of Singapore Exchange-listed Avi-Tech Electronics Limited, Ascendas Property Fund Trustee Pte Ltd and UK listed VinaCapital Vietnam Opportunity Fund Limited as well as Independent Director of Raffles Marina Holdings Ltd. Mr Gray has been a member of the Institute of Chartered Accountants in England and Wales (FCA) since 1976 and is Fellow of the Institute of Certified Public Accountants of Singapore and Fellow of the Singapore Institute of Directors. An active Singapore Citizen, Mr Gray has held positions in statutory boards, grassroots organisations and voluntary welfare organisations.

HUANG LUI

(Independent Director)

Huang Lui was appointed as our Independent Director on 23 August 2012. Ms Huang Lui has practiced for more than 40 years as a property and conveyancing lawyer. She deals with banking and corporate transactions, joint venture agreements, leasing of residential and commercial buildings, collective sale and REITS. Ms Huang Lui is fluent in written and spoken Mandarin holds a Master of Laws and a Bachelor of Laws (Hons) from the University of Singapore.

RYO KOBAYASHI

(Chief Operating Officer and Executive Director)

Ryo Kobayashi was appointed our Chief Operating Officer and an Executive Director, on 1st April 2008. Mr Kobayashi had held various senior management positions in multi-national companies such as Timberland, Coca-Cola and Kao Corporation, and was previously based in Japan, the United States, Thailand and Singapore. Mr Kobayashi holds a masters degree in marketing management and a bachelor degree in Economics.

GOI KOK MING, KENNETH

(Executive Director, Business Development)

Goi Kok Ming, Kenneth was appointed as Executive Director, Business Development on 23 July 2012. Mr Kenneth Goi is currently Executive Director of Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China, a position he has held since 1999. Apart from this, Mr Kenneth Goi also sits on the board of TYJ Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, China; and Mandarin Food Pte Ltd, a trading company with a network that spans across Australia and South East Asia. Mr Kenneth Goi also sits on the board of another listed company, Hanwell Holdings Limited. Mr Kenneth Goi is a member of the Community Development District Council, South East Region. He holds a bachelor degree in Computer Information System from California State University, Pomona.

Our Footprints

ASIA

SINGAPORE

GSH CORPORATION LIMITED
11 Changi North Way
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(65) 6841 1000
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GLOBAL STRATEGIC HOLDINGS FRANCHISING PTE LTD
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Fax: (65) 6881 1000

GSH CORPORATION (FAR EAST) PTE LTD
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(65) 6841 1000
Fax: (65) 6881 1000

BANGLADESH

JEL TRADING (BANGLADESH) LTD
34 Kemal Ataturk Avenue,
1st Floor, West Side, Awal Centre
Banani C/A, Dhaka 1213
Bangladesh
Tel: (880) 288 61271

VIETNAM

JEL MARKETING (VIETNAM) JOINT VENTURE CO., LTD
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Thach Street, Ward 6,
District 3, HCMC, Vietnam
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Tel/Fax: (84) 38 209 904

CAMBODIA

GLOBAL STRATEGIC HOLDINGS DISTRIBUTION (CAMBODIA) PTE LTD
#21A/168 (Intercon Hotel,
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Phnom Penh, Cambodia
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MIDDLE EAST

U.A.E.

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KAZAKHSTAN

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Divizia Street, house #128,
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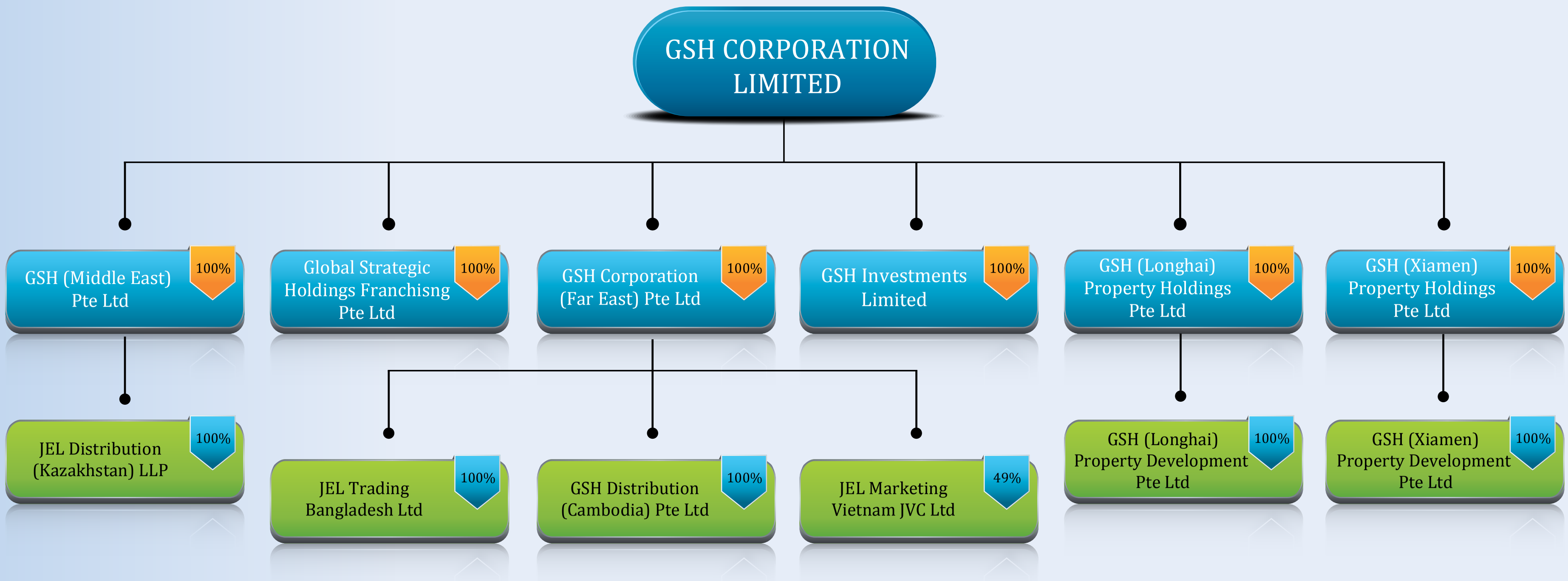
Group Structure



2012
Annual Report

Corporate Governance Report and Financial Statements

Corporate Governance

The Board and Management of GSH Corporation Limited ("GSH") firmly believes that a genuine commitment to good corporate governance is essential to the future of the Company's business and performance. We are pleased to confirm that the Company has adhered to the principles and standards of the Singapore Code of Corporate Governance (the "Code").

1. Board of Directors

(a) Board Composition

The Board of Directors (the "Board") comprises 3 Non-Executive Independent Directors, 2 Non-Executive Directors and 3 Executive Directors (Independent Directors make up three-eighth of the Board, more than one-third recommended), namely:

Non-Executive Independent Directors
Francis Lee Choon Hui, Non-Executive Vice Chairman/Independent Director
Michael Grenville Gray, Independent Director
Huang Lui, Independent Director

Non-Executive Directors
Sam Goi Seng Hui, Non-Executive Chairman
Juliette Lee Hwee Khoon, Non-Executive Director

Executive Directors
Gilbert Ee Guan Hui, Chief Executive Officer
Ryo Kobayashi, Chief Operating Officer
Kenneth Goi Kok Ming, Executive Director, Business Development

(b) Role of Chairman and Chief Executive Officer

The Code outlines that the roles of Chairman and Chief Executive Officer ("CEO") should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The positions of Chairman and CEO are held by separate individuals, with Sam Goi Seng Hui as the Non-Executive Chairman, and Gilbert Ee Guan Hui as the CEO.

The CEO is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman bears responsibility for the management of the Board. The CEO of the Company, Gilbert Ee Guan Hui, is not related to the Chairman of the Board, Sam Goi Seng Hui.

Shareholders of the Company with serious concerns that could have a material impact on the Group, for which contact through the normal channels of the Chairman or the CEO have failed to resolve or is inappropriate, are able to contact the Audit Committee members of the Group.

(c) Role of the Board of Directors

The Board is accountable to the shareholders while the management is accountable to the Board.

The Board establishes a framework of prudent and effective controls, which enables risks to be assessed and managed including safeguarding of shareholders' interest and the Company's assets, and oversees the Company's affairs and provides shareholders with a balanced and understandable assessment of the Company's performance, position and prospects, on a half yearly basis. This responsibility extends to interim and other price sensitive public reports, and reports to regulators (if required).

Corporate Governance

The Board sets the overall business direction, provides guidance on the Company's strategic plans with particular attention to growth and financial performance, and oversees the management of the Company.

The Board's primary functions include:

(i) Approving policies, strategies, structure and direction of the Group;

(ii) Overseeing and monitoring managerial and organizational performance and the achievement of strategic goals and objectives;

(iii) Ensuring that there are in place appropriate and adequate systems of internal controls, risk management, effective processes for financial reporting and compliance; approving the annual budget, major capital expenditures, funding proposals, and investment and divestment proposals;

(iv) Assuming responsibilities for good corporate governance practices; and

(v) Approving half yearly announcement and annual announcement and financial statements.

To discharge its duties effectively and efficiently, and to allow for detailed consideration of issues, the Board has established three committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each committee has its own defined scope of duties and terms of reference setting out the manner in which it is to operate and the functions for achieving its stated objectives. The compositions of the committees are as follows:

Directors	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Sam Goi Seng Hui			Member
Francis Lee Choon Hui	Member	Member	Chairman
Gilbert Ee Guan Hui		Member	
Juliette Lee Hwee Khoon	Member		
Michael Grenville Gray	Chairman		Member
Huang Lui	Member	Chairman	Member
Kenneth Goi Kok Ming		Member	

The Board has met formally at least three to four times a year. In addition, the Board meets informally when required for the update of the progress of the business. In addition, for matters requiring immediate or urgent consideration by the Board, ad-hoc Board meetings are also convened. The Company's Articles of Association also provides for telephone conference and video conferencing meetings, which are relied upon when required.

In the course of the year under review, the number of formal meetings held and attended by each member of the Board is as follows:

Corporate Governance

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Financial Year Ended 31 December 2012

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
Name of Director	**Number Held**	**Attendance**	**Number Held**	**Attendance**	**Number Held**	**Attendance**	**Number Held**	**Attendance**
Sam Goi Seng Hui (1)	3	1	NA	NA	NA	NA	2	1
Francis Lee Choon Hui	3	3	2	2	1	1	2	2
Gilbert Ee Guan Hui (2)	3	3	NA	NA	1	-	NA	NA
Juliette Lee Hwee Khoon (3)	3	1	2	-	NA	NA	NA	NA
Michael Grenville Gray (4)	3	3	2	2	1	1	2	2
Huang Lui (5)	3	-	2	-	1	-	2	1
Ryo Kobayashi	3	3	NA	NA	NA	NA	NA	NA
Kenneth Goi Kok Ming (6)	3	1	NA	NA	1	-	NA	NA

(1) Mr Sam Goi Seng Hui was appointed as a Director of the Company on 23 July 2012 and a member of the Remuneration Committee on 23 August 2012.

(2) Mr Gilbert Ee Guan Hui was appointed as a member of the Nominating Committee on 23 August 2012.

(3) Ms Juliette Lee Hwee Khoon was appointed as a Director of the Company on 23 July 2012 and a member of the Audit Committee on 23 August 2012.

(4) Mr Michael Grenville Gray ceased to be a member of the Nominating Committee on 23 August 2012.

(5) Ms Huang Lui was appointed as a Director of the Company, the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committee on 23 August 2012.

(6) Mr Kenneth Goi Kok Ming was appointed as a Director of the Company on 23 July 2012 and a member of the Nominating Committee on 23 August 2012.

Newly appointed directors, if any, will receive comprehensive induction briefings and orientations by the executive directors and Management on the business activities, governance practices of the Group and its strategic decisions. The Directors participate in seminars and are furnished with relevant information and updates on changes in laws and regulations relevant to the Group's businesses and operating environment on a regular basis.

Internal guidelines and authority limits have been laid down, for Management to administer the Group's day-to-day operations. These guidelines and limits are reviewed by the Board from time to time, and adjusted when necessary. In addition, the Group has in place guidelines for approval of major capital and revenue expenditures and investments. The Board's approval is required beyond authorised amounts, specified for transactions, including but not limited to tender participation, financing activities, investments, purchase of fixed assets and disposal/write-off of assets. Other matters that require Board approval include appointments to the Board, business plans and strategies, the annual budget, material transactions, public announcements, and dividends to shareholders.

(d) Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to the Audit Committee, Nominating Committee and Remuneration Committee.

Audit Committee

The Audit Committee ("AC") comprises Michael Grenville Gray, Francis Lee Choon Hui, Juliette Lee Hwee Khoon and Huang Lui. Aside from Juliette Lee Hwee Khoon who is a non-executive director, all the others are non-executive independent directors. The Chairman of the AC is Michael Grenville Gray.

The Board is of the view that the present members of the AC are appropriately qualified to discharge their responsibilities. The Board reviews the composition and effectiveness of the members of the AC from time to time.

The AC assists the Board in fulfilling its responsibilities to safeguard the Company's assets, to ensure that Management maintains requisite accounting records, and to develop and maintain effective systems of internal control.

The overall objective of the AC is to ensure that Management has put in place and maintains an effective control environment in the Group, and that Management by example encourages respect for the internal control systems among all parties.

The terms of reference of the AC include, inter alia, the following:

(i) Review of the Company's financial and operating results and accounting policies;

(ii) Review of the Company's internal audit processes and the external / internal auditors' reports;

(iii) Review of the Company's financial statements and consolidated financial statements, as well as the external auditors' reports on those financial statements before submission to the Board;

(iv) Review of the co-operation given by the Management to the auditors;

(v) Review of the Company's audit plans and reports of the external auditors' examination and evaluation on the internal accounting control system;

(vi) Review of transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

(vii) Review of the re-appointment of the external auditors;

(viii) Review of the Company's significant financial reporting issues and judgments; and

(ix) Review of any formal announcements relating to the Company's financial performance.

The AC has the explicit authority to conduct investigations into any matters within its terms of reference, including having full access to and co-operation of the Management, has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC has in place a whistle-blowing policy by which employees of the Group and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC is satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. A set of guidelines was reviewed by the AC and approved by the board and issued to assist the AC in managing allegations of fraud or other misconduct which may be made in line with the whistle-blowing policy. The Whistle-Blowing Committee comprises the AC Chairman and the two non-executive Independent Directors.

The AC has full access to the external auditors and meets them at least twice a year without the presence of management.

During the year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to US$128,000 and US$17,000 respectively.

The AC confirms that it has undertaken a review of all the non-audit services provided by the external auditors during the year and is satisfied that such services would not, in the AC's opinion, compromise the independence of the external auditors. Having satisfied the independence of the external auditors, the AC, with the concurrence of the Board, has recommended the re-appointment of Ernst & Young LLP at the upcoming Annual General Meeting.

Save for one foreign-incorporated subsidiary which is not significant, all the Company's subsidiaries are audited by Ernst & Young LLP. For this subsidiary, the Board and AC are satisfied that the appointment of a different auditor would not compromise the standard and effectiveness of the audit of the Company. The Group is in compliance with Rule 712 and Rule 716 in relation to its external auditors.

Changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors. The external auditors will work with Management to ensure that the Group complies with the new accounting standards, if applicable.

Nominating Committee

The Nominating Committee ("NC") comprises Huang Lui, Francis Lee Choon Hui, Gilbert Ee Guan Hui and Kenneth Goi Kok Ming. Huang Lui and Francis Lee Choon Hui are non-executive independent directors, whilst Gilbert Ee Guan Hui and Kenneth Goi Kok Ming are executive directors. The Chairman of the NC is Huang Lui.

The NC has adopted, in its terms of reference, the criteria for determining the independence of a Director as set out in the Code, and will assess and review the independence of each Director at least once a year. Each independent director is required to complete a Director's Independence Confirmation Form annually to confirm his independence. The NC has ascertained that for the period under review, all non-executive independent directors are independent and that the Directors have devoted sufficient time and attention to the Group's affairs.

The NC considers an "independent director" as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independence and business judgment, with a view to the best interests of the Company.

The NC is primarily responsible for implementing a formal, transparent and objective procedure, for appointing Board members and for assessing the effectiveness of the Board as a whole and contributions by each individual Director to the effectiveness of the Board.

The NC also has at its disposal, professional search firms, personal contacts and recommendations, in its search and nomination process for the right candidates for appointment of new Directors.

The NC has reviewed the training needs for the directors and encouraged directors to attend the relevant training courses that could enhance the knowledge of directors to perform its duties as directors of the Company.

The NC's principal functions are:

(i) To make recommendations to the Board, on all Board appointments;

(ii) To be responsible for the re-nomination of Directors, having regard to the Director's contribution and performance

(e.g. attendance, preparedness, participation and candor) including, if applicable, as an Independent Director.

(iii) To determine, at least annually, whether or not a Director is independent;

(iv) To decide whether or not a Director is able to, and has been adequately carrying out his duties as a Director of the Company; and

(v) To assess the effectiveness of the Board as a whole, the contribution by each individual Director to the effectiveness of the Board, and to decide how the Board's performance may be evaluated.

All new appointments are subject to the recommendations of the NC based on the following criteria:-

a) Integrity

b) Diversity – possess competencies that meet the Company's present needs

c) Ability to commit time and effort to carry out duties and responsibilities effectively

d) Independent mind

e) Experience

f) Financially literate

Pursuant to Article 91 of the Company's Articles of Association ("AA"), every Director shall retire from office once every three years, at each Annual General Meeting ("AGM"), and for this purpose, Ryo Kobayashi shall retire from office by rotation, at the upcoming AGM.

Pursuant to Article 97 of the Company's AA, any person so appointed by the Directors shall hold office only until the next AGM and shall then be eligible for re-election and for this purpose, Sam Goi Seng Hui, Kenneth Goi Kok Ming, Juliette Lee Hwee Khoon and Huang Lui shall retire from office, at the upcoming AGM.

The NC having satisfied itself that the above individual directors, who are retiring pursuant to Article 91 or Article 97 of the Company's AA, are competent to continue, the NC has recommended to the Board for consideration, the re-appointment of the individual directors concerned, at the forthcoming AGM.

The NC considers that the multiple Board representations held presently by the Directors do not impede their performance in carrying out their duties to the Company. The NC has ascertained that for the period under review, the Directors have devoted sufficient time and attention to the Group's affairs.

The dates of first appointment and last re-election of each Director, together with their current and past preceding three years' directorship in other listed companies are set out below:

Corporate Governance

GSH CORPORATION LIMITED - Further Information on Board of Directors

Sam Goi Seng Hui
Non-Executive Chairman
Date of first appointment as a director: 23 July 2012
Date of last re-election as a director: N.A.

Board Committee(s) served	**Current Directorship(s)**	**Directorship(s) over the past 3 years (April 2010 to April 2013)**
Remuneration Committee	Super Group Ltd Tung Lok Restaurants (2000) Ltd Super Elite Holdings Pte Ltd ACE Speed Group Limited Bright Films Pte Ltd Eduplus Language Centre Rediffusion (2012) Pte Ltd Smart Time Enterprise Limited China World Agents Limited TYJ Land Ltd Guan Hui Food Enterprise Company Limited Acelink Logistics Pte Ltd Chinatown Food Corporation Pte Ltd Eduplus Holdings Pte Ltd Hydrex International Pte Ltd JHS Holding Pte Ltd Junhe Investment Pte Ltd Maker Food Manufacturing Pte Ltd Oregold Pte Ltd Ryushobo (S) Pte Ltd Singapore University of Technology and Design Sun Resources Holdings Pte Ltd T&T Gourmet Cuisine Pte Ltd Tan Kah Kee Foundation Tee Yih Jia Food Manufacturing Pte Ltd Twin Investment Pte Ltd TYJ Group Pte Ltd TYJ International Pte Ltd Tee Yih Jia Food Manufacturing Sdn Bhd Desaru Property Development Sdn Bhd Fujian Mingwei Food Enterprise Co., Ltd Fujian Guanhui Food Enterprise Co., Ltd Fujian Ryushobo Food Co., Ltd Yangzhou Junhe Real Estate (Jiangsu) Co., Ltd Yangzhou Junhe Property Development Co., Ltd Junhe Real Estate (Jiangsu) Co., Ltd Tianjin Investement Co., Ltd JSL Foods, Inc. Main on Foods (USA) Corp.	Care Property Holdings Pte Ltd Jiangsu Care THW Real Estate Co., Ltd Jiangsu Hengshun Seasonings & Foods Co., Ltd Zhenjiang Gentle World Real Estate Co., Ltd Dominion International Asia Ltd Super Dragon Enterprises Limited Super Elite Group Limited G City Limited TYJ Holdings (HK) Limited

Corporate Governance

Francis Lee Choon Hui
Non-Executive Vice Chairman and Independent Director
Date of first appointment as a director: 11 July 2003
Date of last re-election as a director: 26 April 2011

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Remuneration Committee (Chairman) Audit Committee Nominating Committee	Sunright Ltd Raffles Marina Ltd Raffles Marina Holdings Ltd Corporate Ventures Pte Ltd Corporate Ventures Intl Ltd IndoBizInfo Pte Ltd PT. Toshiba Visual Media Network Indonesia PhillipCapital Japan Residential Fund Ltd PT. Hijau Lestari Raya Fibreboard Destination Anambas Pte Ltd	Singapore Gems & Metals Co. (Pte) Ltd

Gilbert Ee Guan Hui
Chief Executive Officer
Date of first appointment as a director: 1 May 2007
Date of last re-election as a director: 26 April 2011

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nominating Committee	GSH Corporation (Far East) Pte Ltd Global Strategic Holdings Franchising Pte Ltd GSH (Middle East) Pte Ltd GSH Distribution (Cambodia) Pte Ltd JEL Trading (Bangladesh) Ltd Solstice Investments Pte Ltd Europlastik Sdn Bhd Oxley JV Pte Ltd Solstice Development Pte Ltd S11 Group Co. Limited GSH Investments Limited SATCOM iCentre Ltd	JEL Distribution S.Africa (Pty) Ltd JEL Corporation (Africa) Pte Ltd

Michael Grenville Gray
Independent Director
Date of first appointment as a director: 17 October 2007
Date of last re-election as a director: 25 April 2012

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Audit Committee (Chairman) Remuneration Committee	Avi-Tech Electronics Limited Ascendas Property Fund Trustee Pte Ltd VinaCapital Vietnam Opportunity Fund Limited Raffles Marina Holdings Ltd UON Singapore Pte Ltd Tras Street Property Investment Ltd Song Hin Sdn Bhd TGY Property Investments Pte Ltd	Grand Banks Yachts Limited

Corporate Governance

Kenneth Goi Kok Ming
Executive Director
Date of first appointment as a director: 23 July 2012
Date of last re-election as a director: N.A.

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nominating Committee	Hanwell Holdings Ltd Acelink Logistics Pte Ltd Junhe Investment Pte Ltd Mandarin Food Manufacturing Pte Ltd Super Elite Holdings Pte Ltd Tee Yih Jia Food Manufacturing Pte Ltd	Interchamp F&B Pte Ltd

Ryo Kobayashi
Executive Director
Date of first appointment as a director: 1 April 2009
Date of last re-election as a director: 26 April 2010

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nil	GSH Corporation (Far East) Pte Ltd Global Strategic Holdings Franchising Pte Ltd GSH (Middle East) Pte Ltd GSH Distribution (Cambodia) Pte Ltd JEL Trading (Bangladesh) Ltd GSH Investments Limited	Nil

Huang Lui
Independent Director
Date of first appointment as a director: 23 August 2012
Date of last re-election as a director: N.A.

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nominating Committee (Chairman) Audit Committee Remuneration Committee	Dataquest Pte Ltd Superplates Pte Ltd	Nil

Juliette Lee Hwee Khoon
Non-Executive Director
Date of first appointment as a director: 23 July 2012
Date of last re-election as a director: N.A.

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Audit Committee	Super Group Ltd Chinatown Food Corporation Pte Ltd Hongji Foods (2005) Pte Ltd JHS Holding Pte Ltd Junhe Investment Pte Ltd Maker Food Manufacturing Pte Ltd Oregold Pte Ltd Ryushobo (S) Pte Ltd Super Elite Holdings Pte Ltd T&T Gourmet Cuisine Pte Ltd Taste United Pte Ltd Tee Yih Jia Food Manufacturing Pte Ltd Twin Investment Pte Ltd TYJ International Pte Ltd Tee Yih Jia Food Manufacturing Sdn Bhd Fujian Mingwei Food Enterprise Co., Ltd G City Limited Fujian Guanhui Food Enterprise Co., Ltd Fujian Ryushobo Food Co., Ltd Yangzhou Junhe Real Estate Co., Ltd Yangzhou Junhe Property Development Co., Ltd Junhe Real Estate (Jiangsu) Co., Ltd Guan Hui Food Enterprise Company Limited	Eduplus Holdings Pte Ltd Tung Lok Restaurants (2000) Ltd Xiamen I-Star Co., Ltd Dominion International Asia Ltd Super Elite Group Limited

Remuneration Committee

The Remuneration Committee (“RC”) comprises Francis Lee Choon Hui, Sam Goi Seng Hui, Michael Grenville Gray and Huang Lui. Aside from Sam Goi Seng Hui who is the Non-Executive Chairman, all the others are non-executive independent directors. The Chairman of the RC is Francis Lee Choon Hui.

The primary functions of the RC are to review and recommend the remuneration terms of individual Directors and key managers, and to implement and administer the GSH Employees’ Share Option Scheme, which gives recognition to the contributions made by employees and Directors. As at the date of this report, there are no options on the unissued shares of the Company or its subsidiaries which are outstanding.

The principal functions of the RC are:

(i) To recommend to the Board a framework of remuneration (which covers all aspects of remuneration including independent directors' fees, salaries, allowances, bonuses, options and benefits in kind) for the Executive Directors and key managers of the Company;

(ii) To determine specific remuneration terms for each Executive Director, the CEO, and other key managers;

(iii) To consider and approve salary and bonus recommendations in respect of key managers;

(iv) To consider and recommend to the Board all aspects of remuneration for Directors, including but not limited to Directors' fees; and

(v) To administer the GSH Employees' Share Option Scheme adopted by the Group and decide on the allocations and grants of options to eligible participants under the Share Option Scheme.

The salary and other remuneration terms of the Executive Directors and key managers are bench-marked against the remuneration of its industry peers and comparable companies. The remuneration policy of the Group is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and employees.

The remuneration packages of each of the Executive Directors and key management comprise a fixed and a variable component. The variable component forms a significant proportion of the remuneration package and is dependent on the performance and profitability of the Company and individual performance. This ensures a close alignment of the interests of the executives with those of the shareholders. In setting remuneration packages, the RC ensures the Directors and key management are adequately but not excessively remunerated as compared to the industry and in comparable companies. The Executive Directors do not receive directors' fees.

The Independent Non-Executive Directors and Non-Executive Directors receive directors' fees. Directors' fees are set in accordance with a framework comprising basic fees and additional fees, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board committees. These fees are subject to approval by shareholders as a lump sum at this AGM. For financial year ending 31 December 2013, the RC proposes an additional 20% potential discretionary portion to be provided for the directors' fees and this discretionary portion, if any, shall be tabled for Shareholders approval in the next AGM.

No directors participate in decisions on their own remuneration.

The Company has entered into Service Agreements with Gilbert Ee Guan Hui, Chief Executive Officer (CEO) for a fixed period of three years, with effect from 1 May 2007; Ryo Kobayashi, Chief Operating Officer for a fixed period of three years, with effect from 15 February 2008; and thereafter each renewable for fixed period of one year; and Kenneth Goi Kok Ming, Executive Director, Business Development for a fixed period of three years, with effect from 1 September 2012, and thereafter renewable for a fixed period of one year.

The Independent Directors have no service agreement contracts. They are appointed pursuant to, and hold office under and in accordance with, the Company's AA.

Corporate Governance

A breakdown showing the percentage mix of each individual Director's remuneration payable for financial year ended 31 December 2012, is as follows:

Name of Director	Base Salary and Allowances %	Bonus %	Directors' Fee %	Total %	Total (S$'000)
Mr. Sam Goi Seng Hui (Non- Executive Chairman) - Appointed on 23 July 2012	0.0%	0.0%	100.0%	100.0%	28.3
Mr. Lee Choon Hui, Francis (Non- Executive Vice Chairman / Independent Director)	0.0%	0.0%	100.0%	100.0%	77.7
Mr. Gilbert Ee Guan Hui (Chief Executive Officer)	82.5%	17.5%	0.0%	100.0%	400.6
Ms. Juliette Lee Hwee Khoon (Non-- Executive Director) - Appointed on 23 July 2012	0.0%	0.0%	100.0%	100.0%	15.6
Mr. Michael Grenville Gray (Independent Director)	0.0%	0.0%	100.0%	100.0%	57.9
Ms. Huang Lui (Independent Director) - Appointed on 23 August 2012	0.0%	0.0%	100.0%	100.0%	19.7
Mr. Ryo Kobayashi (Chief Operating Officer)	87.4%	12.6%	0.0%	100.0%	313.2
Mr. Kenneth Goi Kok Ming (Executive Director, Business Development)	92.7%	7.3%	0.0%	100.0%	95.3
Mr. Edward Fu Shu Sheen (Independent Director) - Retired on 25 April 2012	0.0%	0.0%	100.0%	100.0%	17.6

The Board is of the view that it is not in the interests of the Company to disclose the remuneration of the top five key managers (who are not Directors) of the Company in this Report due to the sensitive and confidential nature of such information and disadvantages that this might bring.

There is no termination, retirement and post-employment benefits granted to Directors, the CEO and the top five management personnel.

No key manager during the financial year ended 2012 was an immediate family member (as defined in the Listing Manual of the SGX-ST) of any Director of the Company.

Corporate Governance

2. Access to Information

Management has an obligation to supply the Board with complete, adequate information in a timely manner. The Company makes available to all Directors, its half-year and full-year management accounts and where required, other financial statements and other relevant information, as necessary, so that the Directors can make informed decisions. Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, are sent out to the Directors before the meetings to facilitate discussions during the meetings.

The Directors have separate and independent access to the management, including the Company Secretary of the Group, at all times. The appointment and the removal of the company secretary should be a matter for the Board as a whole.

The Directors, either individually or as a group, in the furtherance of their duties, can take independent professional advice, if necessary, at Company's expense.

3. Risk Management and Internal Controls

The Company does not have a Risk Management Committee. The Board is overall responsible for the governance of risk with the Group. It ensures that Management maintains a sound system of risk management and internal controls, to safeguard shareholders' interests and the company's assets, and determines the nature and extent of the significant risks which the Board is willing to take, in achieving its strategic business objectives.

Management had engaged RSM Ethos Pte Ltd ('RSM Ethos'), to perform an independent facilitator role in the risk assessment process. RSM Ethos had facilitated an Enterprise Risk Assessment to identify with Management, key risks for the Group that would impact the achievement of the Group's business objectives. The purpose of the risk assessment exercise was to highlight pertinent risks in strategic, operational, financial, regulatory compliance and IT areas, which would form the subsequent basis of the Group's risk management framework and manual. The risk management framework and manual will provide the architecture for managing risk across the Group and the guidelines for the risk management process, which would involve indentifying, analyzing, evaluating, monitoring, treating and reporting risks, which are activities to be conducted as an in-house risk management function, on a continuing basis.

Management are responsible for ensuring that the risk identified across the aforementioned five areas, are relevant to the business environment and that controls are either in place, or required to be developed, in order to mitigate these risks to the appropriate target risk levels. The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and the Group Financial Controller. The AC provides independent oversight to the effectiveness of the risk management process.

The external auditors, together with the internal auditors, conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any material non-compliance, or lapses in internal controls and recommendations for improvements, are reported to the AC. All required corrective, preventive or measures for improvement are closely monitored.

The effectiveness of the Group's system of internal controls, put in place to address the key financial, operational and compliance risks affecting the operations, are reviewed by the AC, together with the Board.

In compliance with Rule 1207(10), the Board with the concurrence of the AC is of the opinion that the Company has a robust and effective internal control system and the system is adequate to address the financial, operational and compliance risks, based on the reports from the internal auditors, external auditors and the various management controls put in place.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen, as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

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

4. Internal Audit

The internal audit function has been outsourced to an independent professional firm, RSM Ethos. They will report functionally to the Chairman of the AC and administratively to the CEO. The scope of the internal audit reviews is:

(i) To determine that internal controls are in place and functioning as intended;

(ii) To provide assurance that key business and operational risks are identified and managed;

(iii) To assess whether operations of the business processes under review are conducted efficiently and effectively;

(iv) To identify opportunities for improvement of internal controls.

The AC approves the hiring, removal, evaluation and compensation of the accounting/audit firm or corporation to which the internal audit function is outsourced. The Internal Auditors had unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The Internal Auditors carry out its function according to the standards set by nationally or internationally recognized professional bodies, including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC reviews the adequacy and effectiveness of the internal audit function and together with the Board, they are satisfied that the internal auditors have adequate resources and appropriate standing, within the Group and the Company.

5. Shareholder Rights, Communications with Shareholders and Shareholders' Participation

The Company treats all shareholders fairly and equitably and recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update governance arrangements. Shareholders were informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares, via disclosures through SGXNET.

Shareholders had the opportunity to participate effectively in and vote at the general meetings of shareholders. Shareholders were informed of the rules, including voting procedures that govern general meetings of shareholders.

The Company's AA allows a shareholder to appoint one or two proxies, to attend and vote instead of the shareholder. The Company's AA currently does not allow a shareholder to vote in absentia. Shareholders who put shares through nominees are allowed upon prior request through their nominees, to attend the general meeting of shareholders as observers, without being constrained by the two-proxy rule.

Corporate Governance

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to SGX-ST Listing Rules, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

(i) – annual reports that are prepared and issued to all shareholders;

(ii) – a summary of the financial information and affairs of the Group for the half year and full year, that are published through the SGXNET; and

(iii) – notices of and explanatory memoranda for annual general meetings and extraordinary general meetings.

In addition, shareholders are encouraged to attend the general meetings, to ensure a high level of participation and accountability, and to stay informed of the Group's strategy and plans. The AGM is the principal forum for any dialogue the shareholders may have, with the Directors and management of the Company.

The Board welcomes questions from shareholders, who have an opportunity to raise issues either informally or formally, before or at the general meetings. All directors, including the chairpersons of the AC, NC, RC, as well as the external auditors, are present at the general meetings, to address any shareholders' queries.

Resolutions are, as far as possible, structured separately and may be voted on independently. Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution.

All minutes of general meetings are available to shareholders upon request. Resolutions are passed at the general meetings by hand and by poll, if required. As the number of shareholders who attend the meetings are not large, it is not cost effective to have all voting by poll, or by electronic polling. The results of all general meetings, are also announced through SGXNET on the same day.

6. Dealings in Securities

The Group has adopted a code of conduct which provides guidance to its officers with regard to dealings in the Company's securities, in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST.

Directors and key employees within the Group, are not allowed to deal in the Company's securities while in possession of price-sensitive information and during a 30-day period, prior to the announcement of half-year, or annual financial results. Directors and key employees within the Group, are not allowed to share non-public material information about the Company with family members, friends, associates, or anyone else, who may subsequently buy or sell in the Company's securities.

In addition, Directors and key employees are advised not deal in the Company's securities for short term consideration and are expected to observe the insider trading law at all times, even when dealing in securities within permitted trading periods.

7. Interested Person Transactions ("IPT")

The Group has established procedures for recording, reporting and reviewing and approving, interested person transactions. For financial year ended 2012 , there was no material IPT.

8. Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries, involving the interest of the Chief Executive Officer or any Director or controlling shareholders, subsisting at the end of the financial year ended 2012.

9. Cash Raised By The Company From The Issue Of Securities In The Past Two Years

The amount of cash raised from issues of securities by the Company in the past two years was approximately S$57.1 million, comprising:

(a) approximately S$5,532,520 from the non-renounceable non-underwritten rights issue of up to 1,580,719,940 new Shares at the issue price of S$0.0035 per Share ("2011 Rights Issue"), which was intended for and used to (i) pay for expenses of approximately S$0.2 million incurred in respect of the 2011 Rights Issue; and (ii) partially repay the Group's debts owing to scheme creditors pursuant to a scheme of arrangement approved by the Singapore High Court;

(b) S$13,998,000 from the placement of 2,000,000,000 new Shares by the Undertaking Shareholder at the issue price of S$0.00699 ("2012 Placement"), which was intended for and used in the following manner (i) approximately S$150,000 was used to pay for expenses incurred in respect of the 2012 Placement; (ii) S$2,800,000 was deployed towards working capital and which use shall be entirely for the purchase of inventories; and (iii) the balance of S$11,048,000 is held for prospective mergers and acquisitions opportunities; and

(c) approximately S$37,542,099 from the placement of an aggregate of 395,179,985 new Shares by Skyven Growth Opportunities Fund Pte. Ltd. and Golden Super Holdings Limited at the issue price of S$0.095 ("2013 Placement"), which was intended for and used in the following manner (i) approximately S$60,000 was used to pay for expenses incurred in respect of the 2013 Placement; (ii) S$3,000,000 was deployed towards working capital and which use shall be entirely for the purchase of inventories; and (iii) the balance of S$34,482,099 is held for prospective mergers and acquisitions opportunities.

The proceeds which have been used were used for the intended purposes. For further details on the use of the proceeds, please refer to the announcements made by the Company on the SGXNET dated (A) 17 February 2012 in respect of the 2011 Rights Issue; (B) 10 July 2012 in respect of the 2012 Placement; and (C) 7 March in respect of the 2013 Placement.

Directors' Report

The directors present their report to the members together with the audited consolidated financial statements of GSH Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2012.

Directors

The directors of the Company in office at the date of this report are:

Goi Seng Hui, Sam	-	Non-Executive Chairman	(appointed on 23 July 2012)
Francis Lee Choon Hui	-	Non-Executive Vice Chairman and Independent Director	(re-designated with effect from 23 July 2012)
Ee Guan Hui, Gilbert	-	Chief Executive Officer	
Lee Hwee Khoon, Juliette	-	Non-Executive Director	(appointed on 23 July 2012)
Michael Grenville Gray	-	Independent Director	
Huang Lui	-	Independent Director	(appointed on 23 August 2012)
Ryo Kobayashi	-	Chief Operating Officer	
Goi Kok Ming, Kenneth	-	Executive Director	(appointed on 23 July 2012)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

	Direct interest		Deemed interest	
Name of director	**At beginning of the year/date of appointment**	**At end of the year**	**At beginning of the year/date of appointment**	**At end of the year**
The Company				
Ordinary shares				
Goi Seng Hui, Sam	41,500,000	2,296,384,988	–	–
Ee Guan Hui, Gilbert	437,500	344,073,696	–	300,000,000

There was no change in the above mentioned interests between the end of the financial year and 21 January 2013.

Except as disclosed in this report, no other director who held office at the end of the financial year had an interest in shares or debentures of the Company, or of related corporations at the beginning or end of the financial year.

Directors' Report

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

On 11 July 2003, the shareholders approved a share option scheme, known as the GSH share option scheme (the "ESOS"). The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS will be administrated by the Remuneration Committee.

As at 31 December 2012, no options have been granted under the ESOS.

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the half yearly results announcement and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual.

Directors' Report

Audit committee (cont'd)

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Ee Guan Hui, Gilbert
Director

Ryo Kobayashi
Director

Singapore
28 March 2013

Statement by Directors

We, Ee Guan Hui, Gilbert and Ryo Kobayashi, being two of the directors of GSH Corporation Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying statements of financial position, statements of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity of the Group and of the Company and cash flows of the Group for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Ee Guan Hui, Gilbert
Director

Ryo Kobayashi
Director

Singapore
28 March 2013

Independent Auditor's Report

For the financial year ended 31 December 2012

Independent Auditor's Report to the Members of GSH Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of GSH Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 87, which comprise the statements of financial position of the Group and the Company as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity of the Group and the Company and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report
For the financial year ended 31 December 2012

Independent Auditor's Report to the Members of GSH Corporation Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012. The results and changes in equity of the Group and of the Company, and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Certified Public Accountants
Singapore

28 March 2013

Statements of Comprehensive Income

For the financial year ended 31 December 2012

(Amounts in United States dollars)

		Group		Company	
	Note	2012	2011**	2012	2011**
		US$'000	US$'000	US$'000	US$'000
Revenue	3	102,716	98,220	2,123	2,167
Cost of sales		(97,264)	(91,812)	–	–
Gross profit		5,452	6,408	2,123	2,167
Other operating income	4	4,775	1,657	1,378	1,088
Distribution and selling income/(expenses), net		719	70	(18)	(30)
Administrative expenses		(6,308)	(6,349)	(2,928)	(3,250)
Other expenses		(257)	(480)	(233)	(351)
Profit/(loss) from operations	5	4,381	1,306	322	(376)
Finance expenses	6	(101)	(1,619)	–	–
Finance income	6	33	–	–	–
Share of loss of associated companies		–	–	–	–
Profit/(loss) before tax		4,313	(313)	322	(376)
Taxation	8	(14)	12	(2)	–
Profit/(loss) for the year attributable to owners of the Company		4,299	(301)	320	(376)
Other comprehensive expense:					
Foreign currency translation		2	(23)	–	–
Total comprehensive income for the year		4,301	(324)	320	(376)
Total comprehensive income attributable to owners of the Company		4,301	(324)	320	(376)
Profit/(loss) per share (cents per share)					
Basic	9	0.14	(0.08)		
Diluted	9	0.14	(0.08)		

** Figures are represented in US$ as the Company changed its functional currency from Singapore dollars to United States dollars during the year.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2012

(Amounts in United States dollars)

		Group			Company		
	Note	2012	2011**	2010**	2012	2011**	2010**
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS							
Non-current assets							
Property, plant and equipment	10	3,299	3,511	357	–	–	–
Subsidiaries	11	–	–	–	148	129	130
Associates	12	6	23	23	–	–	–
Trademarks	13	–	–	1	–	–	–
Deferred tax assets	14	140	140	140	–	–	–
		3,445	3,674	520	148	129	130
Current assets							
Property, plant and equipment	10	–	–	3,470	–	–	–
Investment securities	15	442	285	655	436	285	655
Inventories	16	8,387	5,859	6,170	–	–	–
Trade receivables	17	3,479	2,646	2,924	–	–	–
Other receivables	18	2,216	1,460	1,267	840	329	367
Other current assets	19	771	1,174	3,025	86	110	64
Due from subsidiaries (trade)	20	–	–	–	12,478	9,701	8,330
Due from subsidiaries (non-trade)	20	–	–	–	1,282	–	–
Cash and fixed deposits	21	11,775	2,595	1,283	21	5	22
		27,070	14,019	18,794	15,143	10,430	9,438
EQUITY AND LIABILITIES							
Current liabilities							
Trade payables	22	41	35	1,129	–	–	–
Other payables and accruals	23	2,217	2,943	3,359	582	707	872
Due to subsidiaries (non-trade)	20	–	–	–	–	13,427	11,920
Provision for taxation		136	145	126	–	–	–
Loans and borrowings	24	1,293	10,087	9,868	–	–	–
Finance lease obligations	25	18	18	19	–	–	–
		3,705	13,228	14,501	582	14,134	12,792
Net current assets/(liabilities)		23,365	791	4,293	14,561	(3,704)	(3,354)
Non-current liability							
Finance lease obligations	25	(40)	(58)	(76)	–	–	–
Net assets/(liabilities)		26,770	4,407	4,737	14,709	(3,575)	(3,224)
Equity attributable to owners of the Company							
Share capital	26	38,776	20,531	20,531	38,776	20,531	20,531
Accumulated losses		(14,901)	(18,170)	(17,869)	(24,067)	(24,184)	(23,808)
Other reserves	27	2,895	2,046	2,075	–	78	53
Total equity		26,770	4,407	4,737	14,709	(3,575)	(3,224)

** Figures are represented in US$ as the Company changed its functional currency from Singapore dollars to United States dollars during the year.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2012

(Amounts in United States dollars)

	Attributable to owners of the Company						
	Share capital (Note 26)	Accumulated losses	Capital reserve (Note 27)	Asset revaluation reserve (Note 27)	Translation reserve (Note 27)	Other reserves, total	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group							
At 1 January 2011	20,531	(17,869)	601	2,771	(1,297)	2,075	4,737
Loss for the year	–	(301)	–	–	–	–	(301)
Foreign currency translation arising from change of presentation currency	–	–	–	–	(6)	(6)	(6)
Other comprehensive income:							
Foreign currency translation	–	–	–	–	(23)	(23)	(23)
Other comprehensive income for the year, net of tax	–	–	–	–	(23)	(23)	(23)
Total comprehensive income for the year	–	(301)	–	–	(29)	(29)	(330)
At 31 December 2011	20,531	(18,170)	601	2,771	(1,326)	2,046	4,407
Profit for the year	–	4,299	–	–	–	–	4,299
Issuance of new shares	18,017	–	–	–	–	–	18,017
Transfer due to change in functional and presentation currency	228	(1,030)	–	(374)	1,221	847	45
Other comprehensive income:							
Foreign currency translation	–	–	–	–	2	2	2
Other comprehensive income for the year, net of tax	–	–	–	–	2	2	2
Total comprehensive income for the year	228	3,269	–	(374)	1,223	849	4,346
At 31 December 2012	38,776	(14,901)	601	2,397	(103)	2,895	26,770

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2012

(Amounts in United States dollars)

	Share capital (Note 26)	Accumulated losses	Translation reserve	Total
	US$'000	US$'000	US$'000	US$'000
Company				
At 1 January 2011	20,531	(23,808)	53	(3,224)
Loss for the year, representing total comprehensive income for the year	–	(376)	–	(376)
Foreign currency translation arising from change of presentation currency	–	–	25	25
At 31 December 2011	20,531	(24,184)	78	(3,575)
Issuance of new shares	18,017	–	–	18,017
Profit for the year, representing total comprehensive income for the year	–	320	–	320
Transfer due to change in functional and presentation currency	228	(203)	(78)	(53)
At 31 December 2012	38,776	(24,067)	–	14,709

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

(Amounts in United States dollars)

	Note	2012	2011
		US$'000	US$'000
Cash flows from operating activities			
Profit/(loss) before tax		4,313	(313)
Adjustments:			
Amortisation of trademarks	13	–	1
Depreciation of property, plant and equipment	10	313	333
Allowance for doubtful trade receivables	17	2	76
Allowance for inventory obsolescence	16	22	34
Net fair value (gain)/loss on quoted investments		(163)	355
Gain on disposal of quoted investments		(10)	(2)
Gain on derecognition of financial liabilities	24	–	(373)
Loss/(gain) on disposal of property, plant and equipment	5	14	(18)
Net gain on extinguishment of debts		(3,610)	–
Finance expenses	6	101	1,619
Finance income	6	(33)	–
Operating cash flows before changes in working capital		949	1,712
(Increase)/decrease in current assets:			
Inventories		(2,550)	265
Trade receivables		(835)	201
Other receivables, deposits and prepayments		(353)	1,703
Increase/(decrease) in current liabilities:			
Trade payables		6	(1,130)
Other payables and accruals		(726)	(419)
Cash generated from operations		(3,509)	2,332
Tax (paid)/refund		(23)	30
Finance expenses paid		(101)	(3)
Exchange differences		64	(569)
Net cash (used in)/generated from operating activities		(3,569)	1,790
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(119)	(33)
Finance income received		33	–
Proceeds from disposal of property, plant and equipment		4	37
Proceeds from disposal of quoted investments		16	28
Net cash (used in)/generated from investing activities		(66)	32

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

(Amounts in United States dollars)

	Note	2012	2011
		US$'000	US$'000
Cash flows from financing activities			
Decrease in pledged deposits		–	22
Proceeds from issue of rights shares		4,132	–
Proceeds from issue of new shares		10,833	–
Proceeds from term loan		3,834	–
Repayment of finance lease obligations		(18)	(20)
Proceeds from trust receipts		1,293	–
Repayment of loans and borrowings		(7,259)	(519)
Net cash generated from/(used in) financing activities		12,815	(517)
Net increase in cash and cash equivalents		9,180	1,305
Cash and cash equivalents at beginning of the year	21	2,354	1,049
Cash and cash equivalents at end of the year	21	11,534	2,354

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2012

(Amounts in United States dollars)

1. Corporate information

The Company is a limited liability company which is domiciled and incorporated in the Republic of Singapore with its registered office and business office located at GSH Centre, 11 Changi North Way, Singapore 498796. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associates are disclosed in Notes 11 and 12 to the financial statements.

With effect from 25 April 2012, the name of the Company was changed from JEL Corporation (Holdings) Ltd. to GSH Corporation Limited.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

From 1 June 2012, the functional currency of the Company has been changed from Singapore Dollars ("SGD") to United States Dollars ("USD") as the transactions of the Company and the Group are mainly denominated in USD. It is the view of the Company that the adoption of USD as presentation and functional currency for the financial statements of the Group would present a fair view of its financial positions. All values are rounded to the nearest thousand (US$'000) except when otherwise indicated. In accordance with FRS 21 - The Effects of Changes in Foreign Exchange Rates, the financial statements of the Company and the Group have been translated into the new functional and presentation currency accordingly on 1 June 2012.

Prior to 1 June 2012, the Company reported its annual consolidated statements of financial position and consolidated financial statements of the Group in SGD. Consequently, the Company changed its presentation currency from SGD to USD.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

Amendments to *FRS 1 Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 *Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.*

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 *Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014*.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) <u>Impairment of non-financial assets</u>

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgments (cont'd)

Key sources of estimation uncertainty (cont'd)

(ii) Impairment of loans and receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowance is applied to trade and other receivables where events or change in circumstances indicate that the balances may not be recoverable. Management specifically analyses historical bad debt, customer credit worthiness, current economic, trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance of impairment for receivables. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. The carrying amount of the Group's loans and receivables at the end of each reporting period is disclosed in Notes 17 and 18 to the financial statements.

2.5 Foreign currency

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations

(a) *Basis of consolidation*

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.6 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations*

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(b). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Notes to the Financial Statements

31 December 2012

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.7 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.8 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in statement of comprehensive income.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Leasehold office buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold office buildings at the end of the reporting period.

Any revaluation surplus is recognised directly in other comprehensive income and accumulated in equity under the asset 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 recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to the statement of changes in equity on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, equipment and fittings	5 years
Motor vehicles	5 years
Machinery	5 years
Computers	5 years

Leasehold land and building is depreciated over the remaining lease period ending 30 April 2019.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

31 December 2012

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.10 *Intangible assets*

(a) *Trademarks*

Cost relating to trademarks, which are acquired, are stated at cost less accumulated amortisation and impairment loss, if any. Trademarks are amortised through profit or loss on a straight line basis over 5 years. They are assessed for impairment whenever there is indication that the trademarks may be impaired.

The amortisation period and the amortisation method for trademarks are reviewed at least at each financial year-end. The amortisation expense on trademarks is recognised in profit or loss through the 'administrative expenses' line item.

(b) *Goodwill*

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

2.11 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of non-financial assets (cont'd)*

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.12 *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and fixed deposits; and
- trade receivables, other receivables, including amount due from subsidiaries and related companies.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise unpledged bank deposits and cash and bank balances. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Bank deposits and cash and bank balances carried in the statement of financial position are classified and accounted for as loans and receivables. The accounting policies for this category of financial assets are stated in Note 2.12.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.14 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.15 *Inventories*

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. Cost includes costs of purchases and other costs incurred in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.16 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 *Loans and borrowings*

Loans and borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Loans and borrowings are initially recognised at the fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.18 *Borrowing costs*

Borrowing costs are capitalised as part of a qualifying asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related services is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.21 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.21 Leases (cont'd)

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22 (d).

2.22 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recorded at the fair value of consideration received or receivable.

(a) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Rental income*

Rental income arising on investment property is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

(Amounts in United States dollars)

2. Summary of significant accounting policies (cont'd)

2.25 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); and

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Revenue

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Sale of goods	102,716	98,220	–	–
Management fee from subsidiaries	–	–	2,123	2,167
	102,716	98,220	2,123	2,167

(Amounts in United States dollars)

4. Other operating income

		Group		Company	
	Note	2012	2011	2012	2011
		US$'000	US$'000	US$'000	US$'000
Rental income		840	625	1,158	943
Net fair value gain on quoted investment		163	–	163	–
Gain on disposal on quoted investment		10	–	10	–
Net gain on extinguishment of debts	24	3,610	–	–	–
Gain on derecognition of financial liabilities	24	–	373	–	–
Waiver of interest expense on loans and borrowings		–	341	–	–
Other miscellaneous income		152	318	47	145
		4,775	1,657	1,378	1,088

5. Profit/(loss) from operations

This is determined after charging/(crediting) the following:

		Group		Company	
	Note	2012	2011	2012	2011
		US$'000	US$'000	US$'000	US$'000
Audit fees:					
- Auditors of the Company					
- Current year		128	122	46	45
- Under/(over) accruals in prior year		5	4	–	(2)
- Other auditors					
- Current year		–	6	–	–
Non-audit fees:					
- Auditors of the Company					
- Current year		17	14	5	5
- Over accruals in prior year		–	(1)	–	–
- Other auditors					
- Current year		21	–	21	–
Amortisation and depreciation		313	333	–	–
Directors' fees		173	159	173	159
Directors' remuneration		646	584	646	584
Loss/(gain) on disposal of property, plant and equipment		14	(18)	–	–
Net foreign exchange gain		(450)	(514)	(320)	(41)
Personnel expenses *	7	3,436	3,474	1,597	1,713
Allowance for/(write back of allowance) on financial assets:					
- Trade receivables		2	76	–	–
- Due from subsidiaries		–	–	–	(1)
Net fair value loss on quoted investments @		(163)	355	(163)	355
Gain on disposal of quoted investments		(10)	(2)	(10)	(2)
Allowance for inventory obsolescence		22	34	–	–
Business development expenses		233	–	233	–

* This includes directors' remuneration

@ This loss arises from the revaluation of the Group's quoted investment in China Powerplus Limited ("Powerplus") as of 31 December 2012 and is non-cash in nature.

(Amounts in United States dollars)

6. (Finance expenses)/finance income

	Group	
	2012	**2011**
	US$'000	US$'000
Finance expenses		
- finance lease obligations	(3)	(3)
- loans and borrowings	(98)	–
- amortisation charge on financial liabilities *	–	(1,616)
	(101)	(1,619)
Finance income		
- fixed deposits	33	–

* This relates to the amortisation of the loans and borrowings in prior year, which are carried at amortised cost using the effective interest method which is distinct from normal operations.

7. Personnel expenses

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Personnel expenses (including directors' remuneration):				
Wages, salaries and bonuses	2,759	2,488	1,294	1,167
Defined contribution plans	154	141	72	69
Other personnel expenses	523	845	231	477
	3,436	3,474	1,597	1,713

8. Taxation

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Current income tax				
- current year	–	19	–	–
- under/ (over) provision in respect of prior years	14	(31)	(2)	–
Income tax expense/ (credit)	14	(12)	(2)	–

(Amounts in United States dollars)

8. Taxation (cont'd)

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Profit/(loss) before tax	4,313	(313)	322	(376)
Tax at the domestic rates applicable to profits in the countries where the Group operates [1]	844	9	55	(64)
Adjustments:				
Non-deductible expenses	31	424	14	68
Income not subject to tax	(625)	(274)	–	–
Benefits from previously unrecognised tax losses	(213)	(213)	–	(4)
Deferred tax assets not recognised	8	73	–	–
Under/ (over) provision in respect of prior years	14	(31)	(2)	–
Others	(45)	–	(69)	–
Income tax expense/ (credit) recognised in profit or loss	14	(12)	(2)	–

[1] The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Group tax relief

A loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

(Amounts in United States dollars)

9. Earnings/(loss) per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2012	**2011**
	US$'000	US$'000
Profit/(loss) net of tax attributable to owners of the Company used in the computation of diluted earnings per share	4,299	(301)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings/(loss) per share computation	3,000,897	395,180

(Amounts in United States dollars)

10. Property, plant and equipment

	Valuation	At cost				
	Leasehold office building	Furniture, equipment and fittings	Motor vehicles	Machinery	Computers	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost or valuation						
At 1 January 2011	4,727	1,111	721	84	178	6,821
Additions	–	19	2	–	12	33
Disposals	–	(40)	(103)	–	(19)	(162)
Translation difference	–	(2)	–	–	(1)	(3)
At 31 December 2011	4,727	1,088	620	84	170	6,689
Additions	–	68	35	1	15	119
Disposals	–	(24)	(40)	–	(70)	(134)
Translation difference	(1)	–	1	–	–	–
At 31 December 2012	4,726	1,132	616	85	115	6,674
Accumulated depreciation						
At 1 January 2011	1,257	1,002	529	84	122	2,994
Charge for the year	214	44	46	–	29	333
Disposals	–	(31)	(97)	–	(15)	(143)
Translation difference	–	(1)	(4)	–	(1)	(6)
At 31 December 2011	1,471	1,014	474	84	135	3,178
Charge for the year	215	37	48	–	13	313
Disposals	–	(19)	(40)	–	(57)	(116)
Translation difference	(1)	(1)	9	–	(7)	–
As at 31 December 2012	1,685	1,031	491	84	84	3,375
Net carrying amount						
As at 31 December 2012	3,041	101	125	1	31	3,299
As at 31 December 2011	3,256	74	146	–	35	3,511

(Amounts in United States dollars)

10. Property, plant and equipment (cont'd)

Revaluation of leasehold office building

The leasehold office building has been revalued at AED12.0 million (2011: AED12.5 million) (2012: US$3.27 million, 2011: US$3.4 million equivalent) by an independent firm of professional valuers, Cluttons LLC (2011: Cluttons LLC) on 31 December 2012 on the open market basis.

If the leasehold office building were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Cost	2,320	2,320
Accumulated depreciation	(252)	(223)
Net carrying value	2,068	2,097

In the prior year, the Group classified the carrying amount of the leasehold office building as a current asset as the shareholders had approved the sale of the leasehold office building since December 2009.

As at 1 January 2011, the Group reclassified the leasehold office building as a non-current asset as the directors was determined that the completion of the sale of the leasehold office building within the next one year was not highly probable.

Assets held under finance leases

The net book value of motor vehicles of the Group acquired under finance leases amounted to approximately US$67,000 (2011: US$96,000) as at 31 December 2012.

Leased assets are pledged as security for the related finance lease liabilities.

11. Subsidiaries

		Company	
		2012	**2011**
		US$'000	US$'000
(a)	Unquoted equity shares, at cost		
	At beginning of the year	3,722	5,326
	Investment in a subsidiary	17	–
		3,739	5,326
	Impairment loss	(3,591)	(5,197)
	At end of the year	148	129

(Amounts in United States dollars)

11. Subsidiaries (cont'd)

(b) Details of the subsidiaries are as follows:

	Name of subsidiary	Principal activities	Country of incorporation	Equity held by the Group 2012 %	Equity held by the Group 2011 %
*	GSH Corporation (Far East) Pte Ltd (formerly known as JEL Corporation (Far East) Pte Ltd)	Trading and distribution of fast moving consumer goods, IT, photographic and timepiece products	Singapore	100	100
*	GSH (Middle East) Pte Ltd (formerly known as JEL Corporation (Middle East) Pte Ltd)	Trading and distribution of fast moving consumer goods, consumer electronic, IT and photographic products	British Virgin Islands	100	100
*	Global Strategic Holdings Franchising Pte Ltd (formerly known as JEL Franchise (Holdings) Pte. Ltd.)	Investment and intellectual property holding	Singapore	100	100
**	JEL Corporation (Africa) Pte Ltd	Trading and distribution of fast moving consumer goods, consumer electronic, IT, photographic and telecommunication products	British Virgin Islands	–	100
	GSH Investments Limited	Investment holding	Hong Kong	100	–
	Held by subsidiaries				
**	GSH Distribution (Cambodia) Pte Ltd (formerly known as JEL Distribution (Cambodia) Pte Ltd)	Trading and distribution of fast moving consumer goods, consumer electronic, IT and photographic products	Cambodia	100	100
**	JEL Distribution (Kazakhstan) LLP	Trading and distribution of fast moving consumer goods, IT and photographic products	Kazakhstan	100	100
***	JEL Trading Bangladesh Ltd	Distribution of IT products	Bangladesh	100	100
**	JEL Marketing Asia Pte Ltd	Investment holding (dormant)	British Virgin Islands	100	100
**	JEL Marketing Central Asia Pte Ltd	Investment holding (dormant)	British Virgin Islands	100	100

* Audited by Ernst & Young LLP, Singapore.

** Exempt from preparing audited financial statements by the laws of country of incorporation

*** Audited by Ahmed Mashuque & Co., Certified Public Accountants, Bangladesh.

(Amounts in United States dollars)

12. Associates

	Group 2012	Group 2011
	US$'000	US$'000
Unquoted shares, at cost	23	70
Share of post-acquisition reserves	(17)	(47)
	6	23

Name of associate	Country of incorporation	Principal activities	Equity held by the Group 2012	Equity held by the Group 2011
			%	%
JEL Marketing Vietnam JVC Ltd*	Vietnam	Distribution of photographic and IT products	49	49
Netstream Electronics*	Dubai	Distribution of photographic and IT products	–	49

* Exempt from preparing audited financial statements by the laws of country of incorporation

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group is as follows:

	Group 2012	Group 2011
	US$'000	US$'000
Assets and liabilities:		
Total assets	11	166
Total liabilities	(8)	(144)
Results:		
Revenue	–	1,488
Loss for the year	–	(2)

(Amounts in United States dollars)

13. Trademarks

	Group	Company
	US$'000	US$'000
Cost		
As at 1 January 2011, 31 December 2011 and 31 December 2012	45	8
Accumulated amortisation		
As at 1 January 2011	44	8
Amortisation for the year	1	–
As at 31 December 2011 and 1 January 2012	45	8
Amortisation for the year	–	–
As at 31 December 2012	45	8
Net carrying value		
As at 31 December 2012	–	–
As at 31 December 2011	–	–

14. Deferred tax assets

	Group	
	2012	**2011**
	US$'000	US$'000
At 1 January/At 31 December	140	140
Deferred tax assets		
- allowance for doubtful trade receivables	2	2
- allowance for inventory obsolescence	39	45
- excess of tax written down value over net book value of property, plant and equipment	30	23
- unabsorbed tax losses	69	69
	140	140

Unrecognised tax losses

At 31 December 2012, the Group has unrecognised tax losses of approximately US$15,584,156 (2011: US$16,834,848) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets have been recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

As at the end of the reporting period, no deferred tax liability (2011: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries of the Group as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

(Amounts in United States dollars)

15. Investment securities

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Financial assets at fair value through profit or loss				
Quoted equity investment, at fair value	436	285	436	285
Available-for-sale financial assets				
Unquoted equity investment, at cost	6	–	–	–
	442	285	436	285

The fair values of available-for-sale investment in unquoted shares cannot be reliably measured and that the net assets approximate the recoverable amounts. Accordingly, such investment is stated at cost less impairment in recoverable value.

16. Inventories

	Group	
	2012	2011
	US$'000	US$'000
Finished goods	8,387	5,859
Finished goods at net realisable value is stated after deducting allowance for inventory obsolescence	521	628
Movements in allowance for inventory obsolescence:		
At 1 January	616	1,198
Charged during the year	22	34
Write-off against allowance	(117)	(610)
Exchange difference	–	6
At 31 December	521	628

17. Trade receivables

	Group	
	2012	2011
	US$'000	US$'000
Trade receivables	2,509	2,914
Amount due from a related party	1,164	–
Less: allowance for doubtful receivables	(194)	(268)
	3,479	2,646

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(Amounts in United States dollars)

17. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$176,000 (2011: US$179,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Trade receivables past due:		
Less than 6 months	164	144
6 to 18 months	3	35
Above 18 months	9	–
	176	179

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Trade receivables – nominal amounts	194	268
Less: Allowance for doubtful receivables	(194)	(268)
	–	–
Movement in allowance for doubtful receivables:		
At 1 January	268	2,209
Charged during the year	2	76
Write-off against allowance	(76)	(1,951)
Exchange differences	–	(66)
At 31 December	194	268

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables denominated in foreign currency as at 31 December is as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Singapore Dollars	109	18

(Amounts in United States dollars)

18. Other receivables

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Other receivables	1,352	1,000	27	5
Deposits	864	460	813	324
	2,216	1,460	840	329

19. Other current assets

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Advances to suppliers	501	907	–	–
Prepayment	270	267	86	110
	771	1,174	86	110

20. Due from/(to) subsidiaries

	Company	
	2012	2011
	US$'000	US$'000
Amounts due from subsidiaries (trade)	20,611	17,716
Less: Allowance for doubtful receivables	(8,133)	(8,015)
	12,478	9,701
Amounts due from subsidiaries (non-trade)	1,292	–
Less: Allowance for doubtful receivables	(10)	–
	1,282	–
Amounts due to subsidiaries (non trade)	–	13,427

The amounts due from/(to) subsidiaries are unsecured, interest-free and are repayable on demand.

(Amounts in United States dollars)

21. Cash and fixed deposits

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Cash at bank balances	5,028	2,354	21	5
Fixed deposits with banks	6,747	241	–	–
Cash and fixed deposits	11,775	2,595	21	5

Fixed deposits earn interest at 2% (2011: 2%) per annum and are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

Cash and bank balances have an effective interest rate of 0.01% (2011: 0.14%) during the financial year ended 31 December 2012.

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period.

	Group	
	2012	**2011**
	US$'000	US$'000
Fixed deposits	6,747	241
Cash and bank balances	5,028	2,354
	11,775	2,595
Less: Fixed deposits pledged	(241)	(241)
	11,534	2,354

As at 31 December 2012, cash and cash equivalents includes bank deposits of a subsidiary amounting to approximately US$241,000 (2011: US$241,000) which are pledged to banks for security against non-payment of custom duties and staff salaries of the subsidiary.

Cash and fixed deposits denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	7,097	131	20	4
UAE Dirhams	309	329	–	–
Others	55	98	–	–
	7,461	558	20	4

(Amounts in United States dollars)

22. Trade payables

Trade payables are non-interest bearing and normally settled on 60 to 90 days terms.

Trade payables denominated in foreign currency as at 31 December is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Singapore Dollars	25	24

23. Other payables and accruals

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Other payables	318	340	190	180
Accrued operating expenses	1,644	1,456	392	527
Advances from customers	255	1,147	–	–
	2,217	2,943	582	707

24. Loans and borrowings

	Group	
	2012	2011
	US$'000	US$'000
Current		
Trust receipts	1,293	–
Loans and borrowings	–	10,087

(a) *Trust receipts*

As at the balance sheet date, the unsecured trust receipts of a subsidiary amounting to US$1,293,000 (2011: Nil) are supported by corporate guarantees given by the Company.

The effective interest rate of the trust receipts is 2.5% (2011: 0%).

(Amounts in United States dollars)

24. Loans and borrowings (cont'd)

(b) *Loans and borrowings*

On 24 July 2009, the Company and its subsidiary, GSH Corporation (Far East) Pte Ltd "GCFE" entered into a Debt Restructuring Agreement ("DRA") with its Lenders to restructure all bills payable into a Convertible Restructured Term Loan ("RTL") and a Convertible Revolving Credit Facility ("RCF"). The DRA was subject to annual renewal and was not renewed.

The Company had, on 24 September 2010, filed an application to the Singapore High Court to propose a Scheme of Arrangement ("Scheme") between GCFE and its Lenders to restructure its liabilities, which included a discharge of a certain amount of the Group's debts. On 25 April 2011, the Company met with the Scheme Lenders, where the Lenders unanimously approved the Scheme. On 24 May 2011, the Singapore High Court sanctioned and approved the Scheme under Section 210(3) of the Companies Act.

Following the sanction of the Scheme on 24 May 2011, the contractual terms of the loans and borrowings have been substantially modified from the original DRA. Such a modification has resulted in a derecognition of the original loans and borrowings and the recognition of new loans and borrowings ("New Loan") in 2011. The difference in the respective carrying amounts of the original and new loans and borrowings amount to a net gain on derecognition of $373,000 which has been recorded in the statements of comprehensive income in prior year.

	Group	
	2012	**2011**
	US$'000	US$'000
Original loans and borrowings carried at amortised cost	–	(10,460)
Fair value of New Loan at inception	–	10,087
Net gain on derecognition on financial liabilities	–	(373)

The New Loan has been fair valued as at the date of inception (i.e. 24 May 2011) using a valuation technique based on assumptions of certain discount rate and volatility that are not supported by market price and data.

As of February 2012, the Group repaid the Scheme Lenders the amount of $6.5 million, and consequently the Scheme Lenders discharged all remaining contractual debts owing by the Group. As a result of the discharge of all the remaining contractual debts, a net gain on extinguishment of debts of $3.6 million is recognised in the statements of comprehensive income.

(Amounts in United States dollars)

25. Finance lease obligations

The Group has finance leases for certain motor vehicles (Note 10). The lease periods range from 1 to 5 years with options to purchase at the end of the lease term. The average discount rate implicit in the leases is approximately 2.28% (2011: 2.28%) per annum. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	Total minimum lease payments 2012	**Present value of payments 2012**	**Total minimum lease payments 2011**	**Present value of payments 2011**
	US$'000	US$'000	US$'000	US$'000
Not later than one year	20	18	20	18
Later than one year but not later than five years	46	40	66	58
Total minimum lease payments	66	58	86	76
Less: Amounts representing finance charges	(8)	–	(10)	–
Present value of minimum lease payments	58	58	76	76

The finance lease obligation is denominated in Singapore Dollars.

26. Share capital

	Group and Company			
	2012		**2011**	
	No. of shares	US$'000	No. of shares	US$'000
Issued and fully paid ordinary shares:				
At 1 January	395,179,985	20,531	395,179,985	20,531
Issuance of shares arising from:				
Rights issue	1,580,719,940	4,132	–	–
New shares issue	2,000,000,000	10,833	–	–
Conversion from term loan	571,510,215	3,052	–	–
Transfer due to change in functional and reporting currency	–	228	–	–
At 31 December	4,547,410,140	38,776	395,179,985	20,531

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Rights Issue

On 14 February 2012, the Company has issued 1,580,719,940 Right Shares and raised a net amount of US$4,132,000.

(Amounts in United States dollars)

26. Share capital (cont'd)

New Shares Issue

On 10 July 2012, the Company issued 2,000,000,000 new ordinary shares to Mr Goi Seng Hui and raised a net amount of US$10,833,000, of which approximately US$2,100,000 had been deployed for working capital use.

Converted Shares from Term Loan

On 11 July 2012, the Company converted US$3,052,000 of its existing term loan with Rega Investments Limited into 571,510,215 numbers of new ordinary shares.

27. Other reserves

(a) ***Capital reserve***

The capital reserve arose from acquisition of subsidiaries in prior years.

(b) ***Asset revaluation reserve***

The asset revaluation reserve represents increases in the fair value of leasehold office building, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(c) ***Translation reserve***

The translation reserve represents exchange differences arising from translation on the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

28. Commitments and contingencies

(a) ***Non-cancellable operating lease commitments – As lessor***

The Group has entered into commercial property sub-leases on its leased property. These non-cancellable leases have remaining non-cancellable lease terms of between 1 to 3 years.

Future minimum lease receivables under non-cancellable leases as of 31 December are as follows:

	Group	
	2012	**2011**
	US$'000	US$'000
Not later than one year	723	815
Later than one year but not later than five years	123	732
	846	1,547

(Amounts in United States dollars)

28. Commitments and contingencies (cont'd)

(b) ***Non-cancellable operating lease commitments – As lessee***

The Group has various operating lease agreements in respect of offices, warehouse and staff accommodation. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 15 years. Most leases contain renewable options. Lease terms do not contain restrictions on the Company's activities concerning dividends, additional debt or further leasing. Minimum lease payments recognised as an expense in statement of comprehensive income for the financial year ended 31 December 2012 amounted to US$1,197,000 (2011: US$1,207,000).

Future minimum lease payments under non-cancellable leases as of 31 December are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Not later than one year	1,319	1,262	963	862
Later than one year but not later than five years	1,965	2,616	1,805	2,478
Later than five years	36	64	–	–
	3,320	3,942	2,768	3,340

29. Related party disclosures

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties that took place on terms agreed between the parties during the financial year:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Rental income from subsidiaries	–	–	325	325
Sales to a related party	2,256	–	–	–

(b) ***Compensation of key management personnel***

	Group	
	2012	**2011**
	US$'000	US$'000
Short-term employee benefits	1,230	1,199
Central Provident Fund contributions and other long-term benefits	47	37
Total compensation paid to key management personnel	1,277	1,236
Comprise amounts paid to:		
- Directors of the Company	645	584
- Other key management personnel	632	652
	1,277	1,236

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

(Amounts in United States dollars)

30. Fair value of financial instruments

(a) ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Note	Quoted prices in active markets for identical instruments	Significant observable inputs other quoted prices	Significant un-observable inputs	Total
		(Level 1)	(Level 2)	(Level 3)	
		US$'000	US$'000	US$'000	US$'000
2012					
Financial assets:					
Financial assets at fair value through profit or loss					
- Equity instruments (quoted)	15	436	–	–	436
At 31 December 2012		436	–	–	436
2011					
Financial assets:					
Financial assets at fair value through profit or loss					
- Equity instruments (quoted)	15	285	–	–	285
At 31 December 2011		285	–	–	285

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

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

Determination of fair value

Quoted equity instruments (Note 15)

Fair value is determined directly by reference to their published market bid price at the balance sheet date.

(Amounts in United States dollars)

30. Fair value of financial instruments (cont'd)

(b) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Current trade and other receivables and payables (including amounts due to/from subsidiaries), cash and cash equivalents and loans and borrowings

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

Unquoted equity investment

The fair value of available-for-sale investment is disclosed in Note 15 to the financial statements. Available-for-sale investment is stated at cost less impairment in recoverable value as there is no reliable measures of fair value.

Finance lease obligations

The carrying amounts of these financial liabilities are reasonable approximation of fair values as they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

(c) ***Classification of financial instruments***

	Group		Company	
	2012	**2011**	**2012**	**2011**
	US\$'000	US\$'000	US\$'000	US\$'000
Available-for-sale financial assets				
Unquoted equity investment	6	–	–	–
Financial assets at fair value through profit or loss				
Quoted equity investment	436	285	436	285
Loans and receivables				
Trade receivables	3,479	2,646	–	–
Other receivables	2,216	1,460	840	329
Due from subsidiaries	–	–	13,760	9,701
Cash and fixed deposits	11,775	2,595	21	5
	17,470	6,701	14,621	10,035
Total financial assets	17,912	6,986	15,057	10,320
Financial liabilities carried at amortised cost				
Trade payables	41	35	–	–
Other payables and accruals	1,962	1,796	582	707
Due to subsidiaries	–	–	–	13,427
Loans and borrowings (Note 24)	1,293	10,087	–	–
Finance lease obligations	58	76	–	–
	3,354	11,994	582	14,134

(Amounts in United States dollars)

31. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(i) The IT segment is in the business of trading and distribution of computers and peripherals for sub-distributors, wholesalers and retailers.

(ii) The photo segment is in the business of trading and distribution of photographic equipments and peripherals for sub-distributors, wholesalers and retailers.

(iii) The corporate segment is involved in Group-level corporate services and investments in marketable securities.

(iv) The other segment pertains to the business of trading and distribution of fast-moving consumer products, timepieces and telecommunication products.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

(Amounts in United States dollars)

31. Segment information (cont'd)

	IT		Photo		Corporate		Others		Adjustments and eliminations		Note	Per consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011		2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue:													
External customers	69,196	56,656	47,577	52,253	–	–	3,618	4,446	(17,675)	(15,135)	A	102,716	98,220
Inter-segment sales	–	–	–	–	2,123	2,167	–	–	(2,123)	(2,167)	B	–	–
Total revenue	69,196	56,656	47,577	52,253	2,123	2,167	3,618	4,446	(19,798)	(17,302)		102,716	98,220
Results:													
Finance income	–	–	–	–	–	–	–	–	33	–		33	–
Finance expenses	–	–	–	–	–	–	–	–	(101)	(1,619)		(101)	(1,619)
Other operating income	(121)	98	(84)	90	1,378	1,088	(6)	8	–	–		1,165	1,284
Non-cash expenses/income:													
Fair value gain on derecognition of financial liabilities	–	–	–	–	–	–	–	–	–	373		–	373
Net gain on extinguishment of debts	–	–	–	–	–	–	–	–	3,610	–		3,610	–
Depreciation and amortisation	(45)	(107)	(266)	(224)	–	–	(2)	(3)	–	–		(313)	(334)
Other non-cash expenses	–	(16)	(24)	(95)	–	–	–	–	–	–	C	(24)	(111)
Segment (loss)/profit	1,637	(446)	2,196	25	320	(376)	160	413	(14)	83		4,299	(301)
Assets:													
Trade receivables	1,789	1,133	1,674	1,513	–	–	16	–	–	–		3,479	2,646
Inventories	494	462	7,491	5,042	–	–	499	395	(97)	(40)		8,387	5,859
Segment assets		–		–		–		–	18,649	9,188		18,649	9,188
												30,515	17,693

(Amounts in United States dollars)

31. Segment information (cont'd)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

Notes:

A. Inter-segment revenues are eliminated on consolidation.

B. Inter-segment revenues are eliminated on consolidation.

C. Other non-cash expenses consist of allowance for inventory obsolescence, impairment and write-back of allowance for doubtful receivables as presented in the respective notes to the financial statements.

Geographical segments

Revenue and assets based on the geographical location of customers and assets respectively are as follows:

	Revenue		Assets	
	2012	**2011**	**2012**	**2011**
	US$'000	US$'000	US$'000	US$'000
Africa	875	639	–	–
Middle East/Central Asia	29,050	33,986	8,360	7,053
Asia	72,398	63,352	22,155	10,640
United States of America	393	243	–	–
	102,716	98,220	30,515	17,693

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(Amounts in United States dollars)

32. Financial risk management objectives and policies (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continued revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and proper authorisation levels and established for various levels of credit allowed to customers. Credit reviews are conducted periodically to review existing credit limits and terms. In addition, receivable balances are monitored on an ongoing basis.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2012		**2011**	
	US$'000	% of total	US$'000	% of total
By country:				
Vietnam	2,079	59.8	1,542	58.3
Kazakhstan	589	16.9	373	14.1
Singapore	373	10.7	80	3.0
Myanmar	126	3.6	216	8.2
Uzbekistan	90	2.6	103	3.9
Turkmenistan	44	1.3	109	4.1
Other countries	178	5.1	223	8.4
	3,479	100.0	2,646	100.0

At the end of the reporting period, approximately 71% (2011: 75%) of the Group's trade receivables were due from 8 (2011: 6) major customers who are located in Vietnam, Kazakhstan, Myanmar and Uzbekistan (2011: Vietnam, Myanmar, Kazakhstan, Turkmenistan and Singapore).

	Group			
	2012		**2011**	
	US$'000	% of total	US$'000	% of total
By industry sectors:				
IT	1,789	51.4	1,133	42.8
Photo	1,674	48.1	1,513	57.2
Others	16	0.5	–	–
	3,479	100.0	2,646	100.0

(Amounts in United States dollars)

32. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 17 and 18 (Trade and other receivables).

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and explore divestment of long-term non-core assets subject to approval of shareholders. At the end of the reporting period, the loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	1 year or less	**1 to 5 years**	**Total**
	US$'000	US$'000	US$'000
Group			
2012			
Trade and other payables	2,003	–	2,003
Loans and borrowings	1,293	–	1,293
Finance lease obligations	20	46	66
	3,316	46	3,362
2011			
Trade and other payables	1,831	–	1,831
Loans and borrowings	19,399	–	19,399
Finance lease obligations	20	66	86
	21,250	66	21,316
Company			
2012			
Trade and other payables	582	–	582
	582	–	582
2011			
Trade and other payables	707	–	707
Due to subsidiaries	13,427	–	13,427
	14,134	–	14,134

(Amounts in United States dollars)

32. Financial risk management objectives and policies (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their interest-bearing loans and borrowings. Surplus funds are placed with reputable banks.

The following tables sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year	1 to 2 years	Total
	US$'000	US$'000	US$'000
2012			
Group			
Floating rate			
Cash and fixed deposits	11,775	–	11,775
Finance lease obligations	18	40	58
Company			
Floating rate			
Cash assets	21	–	21
2011			
Group			
Floating rate			
Cash and fixed deposits	2,595	–	2,595
Finance lease obligations	18	58	76
Company			
Floating rate			
Cash and fixed deposits	5	–	5

Interest on financial instruments subject to floating interest rates is contractually repriced regularly. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 50 basis points lower/higher with all other variables held constant, the Group's (loss)/profit for the year would have been US$3,000 (2011: US$2,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate interest-bearing borrowings and lower/higher interest income from bank balances. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(Amounts in United States dollars)

32. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollars. Approximately 2% (2011: 98%) of the Group's sales are denominated in foreign currencies whilst almost 73% (2011: 55%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the SGD exchange rates (against USD), with all other variables held constant, on the Group's (loss)/profit for the year.

		Group	
		2012	**2011**
		US$'000	US$'000
SGD	- strengthened 5% (2011: 5%)	(375)	(294)
	- weakened 5% (2011: 5%)	375	294

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

		Group	
	Note	**2012**	**2011**
		US$'000	US$'000
Trade and other payables	22, 23	2,258	2,978
Finance lease obligations	25	58	76
Less: Cash and cash equivalents	21	(11,534)	(2,354)
Net debt		(9,218)	700
Equity attributable to the owners of the Company			
Total capital		26,770	4,407
Capital and net debt		17,552	5,107
Gearing ratio		N/A	14%

(Amounts in United States dollars)

34. Subsequent events

(a) ***Diversification of the core businesses of the Group***

At an Extraordinary General Meeting held on 5 March 2013, the shareholders approved the proposed diversification of the Company and its subsidiaries' businesses to include the businesses of:

(i) property development, property investment and property management in the China; and

(ii) building construction and the manufacture and/or sale of concrete, sand, cement and other construction materials in China.

(b) ***Incorporation of new subsidiaries***

On 5 March 2013, the Company has incorporated four wholly-owned subsidiaries in Singapore namely GSH (Xiamen) Property Holdings Pte Ltd, GSH (Xiamen) Property Development Pte Ltd, GSH (Longhai) Property Holdings Pte Ltd and GSH (Longhai) Property Development Pte Ltd. These companies are investment companies, each with an issued and paid-up capital of US$1 consisting of one ordinary share.

(c) ***Rights issue***

On 6 March 2013, the Company proposed a renounceable non-underwritten rights issue of up to 4,942,590,125 new ordinary shares in the capital of the Company at an issue price of SGD$0.05 for each Rights Share on the basis of one Rights Share for every one ordinary share in the capital of the Company held by the shareholders of the Company as at a books closure date to be determined.

(d) ***Allotment and issuance of new shares***

On 7 March 2013, the Company allotted and issued 210,526,316 and 184,652,669 new ordinary shares to both Skyven Growth Opportunities Fund Pte Ltd & Golden Super Holdings Limited respectively and raised a net amount of approximately US$30million.

35. Comparative figures

Change in functional currency

The financial statements for the financial year ended in 31 December 2011 were presented in SGD. On 1 June 2012, the Group changed its measurement currency and presentation currency from SGD to USD and the financial statements were measured prospectively in USD with effect from 1 June 2012. The comparative figures were translated into USD to facilitate a proper comparison.

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 March 2013.

Statistics of Shareholdings
As at 18 March 2013

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	US$66,867,731
Number of Shares	:	4,942,590,125
Class of Shares: Ordinary Shares Voting Right	:	One Vote per Share
Ordinary Shares held as Treasury Shares	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	358	9.34	120,216	0.00
1,000 - 10,000	500	13.05	3,008,591	0.06
10,001 - 1,000,000	2,852	74.43	387,136,564	7.83
1,000,001 and above	122	3.18	4,552,324,754	92.11
TOTAL	3,832	100.00	4,942,590,125	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	GOI SENG HUI	2,296,384,988	46.46
2	HSBC (SINGAPORE) NOMINEES PTE LTD	715,630,175	14.48
3	EE GUAN HUI GILBERT	344,073,696	6.96
4	SKYVEN GROWTH OPPORTUNITIES FUND PTE LTD	210,526,316	4.26
5	GOLDEN SUPER HOLDINGS LIMITED	184,653,669	3.74
6	MAH BOW TAN	165,000,000	3.34
7	HONG LEONG FINANCE NOMINEES PTE LTD	114,863,000	2.32
8	NEO INVESTMENT HOLDINGS PTE LTD	39,950,000	0.81
9	UOB KAY HIAN PTE LTD	30,962,500	0.63
10	CIMB SECURITIES (SINGAPORE) PTE LTD	24,996,500	0.51
11	DMG & PARTNERS SECURITIES PTE LTD	24,892,500	0.50
12	MAYBANK KIM ENG SECURITIES PTE LTD	23,651,297	0.48
13	OCBC SECURITIES PRIVATE LTD	22,388,265	0.45
14	DBS NOMINEES PTE LTD	19,628,142	0.40
15	BANK OF EAST ASIA NOMINEES PTE LTD	16,468,000	0.33
16	TEO KEK TJOK @ TEO KEK YENG	13,200,000	0.27
17	TSIA HAH TONG	10,800,000	0.22
18	SIM BENG HUAT HENRY	10,771,000	0.22
19	GOH SHIN PING CHIRAPORN	9,000,000	0.18
20	CITIBANK NOMINEES SINGAPORE PTE LTD	8,292,500	0.17
	TOTAL	4,286,132,548	86.73

Statistics of Shareholdings

As at 18 March 2013

	Direct Interest	%	Deemed Interest	%
Goi Seng Hui	2,296,384,988	46.46	-	-
Gilbert Ee Guan Hui	344,073,696	6.96	300,000,000	6.07
Rega Investments Limited	-	-	406,510,215	8.22

SHAREHOLDINGS HELD BY THE PUBLIC

As at 18th March 2013, approximately 32.2% of the issued ordinary capital shares of the Company are held by public. Rule 723 of the SGX Listing Manual has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GSH Corporation Limited ("the Company") will be held at 11 Changi North Way, GSH Centre Singapore 498796 on Friday, 26 April 2013 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 91 and 97 of the Articles of Association of the Company:

Mr Ryo Kobayashi	(Retiring under Article 91)	**(Resolution 2)**
Mr Goi Seng Hui	(Retiring under Article 97)	**(Resolution 3)**
Mr Goi Kok Ming	(Retiring under Article 97)	**(Resolution 4)**
Ms Huang Lui	(Retiring under Article 97)	**(Resolution 5)**
Ms Juliette Lee Hwee Khoon	(Retiring under Article 97)	**(Resolution 6)**

Mr Goi Seng Hui will, upon re-election as Director of the Company, remain as a member of the Remuneration Committee and will be considered non-independent.

Ms Huang Lui will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit Committee/Remuneration Committee and will be considered independent.

Ms Juliette Lee Hwee Khoon will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered non-independent.

3. To approve the payment of additional Directors' fees amounting to S$17,000 for the financial year ended 31 December 2012. **(Resolution 7)**

4. To approve the payment of Directors' fees amounting to S$260,400 for the financial year ending 31 December 2013, to be paid quarterly in arrears. (2012: S$200,000) **(Resolution 8)**

5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration **(Resolution 9)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

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

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (**excluding treasury shares**) shall be based on the total number of issued shares (**excluding treasury shares**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 10)**

8. **Authority to issue shares under the GSH Employees' Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing GSH Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 11)**

By Order of the Board

Lee Tiong Hock
Company Secretary
Singapore, 11 April 2013

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 10 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("**AGM**")of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (**excluding treasury shares**) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (**excluding treasury shares**) will be calculated based on the total number of issued shares (**excluding treasury shares**) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 11 Changi North Way, GSH Centre Singapore 498796 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

GSH CORPORATION LIMITED
[Company Registration No. 200106139K]
(Incorporated In The Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy GSH Corporation Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

being a member/members of GSH Corporation Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 11 Changi North Way, GSH Centre Singapore 498796 on Friday, 26 April 2013 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2012		
2	Re-election of Mr Ryo Kobayashi as a Director		
3	Re-election of Mr Goi Seng Hui as a Director		
4	Re-election of Mr Goi Kok Ming as a Director		
5	Re-election of Ms Huang Lui as a Director		
6	Re-election of Ms Juliette Lee Hwee Khoon as a Director		
7	Approval of additional Directors' fees amounting to S$17,000 for the financial year ended 31 December 2012		
8	Approval of Directors' fees amounting to S$260,400 for the financial year ending 31 December 2013, to be paid quarterly in arrears		
9	Re-appointment of Ernst & Young LLP as Auditors		
10	Authority to issue shares		
11	Authority to issue shares under the GSH Employees' Share Option Scheme		

Dated this ______________ day of ______________________ 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

....

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Changi North Way, GSH Centre, Singapore 498796 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Global Strategic Holdings
群 策 环 球 控 股

GSH CORPORATION LIMITED

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