Courage Marine

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

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

Interim Report 2016

Contents

Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"BDI"	Baltic Dry Index
"Board"	the Board of Directors of the Company
"Bye-laws"	the Bye-laws of the Company
"Company"	Courage Marine Group Limited
"Directors"	the directors of the Company
"dwt"	dead weight tonnage
"Group"	the Company and its subsidiaries
"Hong Kong CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the SEHK
"PRC"	the People's Republic of China
"SEHK"	The Stock Exchange of Hong Kong Limited
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX-ST"	the Singapore Exchange Securities Trading Limited
"SGX-ST Listing Manual"	the Listing Manual of SGX-ST
"Shareholders"	the shareholders of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"S$"	Singapore Dollars, the lawful currency of Singapore
"US$" and "US cents"	United States dollars and cents, the lawful currency of the United States of America
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sue Ka Lok *(Chairman)*
Mr. Lai Ming Wai *(Chief Executive Officer)*
Ms. Chan Yuk Yee
Mr. Zhou Jifeng

Independent Non-executive Directors

Mr. Ngiam Zee Moey
Mr. Zhou Qijin
Mr. To Yan Ming, Edmond

AUDIT COMMITTEE

Mr. Ngiam Zee Moey *(Chairman)*
Mr. Zhou Qijin
Mr. To Yan Ming, Edmond

REMUNERATION COMMITTEE

Mr. To Yan Ming, Edmond *(Chairman)*
Mr. Ngiam Zee Moey
Mr. Zhou Qijin

NOMINATION COMMITTEE

Mr. Zhou Qijin *(Chairman)*
Mr. Ngiam Zee Moey
Mr. To Yan Ming, Edmond
Mr. Sue Ka Lok

JOINT COMPANY SECRETARY

Ms. Lee Pih Peng
Mr. Hon Kwok Ping Lawrence

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 1145)
The Singapore Exchange Securities
Trading Limited
(Stock Code: ATL.SI)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 1510, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd., Hong Kong
Branch
Hang Seng Bank Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

SINGAPORE BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.couragemarine.com

Management Discussion and Outlook

BUSINESS REVIEW

Revenue

The Group's total revenue decreased by 38% from US$2,950,000 in the first half of 2015 ("1H15") to US$1,839,000 in the first half of 2016 ("1H16"), of which revenue from vessel chartering decreased to US$1,650,000, reflecting the low demand in dry bulk market continued throughout 1H16. The BDI also remained low and was hovering at the 300 to 600 level during most of 1H16. As announced by the Company on 31 March 2016, the Group's had acquired certain subsidiaries ("Newly Acquired Subsidiaries") which are principally engaged in the provision of logistics, custom clearance and auxiliary services as well as import and export of goods. The Group's Newly Acquired Subsidiaries generated logistic services and merchandise trading income of US$73,000 during 1H16. The Group had also invested in listed securities and equity-linked notes during 1H16 and earned dividend and interest income totalling US$116,000.

Profitability

The Group's cost of sales decreased by 50% from US$6,038,000 in 1H15 to US$3,012,000 in 1H16 which was mainly due to less cost consumed with less vessels being operated. The Group's vessel chartering business recorded a gross loss of approximately US$1,359,000 in 1H16 compared to a gross loss of approximately US$3,088,000 in 1H15, whereas the Group's Newly Acquired Subsidiaries contributed a gross profit of approximately US$70,000.

Other income

Other income comprised interest income from placing deposits with banks and certificates of deposit, sundry income, and other one-off income. The Group recorded other income of US$46,000 in 1H16, a decrease of 78% compared to 1H15 that was mainly due to less interest income from bank deposits was earned during 1H16.

Other gains and losses

Other gains and losses comprised change in fair value of held-for-trading investments, loss on disposal of fixed assets and exchange gain and loss. The Group recorded other losses of US$249,000 in 1H16 mainly due to the downward change in fair value of held-for-trading investments. The Group recorded other losses of US$1,399,000 in 1H15 mainly due to the disposal loss of MV Cape Pioneer.

Administrative expenses

Administrative expenses increased by 21% from US$1,145,000 in 1H15 to US$1,384,000 in 1H16 as the Group had incurred additional administrative expenses in relation to the Newly Acquired Subsidiaries during the period.

Other expenses

The Group recorded other expenses of US$81,000 in 1H16 which represented legal and professional expenses incurred in relation to the acquisition of the Newly Acquired Subsidiaries. In 1H15 the Group conducted a review of the Group's vessels and other receivables and determined that a number of those assets were impaired. The Group recorded other expenses of US$11,094,000 in 1H15 as there were impairment loss on deposits paid for a coal trading contract and impairment loss in respect of the Group's vessels in light of the decrease in revenue, utilisation rate and market value of the vessels and value of scrap materials. The recoverable amount of the vessels had been determined on the basis of their value in use.

Management Discussion and Outlook

Finance costs

The Group recorded finance costs of US$421,000 in 1H16 compared to US$592,000 in 1H15, decreased by 29% that was mainly due to less bank borrowings during the period.

Income tax credit

The Group's subsidiaries had no income tax charge or tax credit for 1H16. In 1H15, an income tax credit of US$41,000 was recorded.

Other comprehensive income

The Group recorded a deficit on revaluation of leasehold land and building of US$164,000 in 1H16 compared to a surplus of US$325,000 in 1H15.

The Group recorded a deferred tax credit on revaluation of leasehold land and building of US$24,000 in 1H16 compared to a deferred tax charge of US$43,000 in 1H15.

Segment Results

During 1H16, The Group's vessel chartering business generated revenue of US$1,650,000 and continued to incur operating loss of US$1,865,000 as demand in dry bulk market remained low. The Group newly acquired logistic services and merchandise trading business generated revenue of US$73,000 and recorded operating loss of US$359,000 primarily due to business development expenses incurred. The Group's property holding and investment business had not recorded any revenue for the period as the investment property is yet to be rent out. The Group's investment holding business recorded revenue of US$116,000 representing interest and dividend income and incurred operating loss of US$81,000 mainly due to the downward change in market value of listed securities at the period end.

Net loss

Overall, the Group recorded a lower net loss of US$3,262,000 in 1H16 compared to US$17,072,000 in 1H15 mainly due to the absence of disposal loss of MV Cape Pioneer and the impairment loss in respect of deposits paid for a coal trading contract and of the Group's vessels totalling US$11,094,000.

Balance Sheet

As at 30 June 2016, the Group had intangible assets of US$1,047,000 which represented the carrying value of the integrated trading platform of the Newly Acquired Subsidiaries.

The Group had an investment property with carrying value of US$6,777,000 as at 30 June 2016 which represented the value of an office property reclassified from the Group's leasehold land and building. The office property is owned by the Group and was previously the Group's principal place of business in Hong Kong. It is now intended that the office property will be rent out for rental income and the property is classified as an investment property accordingly.

As at 30 June 2016, included in other receivables and prepayments are deposits of US$1,439,000 paid for the purchase of merchandise, being daily consumer goods, to be traded by the Newly Acquired Subsidiaries.

The Group had held-for-trading investments of US$1,086,000 as at 30 June 2016 which represented the investment in shares of a blue-chip international bank listed on the SEHK.

Management Discussion and Outlook

The Group had assets held for sale of US$2,498,000 as at 30 June 2016 which represented the acquisition costs of three residential apartments of a property development in Singapore. The Group intends to sell these properties for gains.

As at 30 June 2016, there were non-controlling interests of US$536,000 which represented the interests of minority shareholders in the Newly Acquired Subsidiaries.

FINANCIAL REVIEW

Gearing ratios

The Group's gearing ratio (being calculated as the Group's total liabilities divided by the Group's total equity) as at 30 June 2016 and 31 December 2015 were approximately 79% and 82% respectively. The decrease of the Group's gearing ratio was mainly due to the lower outstanding balance of bank borrowings at the current period end.

	As at 30 June 2016 *US$'000*	As at 31 December 2015 *US$'000*
Amounts due to related parties	**252**	–
Deposits received, other payables and accruals	**1,548**	1,633
Borrowings – due within one year	**2,766**	2,691
Borrowings – due more than one year	**19,453**	21,799
Deferred taxation	**1**	376
Total liabilities	**24,020**	26,499
Total equity	**30,367**	32,527
Gearing ratio	**79%**	82%

Management Discussion and Outlook

Bank borrowings

	As at 30 June 2016 *US$'000*	As at 31 December 2015 *US$'000*
The following is an analysis of the Group's bank borrowings and maturity profile:		
Unsecured bank overdraft	**75**	–
Secured bank loans	**22,144**	24,490
	22,219	24,490
Carrying amount repayable:		
Within one year	**2,766**	2,691
More than one year, but not exceeding two years	**2,691**	2,691
More than two years, but not exceeding five years	**8,072**	13,176
More than five years	**8,690**	5,932
	22,219	24,490

The Group's bank borrowing are all denominated in United States dollars and bear floating interest rates.

Use of proceeds from shares placement

On 8 December 2015, the Company completed a placement of 21,176,000 ordinary shares of the Company under general mandate to certain independent third parties at an issue price of HK$4 each (the "Placing"), details of which were set out in the announcement of the Company dated 17 November 2015. The net proceeds from the Placing amounted to approximately HK$82,200,000 (equivalent to approximately US$10,530,000), up to 30 June 2016, approximately US$6,331,000 had been utilised as general working capital of the Group (comprising US$1,314,000 for making short term investments in listed equity securities; US$2,271,000 for repayment of bank borrowings; US$682,000 for completion of acquisition of three residential apartments classified as assets held for sale; US$1,439,000 as deposits for purchase of merchandise and US$625,000 for administrative expenses) and approximately US$877,000 had been applied as consideration for the acquisition of the Newly Acquired Subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, there were 42 (2015: 8) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

Management Discussion and Outlook

PROSPECTS

The dry bulk market remains difficult during the 1H16. The BDI, which has a close correlation to freight rates, was hovering at the 300 to 600 level during the 1H16. Low demand of commodities in the Greater China Region, coupled with over-supply of vessels had led to additional pressure on freight rates in dry bulk market.

The tonnage of Group's fleet is approximately 114,000 dwt. Owing to challenging operating environment of vessel chartering business, the Group will continue to explore various options for reducing costs and increasing revenue of the business.

Although the Newly Acquired Subsidiaries which the Group acquired recently are still in the developing stage, it is expected that through the said acquisition, the Group can horizontally expand its transportation business and create value to shareholders.

The Group will continue to explore other investment opportunities such as investments in equity-linked notes and listed equity securities which can contribute a new source of income to the Group.

The Group also intends to rent out its previous principal place of business in Hong Kong for rental income in order to broaden the Group's income base. In addition, the Group is planning to sell the three residential apartments in Singapore for gains.

Looking forward, the management will step up its effort in improving the financial performance of the Group's existing business and will continue to look for attractive investment/business opportunities that can broaden the Group's income base and bring substantial value to shareholders.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Revenue	4	**1,839**	2,950
Cost of sales		**(3,012)**	(6,038)
Gross loss		**(1,173)**	(3,088)
Other income		**46**	205
Other gains and losses	6	**(249)**	(1,399)
Administrative expenses		**(1,384)**	(1,145)
Other expenses	7	**(81)**	(11,094)
Finance costs		**(421)**	(592)
Loss before tax		**(3,262)**	(17,113)
Income tax credit	8	**–**	41
Loss for the period	9	**(3,262)**	(17,072)
Other comprehensive (expense) income:			
Items that will not be reclassified subsequently to profit or loss:			
(Deficit) surplus on revaluation of leasehold land and building		**(164)**	325
Deferred tax credit (charge) arising on revaluation of leasehold land and building		**24**	(43)
		(140)	282
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign operation		**222**	–
		82	282
Total other comprehensive expense for the period		**(3,180)**	(16,790)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(3,062)**	(17,072)
Non-controlling interests		**(200)**	–
		(3,262)	(17,072)
Total comprehensive expense attributable to:			
Owners of the Company		**(3,047)**	(16,790)
Non-controlling interests		**(133)**	–
		(3,180)	(16,790)
Loss per share attributable to owners of the Company (US cents)	*11*		
Basic and diluted		**(2.41)**	(16.12)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**As at 30 June 2016 US$'000 (Unaudited)**	As at 31 December 2015 US$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**26,748**	32,886
Intangible assets		**1,047**	–
Investment property	13	**6,777**	–
Interest in a joint venture		**5,330**	5,330
Long-term receivables and deposits	15	**–**	1,816
Available-for-sale investment		**79**	79
Total non-current assets		**39,981**	40,111
Current assets			
Inventories		**41**	–
Trade receivables	16	**179**	–
Other receivables and prepayments	15	**5,350**	4,142
Amount due from a joint venture		**669**	669
Held-for-trading investments		**1,086**	–
Restricted bank deposits		**2,438**	3,697
Cash and cash equivalents		**2,145**	10,407
		11,908	18,915
Assets classified as held for sale	14	**2,498**	–
Total current assets		**14,406**	18,915
Total assets		**54,387**	59,026
Current liabilities			
Amounts due to related parties	20	**252**	–
Deposits received, other payables and accruals		**1,548**	1,633
Borrowings – due within one year	17	**2,766**	2,691
Total current liabilities		**4,566**	4,324

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	**As at 30 June 2016 US$'000 (Unaudited)**	As at 31 December 2015 US$'000 (Audited)
Capital and reserves			
Share capital	19	**22,871**	22,871
Share premium		**34,872**	34,872
Property revaluation reserve		**2,336**	2,125
Other reserve		**1,531**	1,531
Exchange reserve		**155**	–
Accumulated losses		**(31,934)**	(28,872)
Equity attributable to the owners of the Company		**29,831**	32,527
Non-controlling interests		**536**	–
Total equity		**30,367**	32,527
Non-current liabilities			
Deferred taxation		**1**	376
Borrowings – due more than one year	17	**19,453**	21,799
Total non-current liabilities		**19,454**	22,175
Total liabilities and equity		**54,387**	59,026
Net current assets		**9,840**	14,591
Total assets less current liabilities		**49,821**	54,702

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Other reserve US$'000	Exchange reserve US$'000	Retained profits (accumulated losses) US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2015 (Audited)	19,059	28,027	1,734	1,531	–	7,971	58,322	–	58,322
Loss for the period	–	–	–	–	–	(17,072)	(17,072)	–	(17,072)
Surplus on revaluation of leasehold land and building	–	–	325	–	–	–	325	–	325
Deferred tax charge arising on revaluation of leasehold land and building	–	–	(43)	–	–	–	(43)	–	(43)
Total comprehensive income (expense) for the period	–	–	282	–	–	(17,072)	(16,790)	–	(16,790)
At 30 June 2015 (Unaudited)	19,059	28,027	2,016	1,531	–	(9,101)	41,532	–	41,532
At 1 January 2016 (Audited)	**22,871**	**34,872**	**2,125**	**1,531**	**–**	**(28,872)**	**32,527**	**–**	**32,527**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(3,062)**	**(3,062)**	**(200)**	**(3,262)**
Deficit on revaluation of leasehold land and building *(Note 12)*	**–**	**–**	**(164)**	**–**	**–**	**–**	**(164)**	**–**	**(164)**
Deferred tax credit arising on revaluation of leasehold land and building	**–**	**–**	**24**	**–**	**–**	**–**	**24**	**–**	**24**
Exchange differences arising on translation of a foreign operation	**–**	**–**	**–**	**–**	**155**	**–**	**155**	**67**	**222**
Total comprehensive (expense) income for the period	**–**	**–**	**(140)**	**–**	**155**	**(3,062)**	**(3,047)**	**(133)**	**(3,180)**
Non-controlling interests arising from acquisition of subsidiaries *(Note 24)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**669**	**669**
Reversal of deferred taxation upon transfer from property, plant and equipment to investment property	**–**	**–**	**351**	**–**	**–**	**–**	**351**	**–**	**351**
At 30 June 2016 (Unaudited)	**22,871**	**34,872**	**2,336**	**1,531**	**155**	**(31,934)**	**29,831**	**536**	**30,367**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Operating activities		
Loss before tax	**(3,262)**	(17,113)
Adjustments for:		
Depreciation of property, plant and equipment	**563**	1,201
Amortisation of intangible assets	**60**	–
Change in fair value of held-for-trading investments	**228**	(70)
Loss on disposal of property, plant and equipment	**–**	1,478
Dividend from held-for-trading investments	**–**	(20)
Interest income	**(88)**	(61)
Finance costs	**421**	592
Impairment loss on deposits paid	**–**	1,685
Impairment loss on property, plant and equipment	**–**	9,409
Imputed interest income on long-term receivables	**–**	(123)
Operating cash flows before movements in working capital	**(2,078)**	(3,022)
Increase in inventories	**(41)**	–
Increase in trade receivables	**(179)**	(220)
(Increase) decrease in other receivables and prepayments	**(904)**	610
(Increase) decrease in held-for-trading investments	**(1,314)**	514
Decrease in deposits received, other payables and accruals	**(1,203)**	(1,351)
Increase in amounts due to related parties	**93**	–
Cash used in operating activities	**(5,626)**	(3,469)
Interest expense paid	**(421)**	(592)
Interest income received	**88**	61
Income tax paid	**–**	(2)
Dividend received from held-for-trading investments	**–**	20
Net cash used in operating activities	**(5,959)**	(3,982)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		Six months ended 30 June	
	Notes	**2016** **US$'000** **(Unaudited)**	2015 US$'000 (Unaudited)
Investing activities			
Increase in long-term receivable and deposits		**–**	(239)
Addition to assets classified as held for sale		**(682)**	–
Purchase of property, plant and equipment	*12*	**(98)**	(75)
Acquisition of subsidiaries	*24*	**(772)**	–
Proceeds on disposal of property, plant and equipment		**–**	6,204
Withdrawal of pledged/restricted bank deposits		**1,259**	4,110
Advance to a joint venture		**–**	(116)
Net cash (used in) from investing activities		**(293)**	9,884
Financing activities			
Repayment of borrowings		**(2,271)**	(2,012)
Net cash used in financing activities		**(2,271)**	(2,012)
Net (decrease) increase in cash and cash equivalents		**(8,523)**	3,890
Cash and cash equivalents at the beginning of the period		**10,407**	8,883
Effect of exchange rate changes on the balance of cash held in foreign currencies		**261**	–
Cash and cash equivalents at the end of the period		**2,145**	12,773

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

1. GENERAL

The Company (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is listed on the Main Board of the SGX-ST and the Main Board of SEHK. The condensed consolidated financial statements are presented in US$, which is the functional currency of the Company, and all values are rounded to the nearest thousand (US$'000) except otherwise indicated.

The principal activity of the Company is investment holding and the principal activities of the Group are (1) marine transportation services, (2) provision of logistic services and merchandise trading, (3) property holding and investment, and (4) investment holding.

Significant event

During the six months ended 30 June 2016, the Group commenced the business of provision of logistic services and merchandise trading through the acquisition of the Newly Acquired Subsidiaries. Details of the transaction are set out in Note 24 to the Condensed Consolidated Interim Financial Statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as well as the applicable disclosure requirements of Appendix 16 to the Hong Kong Listing Rules and the SGX-ST Listing Manual.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, investment property and leasehold land and building, which are measured at revalued amounts or fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") that are effective for the Group's accounting period beginning on 1 January 2016:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiatives
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

The application of the new and revised IFRSs in the current interim period has had no material impact on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the preparation of the Group's annual financial statements for the year ended 31 December 2015.

4. REVENUE

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Marine transportation service income	**1,650**	2,950
Logistic service and merchandise trading income	**73**	–
Interest income from held-for-trading investments	**79**	–
Dividend income	**37**	–
	1,839	2,950

5. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the Executive Directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance. This is also the current basis of organisation in the Group, whereby the management has chosen to organise the Group in different operating activities. During the six months ended 30 June 2016, the Group commenced the business of provision of logistic services and merchandise trading.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

1. Marine transportation services
2. Provision of logistic services and merchandise trading
3. Property holding and investment
4. Investment holding

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

5. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Marine transportation services Six months ended 30 June		Provision of logistic services and merchandise trading Six months ended 30 June		Property holding and investment Six months ended 30 June		Investment holding Six months ended 30 June		Total Six months ended 30 June	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue	**1,650**	2,950	**73**	-	**-**	-	**116**	-	**1,839**	2,950
Segment results	**(1,865)**	(13,840)	**(359)**	-	**-**	-	**(81)**	70	**(2,305)**	(13,770)
Unallocated:										
Unallocated corporate income									**9**	193
Unallocated corporate expense									**(545)**	(2,944)
Finance costs									**(421)**	(592)
Loss before tax									**(3,262)**	(17,113)

The following is an analysis of the Group's assets by reportable and operating segments:

	Marine transportation services		Provision of logistic services and merchandise trading		Property holding and investment		Investment holding		Total	
	As at 30 June 2016	As at 31 December 2015	**As at 30 June 2016**	As at 31 December 2015	**As at 30 June 2016**	As at 31 December 2015	**As at 30 June 2016**	As at 31 December 2015	**As at 30 June 2016**	As at 31 December 2015
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment assets	**25,765**	26,203	**2,394**	-	**9,275**	1,816	**1,086**	-	**38,520**	28,019
Unallocated corporate assets									**15,867**	31,007
Total assets									**54,387**	59,026

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment *(Note 12)*	**–**	(1,478)
Change in fair value of held-for-trading investments	**(228)**	70
Net foreign exchange (loss) gain	**(21)**	9
	(249)	(1,399)

7. OTHER EXPENSES

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Impairment loss on property, plant and equipment *(Note 12)*	**–**	(9,409)
Impairment loss on deposits paid	**–**	(1,685)
Acquisition costs in relation to the acquisition of subsidiaries	**(81)**	–
	(81)	(11,094)

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Enterprise Income Tax of the PRC	**–**	2
Deferred tax:		
Current period	**–**	(43)
	–	(41)

Enterprise Income Tax of the PRC is calculated at 25% of the assessable profit of a representative office in Shanghai, PRC for the six months ended 30 June 2015. There was no assessable profit in the current period.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after (crediting) charging:

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest income	**(88)**	(61)
Imputed interest income on long-term receivable	**–**	(123)
Directors' remuneration (including directors' fee)	**150**	88
Employee benefits expense (including directors' remuneration):		
– Salaries and other benefits	**384**	516
– Contributions to retirement benefits scheme	**7**	16
Total employee benefits expenses	**391**	532
Marine crew expenses	**53**	1,251
Depreciation of property, plant and equipment	**563**	1,201
Amortisation of intangible assets	**60**	–

10. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company	**(3,062)**	(17,072)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

11. LOSS PER SHARE (continued)

	Six months ended 30 June	
	2016	2015
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period	**127,059**	105,883

For the period ended 30 June 2016 and 2015, diluted loss per share is the same as basic loss per share as there were no potential ordinary shares outstanding during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, addition of property, plant and equipment amounted to US$98,000 (six months ended 30 June 2015: US$75,000).

On 30 June 2016, a deficit on revaluation of the Group's leasehold land and building of US$164,000 was recognised and such leasehold land and building amounted to US$6,777,000 was transferred to investment property as a result of the end of owner-occupation.

During the six months ended 30 June 2015, the Group disposed a vessel with a carrying amount of US$7,682,000, resulting in a loss on disposal of US$1,478,000 recognised in other gains and losses in profit or loss. The net proceed received from disposal of this vessel is US$6,204,000. The Group did not dispose any vessel during the six months ended 30 June 2016.

During the six months ended 30 June 2015, an impairment loss of US$9,409,000 had been recognised in respect of the Group's vessels in profit or loss during the period in light of decrease in revenue, utilisation rate and market value of the vessels and value of scrap materials of the vessels. The recoverable amount of the vessels had been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 9.07%. As at 30 June 2016, the recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell. No impairment loss has been recognised during the six months ended 30 June 2016.

13. INVESTMENT PROPERTY

The Group's investment property was valued by JP Assets Consultancy Limited, which is a qualified professional valuers not connected to the Group. The directors of JP Assets Consultancy Limited who carried out the valuation are registered professional surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties. The valuation was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

On 30 June 2016, the Group's investment property amounted to US$6,777,000 was transferred from property, plant and equipment as a result of the end of owner-occupation.

14. ASSETS CLASSIFIED AS HELD FOR SALE

The Group has completed the acquisition of certain investment properties of US$2,498,000 (six months ended 30 June 2015: nil) during the six months ended 30 June 2016 in relation to which the amount of US$1,816,000 was originally recorded as long-term deposits at 31 December 2015. During the current interim period, the Group intends to dispose these investment properties and the Group is currently in negotiation with some potential buyers. The Directors consider that the acquisition costs of these investment properties approximate to their fair value less cost to sell at the end of the reporting period.

15. OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM RECEIVABLES AND DEPOSITS

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

	30 June 2016	31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Interest-free loan to Santarli Realty *(Note i)*	**3,812**	3,812
Other receivables	**54**	38
Prepayments	**45**	255
Deposits for acquisition of investment properties	**–**	1,816
Other deposits *(Note ii)*	**1,439**	37
	5,350	5,958
Less: Non-current portion	**–**	(1,816)
Amounts due within one year shown under current assets	**5,350**	4,142

Notes:

(i) On 14 September 2012, Courage Marine Overseas Ltd. ("CM Overseas"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corp, an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty Pte Ltd. ("Santarli Realty") (which constitutes 10% of the issued share capital of Santarli Realty) at a cash consideration of S$100,000 and shareholder's loans of not exceeding the principal amount of S$5,400,000 (collectively referred to as the "Consideration"). Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore. As at 30 June 2016 and 31 December 2015, CM Overseas has advanced an interest-free loan amounting to S$5,500,000 (31 December 2015: S$5,500,000) to Santarli Corp and this interest-free loan was used to offset the Consideration. On 14 September 2012, Santarli Holdings Pte Ltd., the holding company of Santarli Corp has executed a guarantee in favour of CM Overseas of all the liabilities due by Santarli Corp to CM Overseas.

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

Concurrent with the completion of the acquisition by CM Overseas of a 10% shareholding interest in Santarli Realty from Santarli Corp on 16 July 2013 (following approval of the same by the independent shareholders), CM Overseas acquired from Santarli Corp, an interest-free shareholders' loan of S$5,400,000 granted by Santarli Corp to Santarli Realty, where the Consideration for both acquisitions was satisfied by offsetting against an interest-free loan of S$5,500,000 previously advanced by CM Overseas to Santarli Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

15. OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM RECEIVABLES AND DEPOSITS (continued)

Notes: (continued)

The interest free loan to Santarli Realty is expected to be repaid within twelve months from the end of the reporting period, the balance is classified as other receivables and prepayments accordingly.

(ii) At 30 June 2016, deposits totalling US$1,439,000 (31 December 2015: nil) were paid for the purchase of inventories in relation to the Group's provision of logistic services and merchandise trading business.

16. TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (31 December 2015: 2 weeks) after the receipt of invoices while other customers are requested to prepay the charter-hire income in full before discharging for voyage charter. Customers of time charter are requested to prepay the charter-hire income for time charter. An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	30 June 2016	31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0-30 days	**179**	–

17. BORROWINGS

During the current interim period, the bank loans carry interest at London Interbank Offered Rate plus certain basis points and are repayable over a period ranging from 3-9 years (31 December 2015: 3-9 years).

The borrowings as at 30 June 2016 and 31 December 2015 are secured by the followings:

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

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

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

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

As at 30 June 2016, the Group failed to maintain the financial covenant in relation to the security coverage ratio as stipulated in the borrowing agreements. The security coverage ratio is equal to the total of the market value of the vessel and the market value of any additional security over the outstanding loan balance. According to the relevant terms of the borrowing agreements, the Group is required to either provide restricted cash deposit or prepay certain portion of the outstanding loan balance amounting to US$2,423,000 (31 December 2015: US$3,697,000) to maintain the security coverage ratio at the required level. As at 30 June 2016, the Group had set aside restricted cash deposits of US$2,423,000 and the classification of the borrowings were disclosed in accordance with the repayment schedules as stipulated in the borrowing agreements.

18. PLEDGE OF ASSETS

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

	30 June 2016 *US$'000* **(Unaudited)**	31 December 2015 *US$'000* (Audited)
Property, plant and equipment	**25,567**	25,949

19. SHARE CAPITAL

	Number of ordinary shares *'000*	**Amount** *US'000*
Authorised:		
As at 1 January 2015 (US$0.018 per share)	10,000,000	180,000
Share consolidation *(Note i)*	(9,000,000)	–
As at 31 December 2015 and **30 June 2016** (US$0.18 per share)	**1,000,000**	**180,000**
Issued and fully paid:		
As at 1 January 2015 (US$0.018 per share)	1,058,829	19,059
Share consolidation *(Note i)*	(952,946)	–
Placing of new shares *(Note ii)*	21,176	3,812
As at 31 December 2015 and **30 June 2016** (US$0.18 per share)	**127,059**	**22,871**

Fully paid ordinary shares, which have a par value of US$0.18 each (31 December 2015: US$0.18 each), carry one vote per share and carry right to dividends as and when declared by the Company.

Notes:

(i) At the special general meeting of the Company held on 29 April 2015, shareholders approved the share consolidation on the basis that every ten issued and unissued ordinary shares of par value of US$0.018 each to be consolidated into one ordinary share of par value of US$0.18 each effective from 7 May 2015 (fractional entitlements being disregarded).

(ii) On 8 December 2015, the Company completed a placement of 21,176,000 ordinary shares under general mandate to certain independent third parties at an issue price of HK$4 each (the "Placing") and recognised an increase in share capital of US$3,812,000 and share premium of US$6,845,000 (after netting off US$355,000 share issue expenses). The Company intends to use the net proceeds from the Placing as general working capital of the Group and/or funding investment opportunities if so arise. These shares rank *pari passu* in all respects with the then existing shares.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

20. AMOUNTS DUE TO RELATED PARTY

As at 30 June 2016, the Group had amounts of US$252,000 (31 December 2015: nil) due to certain directors of a subsidiary. The amounts are non-trade in nature, interest-free, unsecured and repayable on demand.

21. CAPITAL COMMITMENTS

	30 June 2016 *US$'000* **(Unaudited)**	31 December 2015 *US$'000* (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of investment properties	–	498
– acquisition of property, plant and equipment	–	574
	–	1,072

22. CONTINGENT LIABILITIES

As at 30 June 2016, the Company provided corporate guarantee to subsidiaries to obtain loan facilities amounting to US$39,680,000 from certain financial institutions and USS$22,144,000 (31 December 2015: US$24,490,000) of such loan facilities was utilised by the subsidiaries.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	Fair value as at 30 June 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities in Hong Kong – Banking industry – US$1,086,000	N/A	Level 1	Quoted bid prices in an active market	N/A	N/A

24. ACQUISITION OF SUBSIDIARIES

On 31 March 2016, the Group entered into an agreement pursuant to which Peak Prospect Global Limited, a wholly subsidiary of the Company agreed to acquire 70% interest in Hope View International Limited (now known as Poly EZbuy Limited) (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group"), at a cash consideration of HK$6,800,000 (equivalent to approximately to US$877,000). The Target Group is principally engaged in the provision of logistics, custom clearance and auxiliary services and import and export of goods. Immediately after the completion of the acquisition, the Target Company became a subsidiary of the Company.

The Directors consider that the acquisition can horizontally expand the transportation business of the Group.

The consolidated net assets of the Target Group at the date of acquisition were as follows:

	US$'000
Property, plant and equipment	**1,307**
Intangible assets	**1,107**
Other receivables and prepayments	**304**
Bank balances and cash	**105**
Other payables	**(1,118)**
Amount due to a director	**(159)**
Non-controlling interests of a subsidiary	**(293)**
	1,253
Cash consideration paid	**877**
Plus: non-controlling interests	**376**
	1,253
Net cash outflow arising on acquisition of subsidiaries:	
Cash consideration paid	**877**
Less: bank balances and cash acquired	**(105)**
	772

24. ACQUISITION OF SUBSIDIARIES (continued)

The acquisition did not give rise to any recognition of goodwill as the Directors are of the opinion that the consideration paid approximated to the fair value of the net identifiable assets acquired.

Acquisition-related costs amounting to US$81,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expense line item in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Included in the loss for the period is loss of US$359,000 attributable to the additional business generated by the Target Group. Revenue for the period includes US$70,000 generated from the Target Group.

Had the acquisition been completed on 1 January 2016, total group revenue for the period would have been approximately US$1,841,000, and loss for the period would have been approximately US$3,488,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and loss of the Group had the Target Group been acquired at the beginning of the current period, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

25. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR ISSUE

The unaudited condensed consolidated interim financial statements have been approved and authorised for issue by the Board on 12 August 2016.

Other Information

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Hong Kong Listing Rules, were as follows:

Long position of directors in the shares of associated corporation

Name of director	Name of associated corporation	Capacity and nature of interest	Number of shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhou Jifeng ("Mr. Zhou")	Poly EZbuy Limited ("Poly EZbuy")	Beneficial owner	8 *(Note)*	8%

Note:

Mr. Zhou held 8% of the entire issued share capital of Poly EZbuy (formerly known as Hope View International Limited), the target company acquired by the Group as mentioned in the Company's announcement dated 31 March 2016 and is now a 70% owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2016, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Other Information

SHARE OPTION SCHEME

The Company and its subsidiaries have no share option scheme.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	29,090,022 *(Note)*	22.89%
Brilliant Epic Asia Limited ("Brilliant Epic")	Interest of controlled corporation	29,090,022 *(Note)*	22.89%
Success United Development Limited ("Success United")	Beneficial owner	29,090,022 *(Note)*	22.89%
Zhou Xunlan	Beneficial owner	8,595,200	6.76%

Note:

Success United was wholly owned by Brilliant Epic, which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Brilliant Epic were deemed to be interested in 29,090,022 shares of the Company under the SFO.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2016 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Hong Kong CG Code throughout the six months ended 30 June 2016 except for the following deviation with reason as explained:

Code Provision A.4.1

Code provision A.4.1 of the Hong Kong CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Other Information

Deviation

During the six months ended 30 June 2016, there has been a deviation from the code provision since two of the independent non-executive directors of the Company, namely Mr. Foo Meng Kee (resigned on 16 May 2016) and Mr. Ngiam Zee Moey, are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those set out in the Hong Kong CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2016.

UPDATE ON DIRECTORS' INFORMATION

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules:

1. Mr. Zhou Jifeng ("Mr. Zhou") is entitled to receive a remuneration of HK$30,000 per month under the service contract with a subsidiary of the Company. The remuneration of Mr. Zhou has been approved by the Remuneration Committee of the Company.

2. Mr. To Yan Ming, Edmond ("Mr. To") was appointed as an independent non-executive director of Tianli Holdings Group Limited (formerly known as Eyang Holdings (Group) Co., Limited) (stock code: 117), a listed company in Hong Kong, on 14 July 2016.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2016 have not been audited, but have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Sue Ka Lok
Chairman

Hong Kong, 12 August 2016