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)

Annual Report
2016

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Abbreviations

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

"BDI"	Baltic Dry Index
"Board"	Board of Directors of the Company
"Bye-laws"	Bye-laws of the Company
"Company"	Courage Marine Group Limited
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"PRC"	People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX-ST"	Singapore Exchange Securities Trading Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$" 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)*
Ms. Chan Yuk Yee

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

Hong Kong Stock Exchange
(Stock Code: 1145)
Singapore Exchange
(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

Conyers Corporate Services (Bermuda) 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

The above information is updated to 20 April 2017, being the latest practicable date before printing of this annual report.

Chairman's Statement

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2016 ("FY2016").

RESULTS

During FY2016, the Group continued to principally engage in the business of marine transportation services, property holding and investment, investment holding and has expanded its business scope to merchandise trading during the year.

The operating environment of the Group's marine transportation business continued to be challenging for most part of 2016 as demand for vessel chartering in dry bulk market remained sluggish and freight rate stayed low. The BDI, which has a close correlation to freight rate, repeatedly hit record lows in the first quarter of the year and was below 300 points in February 2016. From April to November 2016, the BDI was hovering between 500 to 1,000 points although recently in March 2017, the index has rebounded to the 1,100 to 1,200 points level. As freight rate remained low for most part of FY2016, coupled with the decrease in utilisation rate of the Group's vessels owing to low demand, the revenue of the Group's marine transportation business for the year decreased by 46% to US$3,613,000 (2015: US$6,643,000). For FY2016, the business recorded an operating loss of US$3,270,000 which represented a decrease of 37% from prior year (2015: US$5,207,000). The decrease was mainly a result that less vessels were being operated during current year compared to the year ended 31 December 2015 ("FY2015") and that the two vessels disposed of in FY2015 were running at losses. The Group had conducted a review on the fair value of the two vessels held by the Group at 31 December 2016 with reference to prevailing market conditions (including second-hand prices and freight rate of similar vessels) with the result that an impairment loss on these vessels amounting to US$10,763,000 (2015: US$20,651,000) was recognised in FY2016.

The Group's property holding and investment business contributed a stable rental income stream and delivered a profitable result by reporting US$66,000 and US$436,000 respectively in FY2016. The Group currently holds an investment property being an office unit in Shun Tak Centre, Sheung Wan, Hong Kong and a residential property for sale in Singapore. The investment property recorded a revaluation gain of US$513,000 which is a main contribution to the operation's profitable result in FY2016. The Group also holds a 10% interest in a residential property development project in Singapore which was completed in 2016. The Group received the first distribution of profit of approximately US$553,000 from this project in January 2017.

The Group's investment holding business continued to perform well by contributing revenue and operating profit of US$154,000 (2015: US$20,000) and US$126,000 (2015: US$90,000) respectively. During FY2016, the Group invested in listed equity shares and equity-linked notes linked with large capitalization stocks listed on the Hong Kong Stock Exchange.

The Group has expanded its business scope to merchandise trading during FY2016 which presently focus on trading of consumable goods. The operation generated revenue of US$713,000 and recorded an operating loss of US$771,000 mainly due to the start up business expenses incurred and allowances for inventories.

As a whole, in FY2016, the Group recorded a lower loss attributable to owners of the Company amounting to US$17,381,000 compared with US$36,843,000 recorded in FY2015 which was mainly due to (i) the decrease in impairment loss recognised on vessels held by the Group to US$10,763,000 (2015: US$20,651,000); (ii) the absence of loss totalling US$5,335,000 resulting from the disposal of two vessels during FY2015; (iii) the absence of impairment loss of US$1,685,000 recognised on deposits paid for a coal purchase contract during FY2015; and (iv) the reduction in operating loss incurred by the Group's marine transportation business as less vessels were being operated during FY2016.

Chairman's Statement

DIVIDENDS

In light of the challenging operating environment of the Group's marine transportation business and that the Group had incurred a loss for the year, the Board has resolved that no dividend will be paid or proposed in respect of FY2016.

PROSPECTS

On 8 February 2017, an indirect wholly owned subsidiary of the Company entered into a memorandum of agreement with an independent third party to dispose of MV Zorina for a consideration of US$7,350,000. As demand for vessel chartering in dry bulk market remained weak and freight rate remained low in recent years, and that the vessel had been incurring losses for the last three financial years ended FY2016, the Board has decided to dispose of the vessel, subject to shareholders' approval, in order to release the Group from incurring further cash outflow to maintain the operation of the vessel.

The Board is of the view that the operating environment of the Group's marine transportation business will continue to be difficult in the near term. As such, the Group has adjusted its financial resources allocation among its four business segments and intends to progressively put more weights on the property holding and investment, investment holding and merchandise trading segments. These segments are expected to make positive contributions to the Group in terms of revenue and profitability and henceforth will improve the Group's overall results in future.

In January 2017, the Company has successfully strengthened its shareholder and capital base through placing new shares and raised net proceeds of approximately US$12,194,000 as general working capital of the Group and/or funding of attractive business/investment opportunities if so arise. Looking forward, the management will utilise these new funds to expand and develop the existing businesses of the Group, will step up its effort in improving the financial performance of the Group, and will continue to look for attractive business/investment opportunities that can broaden the Group's income base and bring substantial value to shareholders.

APPRECIATION

I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors for their valuable services to the Group and all staff members for their hard work during the past year.

SUE KA LOK
Chairman
Hong Kong, 29 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2016 ("FY2016"), the Group continued to principally engage in the business of marine transportation services, property holding and investment, and investment holding and has expanded its business scope to merchandise trading during the year.

For FY2016, the Group's revenue decreased by 32% to US$4,546,000 (2015: US$6,663,000) whilst gross loss decreased by 45% to US$2,427,000 (2015: US$4,410,000). The decrease in the Group's revenue was mainly due to the drop in revenue of the Group's marine transportation business as demand for vessel chartering and freight rate remained low throughout most part of the year. As for the decrease in the Group's gross loss, it was mainly due to the reduction in operating loss of the Group's marine transportation business as less vessels were being operated during the year as compared to the year ended 31 December 2015 ("FY2015").

Marine transportation services

During FY2016, the Group's marine transportation business generated revenue of US$3,613,000 which showed a decline of 46% from last year (2015: US$6,643,000). The low demand of commodities in the Greater China Region in recent years has caused the demand for vessel chartering in dry bulk market remained low throughout most part of 2016. In addition, the over-supply of vessels has put extra pressure on freight rate in dry bulk market. The BDI, which has a close correlation to freight rate, repeatedly hit record lows in the first quarter of the year and was below 300 points in February 2016, and from April to November 2016, the BDI was hovering between 500 to 1,000 points level. The sluggish demand for vessel chartering and hence low utilisation rate of the Group's vessels, together with low freight rate were the main causes that led to the decline of the operation's revenue. For FY2016, the business recorded an operating loss of US$3,270,000 which represented a decrease of 37% from prior year (2015: US$5,207,000). The decrease was mainly a result that less vessels were being operated during FY2016 compared to FY2015 and that the two vessels disposed of last year were running at losses. The Group had conducted a review on the fair value of the two vessels held by the Group, namely MV Zorina and MV Heroic, at 31 December 2016 with reference to prevailing market conditions (including second-hand prices and freight rate of similar vessels) with the result that an impairment loss on these vessels amounting to US$10,763,000 (2015: US$20,651,000) was recognised in FY2016. After the impairment, the carrying value of the two vessels held by the Group amounted to US$14,378,000 at year end.

Property holding and investment

The Group's property holding and investment business contributed a stable rental income stream and delivered profitable results by posting US$66,000 and US$436,000 respectively in FY2016. The Group has leased out its investment property being an office unit in Shun Tak Centre, Sheung Wan, Hong Kong since September 2016. The property was valued at US$7,290,000 at year end and a revaluation gain of US$513,000 was recognised in FY2016. The Group also holds a residential property for sale in Singapore with carrying cost of US$1,449,000 at year end. In addition, the Group also holds a 10% interest in a residential property development project in Singapore which was completed in 2016. The carrying costs of this investment amounted to US$1,945,000 at year end and the Group received the first distribution of profit of approximately US$553,000 from this project in January 2017, further distributions from this project in later time of the year are expected.

Management Discussion and Analysis

Investment holding

The Group's investment holding business continued to perform well by contributing revenue and operating profit of US$154,000 (2015: US$20,000) and US$126,000 (2015: US$90,000) respectively in FY2016. The revenue and profit earned by the operation mainly comprised dividend income from listed equity shares investments and interest income from investment in equity-linked notes. At year end, the Group's financial assets of US$645,000 represented an investment in equity-linked notes linked with a blue-chip international bank listed on the Hong Kong Stock Exchange. In order to diversify the Group's investment portfolio and its income source, the Group has made its first investment in corporate bonds issued by a property developer listed on the Hong Kong Stock Exchange in March 2017.

Merchandise trading

The Group has expanded its business scope to merchandise trading during FY2016 which presently focus on trading of consumable goods relating to infant. The operation generated revenue of US$713,000 and recorded an operating loss of US$771,000 mainly due to start up business expenses incurred and allowances for inventories. The Group has recently expanded its range of merchandise to other type of consumable goods including hair care and body care products so as to expand the revenue base of this business.

The Group acquired a group of companies in March 2016 which are principally engaged in the provision of logistics, custom clearance and auxiliary services as well as import and export of goods for a consideration of HK$6,800,000. This group of companies was subsequently disposed of by the Group in November 2016 at consideration same as the original acquisition cost as their business and financial performance could not meet the Group's expectations.

Share of result of a joint venture

During the FY2016, the Group shared loss of a joint venture amounting to US$543,000 mainly due to the decrease in fair value of an industrial property in Shanghai, China held by the joint venture intended for leasing and the depreciation of Renminbi during FY2016. The carrying value of the investment in the joint venture was US$4,733,000 at year end (2015: US$5,330,000).

Overall results

As a whole, the Group's loss for the year decreased by 52% down to US$17,766,000 (2015: US$36,843,000) which was mainly due to (i) the decrease in impairment loss recognised on vessels held by the Group to US$10,763,000 (2015: US$20,651,000); (ii) the absence of loss totalling US$5,335,000 resulting from the disposal of MV Cape Pioneer and MV Courage included as other losses in FY2015; (iii) the absence of impairment loss of US$1,685,000 recognised on deposits paid for a coal purchase contract included as other expenses in FY2015; and (iv) the reduction in operating loss incurred by the Group's marine transportation business. For FY2016, basic and diluted loss per share was US13.68 cents (2015: US34.36 cents).

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

During FY2016, the Group financed its operation mainly by credit facilities provided by banks and shareholder's funds. At 31 December 2016, the Group had current assets of US$10,735,000 (2015: US$18,915,000) and liquid assets comprising bank balances, time deposit and short-term investment in equity-linked notes totalling US$5,689,000 (2015: US$10,407,000) (excluding restricted bank deposits). The Group's current ratio, calculated based on current assets over current liabilities of US$9,749,000 (2015: US$4,324,000), was at a ratio of about 1.10 at year end (2015: 4.37).

At 31 December 2016, the equity attributable to owners of the Company decreased by 53% to US$15,303,000 (2015: US$32,527,000) mainly due to the loss incurred by the Group during FY2016.

At year end, the Group's borrowings represented loans from banks for financing the acquisition of vessels. The bank borrowings were denominated in United States dollars, bore interest at floating rates, and secured by the relevant vessels. The following is an analysis of the Group's bank borrowings and maturity profile:

	2016	2015
	US$'000	*US$'000*
Secured bank loans	**19,799**	24,490
Carrying amount repayable:		
Repayable on demand	**6,441**	–
Within one year	**1,146**	2,691
More than one year, but not exceeding two years	**2,691**	2,691
More than two years, but not exceeding five years	**6,735**	13,176
More than five years	**2,786**	5,932
	19,799	24,490

The Group's finance costs of US$817,000 for the year represented mainly interests for the above bank borrowings, finance costs decreased by 25% compared to last year (2015: US$1,091,000) as there were less bank borrowings during FY2016.

The Group's gearing ratio, calculated on the basis of total bank borrowings of US$19,799,000 (2015: US$24,490,000) divided by the equity attributable to owners of the Company of US$15,303,000 (2015: US$32,527,000), was at a ratio of about 129% at year end (2015: 75%).The Group's gearing ratio has improved after completion of the shares placing in January 2017 as mentioned below.

In January 2017, the Company completed the placing of 25,400,000 new shares to independent placees at the price of HK$3.82 per share. The net proceeds from the placing amounting to approximately US$12,194,000 and will be used as general working capital of the Group and/or funding of attractive business/investment opportunities if so arise.

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Management Discussion and Analysis

Use of proceeds from shares placement

In December 2015, the Company completed the placing of 21,176,000 new shares to independent placees at the price of HK$4 per share. The net proceeds from the placing amounted to approximately US$10,657,000 and had been fully utilised as intended. Up to 31 December 2016, US$4,691,000 had been applied for repayment of bank borrowings; US$817,000 for payment of loan interests; US$759,000 for completion of acquisition of three residential properties in Singapore; and with the remaining balance mainly applied as working capital for the Group's merchandise trading and investment holding business, and for general corporate and administrative expenses.

Foreign currency management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in United States dollars, Hong Kong dollars, Singapore dollars, New Taiwan dollars and Renminbi. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes. Appropriate measures will be undertaken by the Group should exchange rate fluctuations become significant.

Pledge of assets

At 31 December 2016, the two vessels held by the Group, namely MV Zorina and MV Heroic, with total carrying amount of US$14,378,000 were pledged to banks to secure against the loan facilities granted to the Group.

Contingent liabilities

At 31 December 2016, the Group had no significant contingent liability. For the contingent liability at 31 December 2015, please refer to note 37 to the consolidated financial statements.

Capital commitments

At 31 December 2016, the Group had no significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group had 13 (2015: 11) employees including directors of the Company. For the year under review, staff costs (including directors' emoluments) amounted to US$864,000 (2015: US$846,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits with include medical insurance, subsidised training programme as well as discretionary bonus.

RISK FACTORS

The Group has identified and is facing a number of significant risks during 2016. Some of these risks are ongoing factors which the industry has to cope with in medium to long term. Other risk factors are specific to the Group.

Management Discussion and Analysis

1. **Economic Risk**

   Primarily due to low demand for commodities in the Greater China Region owing to slowdown of China economy, the demand for vessel chartering in dry bulk market remained low throughout 2016. The BDI, which has a close correlation to freight rate, repeatedly hit record lows in the first quarter of the year and was below 300 points in February 2016, this is in sharp contrast to its five-year peak of about 2,330 points in December 2013. This factor is outside of the Group's control and would have a material effect on the financial performance of the Group's marine transportation business.

   The prospects of the Group's property holding and investment business depend on the performance of the property market in Hong Kong and Singapore. Any real estate market downturn in Hong Kong and Singapore may materially and adversely the financial position, operations, business and prospects of the Group's property holding and investment business. The real estate market in Hong Kong and Singapore can be affected by many factors, including but not limited to changes in economic, political, social and legal environment and changes in fiscal and monetary policy, all of which are beyond the Group's control.

   The global economic conditions and the state of international financial and investments markets, including the economy, financial and investment markets of the United States, Mainland China and Hong Kong, of which the Group has no control, have significant influence on the financial performance of the Group's investment holding business.

2. **Market Risk**

   The Group's marine transportation business is operating in a highly volatile market. The business of dry bulk cargo carriers is subject to demand and supply of vessels by cargo shippers in the region as well as the worldwide market. On one hand, the industry has suffered from over-supply of vessels in the last few years, and on the other hand, cargo volumes have decreased considerably as a result of the slowdown of China economy. The Group is therefore exposed to multiple impacts especially due to the intense competition among shippers. The Group's current vessel utilisation rate is under pressure and recent freight rates are lower than a few years ago. These are the main reasons leading to the drop of the Group's revenue and loss results. If freight rates remain low or keep on declining, this will adversely affect the financial performance of the Group's marine transportation business.

   The Group's property investment business is operating in a rather competitive environment as rental rate of properties are transparent in property leasing market in Hong Kong. The transparency of the leasing market put pressure on the revenue and profitability of the Group's property investment business.

   The merchandise trading business is highly competitive. The Group's competitiveness is its product differentiation by providing quality products at reasonable prices. However, operating environment of the Group's merchandise trading business may become challenging in light of increasing number of market participants.

3. **Financial Risk**

   The Group is exposed to financial risks relating to foreign currency, interest rate, credit and liquidity in its ordinary course of business. For details of such risks and management policies, please refer to note 41 to the consolidated financial statements.

Management Discussion and Analysis

4. **Environmental Risk**

   The Group is constantly exposed to inherent risks such as oil spills, pollution, collisions, mechanical breakdown of its vessels, adverse weather conditions, fire or other calamity. Any of these factors may cause disruptions to the Group's marine transportation operation and result in loss or damage to its vessels or cargo. The Group may also be liable for damages or compensation payable and its existing insurance may not be able to cover all claims fully or its costs may increase significantly. This may adversely affect the financial performance of the Group's marine transportation business.

5. **Customer Risk**

   The Group has been relied on a small number of customers in the last few years. This has been limiting the Group's bargaining power on freight rates and flexibility in freight contract options. The Group may not be able to expand its customer base in the short to medium term in light of prevailing difficult market conditions which may adversely affect the financial performance of the Group's marine transportation business.

6. **Supply Chain Risk**

   The Group sources products from a number of overseas and local suppliers. The cooperation is based on well-entrenched relationship and fair terms of trade between the Group and suppliers. However, the Group cannot warrant that the relationship with each supplier will remain unchanged, in the event the Group is unable to reach agreement upon reasonable terms with any suppliers and cannot find suitable substitute suppliers, the Group's merchandise trading operations may be affected.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2016, there were no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is closely following the rules and regulations of the International Maritime Organisation ("IMO"). The IMO sets out a number of regulations and guidelines for the shipping industry that include safety, environment, human, technical, legal and security elements. The Group has established internal control systems and procedures based on these IMO rules, especially the International Safety Management Code. The Group's internal systems are subject to annual review and audit by IMO compliance agents. The Group is working vigorously to improve its performance in order to follow and match the ever changing requirements of the industry and the IMO in particular.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management as at 29 March 2017, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Sue Ka Lok ("Mr. Sue"), *Chairman*

Aged 51, joined the Group as an Executive Director and the Chairman of the Board in October 2015 and is a member of the Nomination Committee. Mr. Sue is also a director of various subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia and a fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice.

Mr. Sue is an executive director and the company secretary of China Strategic Holdings Limited (stock code: 235) and has been re-designated from an executive director to a non-executive director of Tianli Holdings Group Limited ("Tianli Holdings") (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) since 8 November 2016. Mr. Sue has been appointed as an executive director of Birmingham International Holdings Limited ("Birmingham International") (stock code: 2309) since 15 October 2016, an executive director and the chief executive officer of EPI Holdings Limited ("EPI") (stock code: 689) since 18 October 2016 and 19 October 2016 respectively, and an executive director of ITC Corporation Limited ("ITC") (stock code: 372) since 8 March 2017. All of the above companies are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Lai Ming Wai ("Mr. Lai"), *Chief Executive Officer*

Aged 57, joined the Group as an Executive Director and the Chief Executive Officer in October 2015 and resigned on 31 March 2017. Mr. Lai is also a director of various subsidiaries of the Company. Mr. Lai holds a bachelor's degree in social sciences from The University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the bank's business in southern region of the PRC. Mr. Lai has extensive experience in the banking and finance industry.

Mr. Lai is an executive director of Enviro Energy International Holdings Limited ("Enviro Energy") (stock code: 1102), a company listed on the Main Board of the Hong Kong Stock Exchange, and a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Ms. Chan Yuk Yee ("Ms. Chan")

Aged 48, joined the Group as an Executive Director in October 2015 and is a director of various subsidiaries of the Company. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is an associate member of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She has extensive experience in corporate administration and company secretarial practice.

She is the company secretary of Enviro Energy and Hailiang International Holdings Limited (stock code: 2336) ("Hailiang International") and has been appointed as an executive director and the company secretary of Birmingham International since 15 October 2016, an executive director and the company secretary of EPI since 18 October 2016 and 19 October 2016 respectively and the company secretary of ITC since 8 March 2017. All of the above companies are listed on the Main Board of the Hong Kong Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ngiam Zee Moey ("Mr. Ngiam")

Aged 61, joined the Group as an Independent Non-executive Director in April 2014 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Ngiam obtained a Bachelor of Commerce (Accountancy) degree from Nanyang University in 1980 and a Graduate Diploma in Marketing from the Marketing Institute of Singapore in 1993. He is a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants of the United Kingdom.

Mr. Ngiam has over 30 years' experience in various accounting, financial and managerial positions. During 1987 to 2005, he was the group financial controller of Lauw & Sons Group in Singapore, where he was responsible for all financial matters of the group including reviewing financial statements of the group. Since 2004 till present, he is also the joint company secretary of AEI Corporation Ltd, a company listed on the Main Board of the SGX-ST. Mr. Ngiam is an independent director of Hosen Group Ltd. and an independent director and the chairman of the audit committee of Zhongxin Fruit and Juice Limited. All of the above companies are listed on the Main Board of the SGX-ST.

Mr. Zhou Qijin ("Mr. Zhou")

Aged 56, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Zhou holds a bachelor's degree in law from the Southwest University of Political Science and Law, the PRC. He has extensive experience in property investments, large scale outdoor advertising and promotion business as well as automobile sales and marketing in the PRC.

Mr. To Yan Ming, Edmond ("Mr. To")

Aged 45, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. To holds a Bachelor of Commerce Accounting degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, a certified practising accountant of the CPA Australia and an associate of The Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, initial public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited).

Mr. To is an independent non-executive director of Tianli Holdings, Wai Chun Group Holdings Limited (stock code: 1013) and Wai Chun Mining Industry Group Company Limited (stock code: 660). Mr. To has also been appointed as an independent non-executive director of Birmingham International, EPI and SH Group (Holdings) Limited (stock code: 1637) since 15 October 2016, 18 October 2016 and 6 December 2016 respectively. All of the above companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. To is also an independent non-executive director of China Vanguard Group Limited (stock code: 8156), a company listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Yuen Chee Lap, Carl ("Mr. Yuen"), *Financial Controller*

Aged 43, is the Group's financial controller and is in charge of the Group's finance and accounting controls, as well as the Group's reporting and compliance with SGX-ST and the Hong Kong Stock Exchange. Mr. Yuen obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from University of Houston, United States in 1997 and 1998 respectively. Mr. Yuen has rich experience in finance and accounting both in Hong Kong and the United States. He started his career in the United States. He joined Greensmart Corp., a United States listed company in 2000 and served as chief financial officer from 2000 to 2003. Mr. Yuen then joined the Company as the financial manager since January 2004 and has been appointed as the Financial Controller since May 2006.

Mr. Yuen is an independent non-executive director of Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911), a company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Hon Kwok Ping, Lawrence ("Mr. Hon"), *Financial Director and Joint Company Secretary*

Aged 68, is the Financial Director and one of the joint company secretaries of the Group. He is a Certified Practising Accountant with fellow membership of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants, United Kingdom. Mr. Hon has over 30 years of working experience in accounting and finance as well as business operations. He joined the Company in January 2004 and is now the Financial Director oversees the Group's finance and accounting controls.

Mr. Hon is an independent non-executive director of Vital Mobile Holdings Limited (stock code: 6133), a company listed on the Main Board of the Hong Kong Stock Exchange.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 11 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 37 to 38.

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

FIVE-YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 100. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movement in the investment property of the Group are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

The Company had accumulated losses of US$47,007,000 as at 31 December 2016 (2015: US$29,620,000) and had no reserve available for distribution to its shareholders.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 83.7% of the total revenue for the year and sales to the largest customer accounted for approximately 39.8%. Purchases from the Group's five largest suppliers accounted for approximately 35.3% of the total purchases for the year and purchases from the largest supplier accounted for approximately 10.9%.

None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the total number of issued shares of the Company) had any beneficial interest in the Group's five largest customers during the year.

DIRECTORS

The directors of the Company during the year and up to 20 April 2017, being the latest practicable date prior to printing of this annual report were:

Executive Directors:

Mr. Sue Ka Lok
Mr. Lai Ming Wai (resigned on 31 March 2017)
Ms. Chan Yuk Yee
Mr. Wu Jian (resigned on 8 June 2016)
Mr. Zhou Jifeng (appointed on 26 May 2016 and resigned on 1 December 2016)

Non-executive Director:

Mr. Tsoi Wai Kwong (resigned on 25 January 2016)

Independent Non-executive Directors:

Mr. Ngiam Zee Moey
Mr. Zhou Qijin
Mr. To Yan Ming, Edmond
Mr. Foo Meng Kee (resigned on 16 May 2016)

In accordance with Bye-law 86 of the Bye-laws, Mr. Ngiam Zee Moey and Ms. Chan Yuk Yee will retire by rotation at the forthcoming annual general meeting of the Company (the "2017 AGM") and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Report of the Directors

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Bye-laws, every director or other officer of the Company for the time being acting in relation to any affairs of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, and no director or other officer shall be liable for any loss, misfortune or damage which may happen in the execution of his/her office or in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors or other officers. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 14 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS AND SHORT POSITIONS, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the directors and chief executive of the Company had any interests 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rules (the "Model Code").

SHARE OPTION SCHEME

The Company and its subsidiaries have no share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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 year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, the following interests of more than 5% of the total number of issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Report of the Directors

Long positions in the 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
Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	29,090,022 *(note)*	22.89%
Brilliant Epic Asia Limited ("Brilliant Epic")	Interests 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 a wholly owned subsidiary of Brilliant Epic which was, in turn, wholly owned by Mr. Suen. Mr. Suen was the sole director of Brilliant Epic and Success United. Accordingly, Brilliant Epic and Mr. Suen were deemed to be interested in 29,090,022 shares of the Company held by Success United under the SFO.

The interests of Mr. Suen, Brilliant Epic and Success United in 29,090,022 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2016 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The related party disclosures as disclosed in note 40 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Hong Kong Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme as well as discretionary bonus.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors, or any of their respective close associates (as defined in the Hong Kong Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2017 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Sue Ka Lok
Chairman

Hong Kong, 29 March 2017

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2016, except for the following deviation with reason as explained:

Code Provision A.4.1

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

Deviation

During the year ended 31 December 2016, there had 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 ("Mr. Ngiam"), were not appointed for a specific term but were 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 considered that sufficient measures had been taken to ensure that the Company's corporate governance was no less exacting than those set out in the CG Code. However, the aforesaid deviation was rectified and the code provision A.4.1 has been complied with as Mr. Ngiam has entered into a letter of appointment with the Company with a specific term subsequent to the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by 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 year ended 31 December 2016.

BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

Corporate Governance Report

As at 29 March 2017, the date of this annual report, the Board comprises six directors, three of which are Executive Directors, namely Mr. Sue Ka Lok (Chairman), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee and three are Independent Non-executive Directors, namely Mr. Ngiam, Mr. Zhou Qijin and Mr. To Yan Ming, Edmond. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules.

The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Hong Kong Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management"on pages 12 to 14 of this annual report.

As disclosed in that section, Mr. Sue Ka Lok is an executive director of each of EPI and Birmingham International; and a non-executive director of Tianli Holdings. Mr. Sue was an executive director of Enviro Energy and Hailiang International until 7 October 2015 and 3 June 2014 respectively; and was a non-executive director of Winshine Science Company Limited (formerly known as China Tycoon Beverage Holdings Limited) (stock code: 209) ("Winshine") until 27 November 2014, while each of Mr. Lai Ming Wai, Ms. Chan Yuk Yee and Mr. To Yan Ming, Edmond is/was director of some of the said companies. Mr. Lai Ming Wai is an executive director of Enviro Energy and was an executive director of Hailiang International until 3 June 2014. Ms. Chan Yuk Yee is an executive director of EPI and Birmingham International; and was an executive director of Winshine until 10 November 2014 when she was re-designated as a non-executive director of Winshine and served until 8 April 2015. Mr. To Yan Ming, Edmond is an independent non-executive director of EPI, Birmingham International and Tianli Holdings.

Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive Officer, and senior management and members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Hong Kong Listing Rules and the news release published by the Hong Kong Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

Corporate Governance Report

During the year ended 31 December 2016, four regular Board meetings and general meetings were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	General Meetings
Executive Directors		
Mr. Sue Ka Lok	4/4	2/2
Mr. Lai Ming Wai	3/4	0/2
Ms. Chan Yuk Yee	4/4	2/2
Mr. Wu Jian (resigned on 8 June 2016)	2/4	0/2
Mr. Zhou Jifeng (appointed on 26 May 2016 and resigned on 1 December 2016)	0/4	0/2
Non-executive Director		
Mr. Tsoi Wai Kwong (resigned on 25 January 2016)	0/4	0/2
Independent Non-executive Directors		
Mr. Ngiam Zee Moey	4/4	2/2
Mr. Zhou Qijin	3/4	2/2
Mr. To Yan Ming, Edmond	4/4	2/2
Mr. Foo Meng Kee (resigned on 16 May 2016)	2/4	1/2

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer (the "CEO"). The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board. As at the date of this annual report, the position of the Chairman of the Board is held by Mr. Sue Ka Lok and the position of CEO is held by Mr. Lai Ming Wai.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. However, two of the independent non-executive directors of the Company, namely Mr. Foo Meng Kee (resigned on 16 May 2016) and Mr. Ngiam, were not appointed for a specific term but were 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 considered that sufficient measures had been taken to ensure that the Company's corporate governance was no less exacting than those set out in the CG Code. However, the aforesaid deviation was rectified and the code provision A.4.1 has been complied with as Mr. Ngiam has entered into a letter of appointment with the Company with a specific term subsequent to the year ended 31 December 2016.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Ngiam and Mr. Zhou Qijin. Mr. To Yan Ming, Edmond is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Remuneration Committee met two times during the year ended 31 December 2016 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. To Yan Ming, Edmond	2/2
Mr. Ngiam Zee Moey	2/2
Mr. Zhou Qijin	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. Ngiam and Mr. To Yan Ming, Edmond; and one Executive Director, namely Mr. Sue Ka Lok. Mr. Zhou Qijin is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Nomination Committee met two times during the year ended 31 December 2016 to review the board diversity policy of the Company (the "Board Diversity Policy"), review the structure, size and composition of the Board; and review and make recommendation to the Board on the appointment of a director. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Zhou Qijin	1/2
Mr. Ngiam Zee Moey	2/2
Mr. To Yan Ming, Edmond	2/2
Mr. Sue Ka Lok	2/2

Corporate Governance Report

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy in March 2014. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances. The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31 December 2016 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2016 is set out in the "Independent Auditor's Report"on pages 32 to 36 of this annual report.

For the year ended 31 December 2016, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was US$172,000. During the year, US$39,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services including performing a review on the Company's condensed consolidated financial statements for the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Ngiam, Mr. Zhou Qijin and Mr. To Yan Ming, Edmond, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Mr. Ngiam is the Chairman of the Audit Committee. The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Audit Committee met four times during the year ended 31 December 2016 and the attendance of each member is set out as follows:

Members	Number of attendance
Mr. Ngiam Zee Moey	4/4
Mr. Zhou Qijin	2/4
Mr. To Yan Ming, Edmond	4/4

Corporate Governance Report

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2015 and recommended to the Board for approval;

2. reviewed and discussed the unaudited first quarterly results of the Company for the three months ended 31 March 2016 and the unaudited third quarterly results of the Company for the nine months ended 30 September 2016;

3. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2016 and recommended to the Board for approval;

4. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

5. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2015;

6. reviewed the effectiveness of the risk management and internal control system of the Group; and

7. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendation to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, price-sensitive announcements and other financial disclosures required under the Hong Kong Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2016.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and

5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

In order to comply with the applicable code provisions of the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Board has ultimate responsibilities for evaluating and determining the Company's levels of risk tolerance, and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis.

The Group established the risk management and internal control systems with aims to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable and not absolute assurance against material misstatements or losses caused by judgment in decision making process, human error, fraud or other irregularities.

The Board is also committed to review the adequacy and effectiveness of the Group's risk management and internal control systems annually, including financial, operational and compliance controls. Such review is carried out with the assistance of Crowe Horwath (HK) Corporate Consultancy Limited, an independent outsourced internal auditor. The review aims to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. It also assists the Group to maintain the quality of the review in assessing its risk management and internal control systems.

During the year ended 31 December 2016, the Group has established an internal audit charter which defined the scope and duties and responsibilities of the internal audit function and its reporting protocol. The Group has also conducted an annual risk assessment which identified respective strategic risks, operational risks, financial risks and compliance risks of its major business segment. Based on the risk assessment results following a risk based methodology audit approach, a continuous three-year audit plan was devised which prioritised the risks identified into annual audit projects. An annual review was performed according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems. The review also covered the compliance of code provisions as set out in Appendix 14 to the Hong Kong Listing Rules, material controls, including financial, operational and compliance controls at entity and operational levels. The result of risk assessment and internal control review indicated that other than some minor weaknesses and recommendations for enhancement were identified, reported to the Board and Audit Committee and brought to the attention of the management for remediation, there was no material risk management and internal control weaknesses noted for the year ended 31 December 2016.

The Company has established a policy on handling and dissemination of inside information that set out the procedures in handling inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the work performed by the internal and external auditors, and reviews performed by the management, respective Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group has maintained adequate and effective risk management and internal control systems addressing strategic, financial, operational and compliance risks for the year ended 31 December 2016.

COMPANY SECRETARY

Ms. Lee Pih Peng and Mr. Hon Kwok Ping Lawrence were appointed as the joint Company Secretary of the Company. Each of Ms. Lee Pih Peng and Mr. Hon Kwok Ping Lawrence has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2016.

Corporate Governance Report

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The annual general meeting ("AGM") of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

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

As a channel to further promote effective communication, the Group maintains a website at http://www.couragemarine.com where the Company's annual and interim reports, notices, announcements and circulars are posted.

During the year ended 31 December 2016, shareholders had approved and passed a special resolution for the proposed amendments to the Bye-laws in a special general meeting held on 12 December 2016. A printed copy of the Bye-laws has been published on the websites of the Company and the Hong Kong Stock Exchange.

Enquiries may be put to the Board through the Company Secretary at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Environmental, Social and Governance Report

GENERAL

The Directors are pleased to present the Environmental, Social and Governance Report for the year ended 31 December 2016 in compliance with the applicable code provision of the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 to the Hong Kong Listing Rules.

OVERVIEW

The Group's marine transportation operation has been outsourced to a shipping agency, Courage-New Amego Shipping Agency Co. Ltd in Taiwan (the "Agency"). Our top management, accompanied with relevant qualification and experience, closely monitors their ship agency service to maintain effective operation and look for areas of improvements in performance in order to ensure the fulfillment of the requirements of the shipping industry and the International Maritime Organisation ("IMO") that may change from time to time in particular.

The Group is committed to the long term sustainability of the environment, employment and labour practices, operating practices and communities. The Group reinforces the internal control systems and procedures in these aspects in compliance with the rules and regulations of the IMO for the shipping industry, which include safety, environment, human, technical, legal and security elements, especially the International Safety Management ("ISM") code.

A. ENVIRONMENTAL

A1. Emissions

The Group closely follows the rules and regulations of the IMO, including those to address the emission of air pollutants from vessels, in particular emission control on nitrogen oxides ("NOx") and sulphur oxides ("SOx") that causes the emissions of greenhouse gases which leads to acid rain and also global warming.

A2. Use of Resources

Various technological and operational measures are adopted to ensure efficient usage of resource, especially the fuel consumption of vessel, which are in line with the energy-efficiency requirements under IMO. Under the requirements, an energy efficiency management plan is established and evaluated on a semi-annual basis in order to ensure adequate measures were taken, like improved voyage planning, more frequent cleaning the underwater parts of the vessel and the propeller, and the introduction of technical measures such as waste heat recovery systems, or fitting a new propeller. It also requires a minimum energy efficiency level per capacity mile (e.g. tonne mile) for different vessel types and size segments with an aim to improve the energy efficiency of vessel in a cost-effective manner.

A3. The Environment and Natural Resources

The Group recognises that the inherent emission and wastes associated with the marine operation such as oil spills, pollutants emission, fuel consumption etc. are hazardous to the animals, plants in marine environment as well as human health. The Group takes the responsibility to minimise the environmental pollution by the application of more efficient operations in accordance with the rules and regulation of IMO.

Environmental, Social and Governance Report

B. SOCIAL

(i) Employment and Labour Practices

B1. Employment

The Board understands the importance of maintaining a good relationship with employees. The Group has 7 full-time employees working for administration in headquarter whereas all employees ashore and aboard are employed and managed by the Agency.

Various policies and handbook are in place, including Code of Conduct and Ethics, Employee Handbook, Management for Crew Employment/Manning etc., to create an optimal working environment and protect the basic rights of the employees.

All employees are treated equally from recruitment to compensation and benefits, training and development as well as promotion and transfers, in which is free from any form of discrimination or harassment, regardless of their gender, age, religion, disability, ethnicity, political stance and marital status.

The Board conforms to the relevant laws and regulations in Hong Kong and all locations of operations. The Board also ensures the seafarers joining the Group bear the relevant qualification that meets the requirements of the ISM code.

During the year ended 31 December 2016, there were no material and significant dispute between the Group and the employees.

B2. Health and Safety

Occupational health and safety is the Group's top priority. The Group has set out policy to comply, in all material respects, with applicable health, safety and environmental laws and regulations.

The Group has established a sound safety management system with a comprehensive Safety Management Manual, Shipboard Emergency Plan to assist its crews and ashore staff in dealing with unexpected incidents, minimise the discharge or hazardous outputs and mitigate its impact.

The Group also convenes safety management system review meeting at least once every year to review the effectiveness of the safety management system and compliance with the latest ISM code, as well as provide relevant training sessions to staff.

During the year, the Group has maintained a good and safe working environment with no occurrence of accident.

B3. Development and Training

The Group continuously improves the safety management skills of staff and enhances the productivity of employees ashore and aboard via training and drills.

Regular training and drills are carried out to familiarise the staff with the Group's policies and procedures, including proper shipboard operation aboard, correct procedures at emergency, awareness of marine pollution prevention etc.

B4. Labour Standards

The Group strictly complies with relevant local laws and regulations in all locations of operations, and does not engage in any forced or child labour.

(ii) Operating Practices

B5. Supply Chain Management

A manual of Ship Supply Procedures is formulated to ensure an effective supply management so as to enhance quality and safety of the chartering services.

Spare parts, store, bunker and lubricating oil are purchased from qualified suppliers. The Group carefully selects suppliers and carries out performance evaluation on suppliers' services quality and ability annually.

B6. Product Responsibility

The Group is responsible for an uncompromising philosophy in quality standards, which is essential to business sustainability. In addition to strict compliance with the the ISM code, the Group applies quality standards in health and safety manner throughout the operation from the process of goods received, delivery to vessel repair and maintenance. The Group has a well-established shipboard emergency alert mechanism. Safety Committee and Emergency Response Team are set up to investigate and handle shipboard hazardous occurrences or emergency incidents.

The Group has included in the code of conduct a stipulation on privacy matters. All information containing of secret, proprietary, confidential or generally undisclosed nature in relation to operations, activities and business affairs of the Company and its business associates should be safeguarded with security controls and procedures.

B7. Anti-Corruption

The Group strives to comply not only with requirements of the statutory organisation law, rules and regulations, such as the Prevention of Bribery Ordinance in Hong Kong, but also with recognised compliance practices.

We adhere to stringent anti-corruption policies and procurement practices as stated in the Group's Code of Conduct and Ethics, setting forth to prevent misconduct and wrongdoing, and to promote ethical and honest business conduct. Each of the directors, officers, managers and employees is expected to understand and be accountable for compliance.

Board members and all staff are required to declare their interest, and any gifts or hospitality received in connection with their role within the Group. To be effective, the declaration of interests needs to be updated at least annually, and also when any changes occur.

The Group has also put in place a whistle-blowing framework to provide a channel to independent directors for employees and other stakeholders to report on any suspected misconduct or malpractice within the Group in confidence and without fear of reprisal or victimisation.

There was no legal case regarding corruption brought against the Company and its employees during the year and up to the date of this report. In addition, there was also no whistle-blowing message received during the year and up to the date of this report.

Environmental, Social and Governance Report

(iii) Community

B8. Community Investment

The Group is devoted to take up the corporate social responsibility for the communities where it is present. The main communities include the shipping industry, seafarer community, marine environment, Hong Kong as the headquarter, Panama as the flag state and the ports where the vessels operate. The Group integrates and contributes to the communities and the long-term sustainable development through membership of appropriate shipping associations, strict compliance with relevant laws and regulations of the jurisdictions and close communication with its stakeholders in the industry.

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of Courage Marine Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 99, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of vessels	
We identified the impairment of vessels as a key audit matter due to the significance of the balance and significant management's judgment required in the impairment assessment. The carrying value of vessels was US$14,378,000 as at 31 December 2016. As disclosed in note 4 to the consolidated financial statements, management determines the recoverable amount of the vessels based on the higher of value in use and fair value less cost to sell and compares such recoverable amount to the carrying amount to determine if any indication of impairment exist.	Our procedures in relation to the impairment of vessels included: • Assessing the methodologies used by management for the impairment assessment; • Obtaining the second-hand price of vessels used by management to determine fair value less cost to sell with reference to the recent transactions of vessels of similar ages and conditions from open sources and comparing with the carrying amount of vessels; • Checking, on a sample basis, the accuracy and relevance of the input data used in the value in use calculation by management; and • Assessing the reasonableness of management's key assumptions used in the value in use calculation based on the available market data of the vessel chartering industry.
Valuation of investment property	
We identified the valuation of investment property as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. As at 31 December 2016, the Group's investment property amounted to US$7,290,000 and represented 19.6% of the Group's total assets. The Group's investment property is stated at fair value based on valuation performed by an independent qualified professional valuer ("Valuer"). The fair value of investment property was derived using the direct comparison method. Details of the valuation techniques used in the valuation are disclosed in note 19 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment property included: • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and the terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if it is consistent with the requirements of IFRSs and industry norms; • Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and • Obtaining the detailed work of the Valuer on investment property to evaluate the accuracy and relevance of key data inputs underpinning the valuation, including the recent market transaction of properties in similar location and condition and the adjustment factors applied in the valuation.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Revenue	7	**4,546**	6,663
Cost of sales		**(6,973)**	(11,073)
Gross loss		**(2,427)**	(4,410)
Other income	8	**28**	444
Other gains and losses, net	9	**867**	(5,833)
Administrative expenses		**(3,238)**	(3,430)
Impairment loss on property, plant and equipment	18	**(10,763)**	(20,651)
Share of result of a joint venture		**(543)**	–
Other expenses	10	**(873)**	(1,870)
Finance costs	11	**(817)**	(1,091)
Loss before tax		**(17,766)**	(36,841)
Income tax expense	12	**–**	(2)
Loss for the year	13	**(17,766)**	(36,843)
Other comprehensive (expense) income for the year, net of income tax:			
Items that will not be reclassified subsequently to profit or loss:			
(Deficit) surplus on revaluation of leasehold land and building		**(164)**	456
Deferred tax credit (charge) arising on revaluation of leasehold land and building		**24**	(65)
		(140)	391
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(124)**	–
Realisation of translation reserve upon disposal of subsidiaries		**40**	–
		(84)	–
Other comprehensive (expense) income for the year		**(224)**	391
Total comprehensive expense for the year		**(17,990)**	(36,452)

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Loss for the year attributable to:			
Owners of the Company		**(17,381)**	(36,843)
Non-controlling interests		**(385)**	–
		(17,766)	(36,843)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(17,575)**	(36,452)
Non-controlling interests		**(415)**	–
		(17,990)	(36,452)
Loss per share attributable to owners of the Company (US cents)	16		
Basic and diluted		**(13.68)**	(34.36)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Non-current assets			
Property, plant and equipment	18	**14,428**	32,886
Investment property	19	**7,290**	–
Interest in a joint venture	20	**4,733**	5,330
Long-term deposits	23	**–**	1,816
Available-for-sale investment	22	**79**	79
Total non-current assets		**26,530**	40,111
Current assets			
Inventories	33	**181**	–
Trade receivables	21	**281**	–
Other receivables and prepayments	23	**2,466**	4,142
Amount due from a joint venture	24	**669**	669
Financial assets at fair value through profit or loss	25	**645**	–
Restricted bank deposits	26	**–**	3,697
Time deposit	26	**500**	–
Cash and cash equivalents	27	**4,544**	10,407
		9,286	18,915
Asset classified as held-for-sale	31	**1,449**	–
Total current assets		**10,735**	18,915
Total assets		**37,265**	59,026
Current liabilities			
Deposit received, other payables and accruals	28	**1,980**	1,633
Borrowings – due within one year	29	**7,587**	2,691
		9,567	4,324
Liability associated with asset classified as held-for-sale	31	**182**	–
Total current liabilities		**9,749**	4,324

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Capital and reserves			
Share capital	30	**22,871**	22,871
(Deficit) reserves		**(7,568)**	9,656
Total equity		**15,303**	32,527
Non-current liabilities			
Borrowings – due more than one year	29	**12,212**	21,799
Deferred tax liability	32	**1**	376
Total non-current liabilities		**12,213**	22,175
Total liabilities and equity		**37,265**	59,026
Net current assets		**986**	14,591
Total assets less current liabilities		**27,516**	54,702

The consolidated financial statements on pages 37 to 99 have been approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Sue Ka Lok
DIRECTOR

Chan Yuk Yee
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Other reserve US$'000 (Note)	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	19,059	28,027	1,734	1,531	–	7,971	58,322	–	58,322
Loss for the year	–	–	–	–	–	(36,843)	(36,843)	–	(36,843)
Surplus on revaluation of leasehold land and building	–	–	456	–	–	–	456	–	456
Deferred tax charge arising on revaluation of leasehold land and building	–	–	(65)	–	–	–	(65)	–	(65)
Total comprehensive income (expense) for the year	–	–	391	–	–	(36,843)	(36,452)	–	(36,452)
Placing of new shares *(note 30)*	3,812	6,845	–	–	–	–	10,657	–	10,657
At 31 December 2015	22,871	34,872	2,125	1,531	–	(28,872)	32,527	–	32,527
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(17,381)**	**(17,381)**	**(385)**	**(17,766)**
Deficit on revaluation of leasehold land and building *(note 18)*	**–**	**–**	**(164)**	**–**	**–**	**–**	**(164)**	**–**	**(164)**
Deferred tax credit arising on revaluation of leasehold land and building *(note 32)*	**–**	**–**	**24**	**–**	**–**	**–**	**24**	**–**	**24**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(94)**	**–**	**(94)**	**(30)**	**(124)**
Release of exchange reserve upon disposal of subsidiaries *(note 35 (b))*	**–**	**–**	**–**	**–**	**40**	**–**	**40**	**–**	**40**
Total comprehensive expense for the year	**–**	**–**	**(140)**	**–**	**(54)**	**(17,381)**	**(17,575)**	**(415)**	**(17,990)**
Non-controlling interests arising from acquisition of subsidiaries *(note 34)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**669**	**669**
Disposal of subsidiaries *(note 35 (b))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(254)**	**(254)**
Release of deferred taxation upon transfer from property, plant and equipment to investment property *(note 32)*	**–**	**–**	**351**	**–**	**–**	**–**	**351**	**–**	**351**
Release of property revaluation reserve upon transfer from property, plant and equipment to investment property	**–**	**–**	**(2,336)**	**–**	**–**	**2,336**	**–**	**–**	**–**
At 31 December 2016	**22,871**	**34,872**	**–**	**1,531**	**(54)**	**(43,917)**	**15,303**	**–**	**15,303**

Note: Other reserve represented excess of the fair value of a property interest transferred to the Group over the carrying amount of a deferred consideration receivable, which was settled by an independent third party in prior year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
OPERATING ACTIVITIES			
Loss before tax		**(17,766)**	(36,841)
Adjustments for:			
Dividend income		**(55)**	(20)
Interest income		**(111)**	(67)
Finance costs		**817**	1,091
Loss on disposal of property, plant and equipment		**–**	5,335
Gain on disposals of subsidiaries	35	**(450)**	–
Increase in fair value of financial assets at fair value through profit or loss		**–**	(70)
Increase in fair value of an investment property		**(513)**	–
Depreciation of property, plant and equipment		**1,051**	1,945
Amortisation of intangible assets		**192**	–
Allowance for inventories		**397**	–
Imputed interest income on long-term receivable		**–**	(246)
Impairment loss on deposits paid		**–**	1,685
Impairment loss on trade receivables		**–**	146
Impairment loss on other receivables		**–**	26
Impairment loss on property, plant and equipment	18	**10,763**	20,651
Property, plant and equipment written off		**1**	13
Share of result of a joint venture		**543**	–
Operating cash flows before movements in working capital		**(5,131)**	(6,352)
Increase in inventories		**(578)**	–
(Increase) decrease in trade receivables		**(295)**	10
(Increase) decrease in other receivables and prepayments		**(140)**	1,613
Decrease in financial assets at fair value through profit or loss		**–**	514
Decrease in deposit received, other payables and accruals		**(67)**	(739)
Cash used in operations		**(6,211)**	(4,954)
Income tax paid		**–**	(2)
Interest income received		**111**	67
Interest expense paid		**(817)**	(1,091)
Dividend received		**55**	20
NET CASH USED IN OPERATING ACTIVITIES		**(6,862)**	(5,960)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
INVESTING ACTIVITIES			
Addition to investment properties		**(759)**	–
Deposits for acquisition of property, plant and equipment and investment properties		**–**	(535)
Purchase of property, plant and equipment		**(18)**	(76)
Acquisition of subsidiaries	34	**(772)**	–
Proceeds on disposal of property, plant and equipment		**–**	8,551
Proceeds from disposals of subsidiaries	35	**2,031**	29
Withdrawal of restricted bank deposits		**3,697**	664
Placement of time deposit		**(500)**	–
Repayment of loan advance to an investee company	23	**1,946**	–
Advance to a joint venture		**–**	(116)
NET CASH FROM INVESTING ACTIVITIES		**5,625**	8,517
FINANCING ACTIVITIES			
Repayment of borrowings		**(4,691)**	(11,690)
Net proceeds received from placement of new shares		**–**	10,657
NET CASH USED IN FINANCING ACTIVITIES		**(4,691)**	(1,033)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(5,928)**	1,524
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**10,407**	8,883
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**65**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**4,544**	10,407

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

Courage Marine Group Limited (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. Its 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 primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and secondarily listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The consolidated financial statements are presented in United States dollars ("US$"), which is the functional currency of the Company, and all values are rounded to the nearest thousand (US$'000) where appropriate as indicated.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a joint venture are set out in notes 43 and 20 respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company and its subsidiaries (collectively referred as the "Group") has applied the following amendments to International Financial Reporting Standards ("IFRSs") for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to IAS 1	Disclosure Initiative
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 27	Equity Method in Separate Financial Statements
Amendments to IFRS 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 above new or revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 9 Financial Instruments (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of IFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at December 31, 2016.

IFRS 15 "Revenue from Contracts with Customers"

In July 2016, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 "Revenue from Contracts with Customers" (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 "Leases"

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors do not expect the adoption of the IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's consolidated financial statements.

The directors do not anticipate that the application of the other new and revised IFRSs will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules") and the disclosure requirements by the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

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

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

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

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

Revenue recognition

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

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

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

Merchandise trading income is recognised when the risk and reward of the goods have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal of interest in a joint arrangement or an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's shareholders are reclassified to profit or loss.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of the revalued asset, the relevant revaluation reserve will be transferred directly to retained profits. No transfer is made from the revaluation reserve to retained profits except when an asset is derecognised.

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

Depreciation of vessels is charged so as to write off the cost of vessels over their remaining estimated useful lives from the date of initial delivery from the shipyard (second hand vessels are depreciated from the date of their acquisition over their remaining estimated useful life), after allowing for residual values estimated by the directors, using the straight-line method. Each vessel's residual value is estimated at the product of its lightweight tonnage and estimated scrap rate.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible asset

Software acquired separately and with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the year in which they arise.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale other than investment properties are measured at the lower of their previous carrying amount and fair value less costs of disposal. Non-current assets classified as held for sale that are accounted for in accordance with the fair value model in IAS 40 "Investment Property" are measured at fair value at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "revenue" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 41.

AFS financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis for debt instruments.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities (including borrowings and other payable) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Residual value and useful lives of property, plant and equipment

As described in note 3, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives to the estimated residual values. The Group assesses regularly the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such difference will impact the depreciation in the year in which such estimate has been changed.

Impairment of property, plant and equipment (note 18)

The Group assesses regularly whether property, plant and equipment have any indication of impairment in accordance with its accounting policy. The Group determines the recoverable amount of the vessels based on the higher of value in use and fair value less cost to sell. At 31 December 2016, since the recoverable amounts of the vessels is lower than their carrying amounts, an impairment loss on property, plant and equipment amounting to US$10,763,000 (2015: US$20,651,000) was recognised in the profit or loss. The carrying amount of the Group's property, plant and equipment at the end of the reporting period was US$14,428,000 (2015: US$32,886,000).

Estimated impairment of trade and other receivables

The Group regularly conducts assessments on possible losses resulting from the inability of debtors to settle the amounts due to the Group. The assessment is based, inter alia, on the age of the debt and the credit-worthiness of the debtors. For trade receivables, allowances are applied where events or changes in circumstance indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of trade and other receivables and impairment in the year in which such estimate has changed. At 31 December 2016, the carrying amount of trade and other receivables is US$2,646,000 (2015: US$5,667,000).

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For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment on inventories

Inventories are stated at the lower of cost and net realisable value. The estimated net realisable value was arrived based on the management's consideration of obsolete or physically damaged items, life span of inventories, handling and other selling costs. If the estimated net realisable value is lower than cost, a written down on inventories is recognised in profit or loss. At 31 December 2016, since the net realisable value is lower than cost, a written down amounting to US$397,000 (2015: nil) was recognised in profit or loss and the carrying amount of inventories net of allowance was US$181,000 (2015: nil).

Fair value measurements and valuation processes

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments, leasehold land and building and investment property. Notes 18, 19 and 25 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manage the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 29 offset by cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and accumulated losses.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debts. The Group also ensures that it maintains net worth and capital-assets ratio within a set range to comply with the loan covenant imposed by the banks.

The Group's overall strategy remains unchanged from prior year.

6. 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 year ended 31 December 2016, the Group commenced the business of merchandise trading and rent out an office unit owned by the Group to earn rental income. The Group continued to invest in listed securities and started to invest in equity-linked notes in 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

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

1. Marine transportation services
2. Merchandise trading
3. Property holding and investment
4. Investment holding

Segment results represents the profit/loss from each segment without allocation of corporate income, corporate expenses, loss on disposal of property, plant and equipment, impairment loss on property, plant and equipment, share of result of a joint venture, finance costs and income tax expense.

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

	Marine transportation services		Merchandise trading		Property holding and investment		Investment holding		Total	
	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
Segment revenue	**3,613**	6,643	**713**	–	**66**	–	**154**	20	**4,546**	6,663
Segment results	**(3,270)**	(5,207)	**(771)**	–	**436**	–	**126**	90	**(3,479)**	(5,117)
Unallocated:										
Corporate income									**8**	391
Corporate expenses									**(2,172)**	(5,038)
Loss on disposal of property, plant and equipment									**-**	(5,335)
Impairment loss on property, plant and equipment									**(10,763)**	(20,651)
Share of result of a joint venture									**(543)**	–
Finance costs									**(817)**	(1,091)
Loss before tax									**(17,766)**	(36,841)
Income tax expense									**-**	(2)
Loss of the year									**(17,766)**	(36,843)

6. SEGMENT INFORMATION (continued)

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

	Marine transportation services		Merchandise trading		Property holding and investment		Investment holding		Total	
	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*
Segment assets	**15,459**	26,257	**2,955**	–	**16,094**	18,655	**645**	–	**35,153**	44,912
Unallocated corporate assets									**2,112**	14,114
Total assets									**37,265**	59,026
Segment liabilities	**20,796**	25,564	**45**	–	**260**	–	**645**	–	**21,746**	25,564
Unallocated corporate liabilities									**216**	935
Total liabilities									**21,962**	26,499

Geographical information

The Group's operations are located in Hong Kong and other Asian countries.

Information about the Group's revenue from external customers/sources is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**757**	20	**7,296**	7,017
Other Asian countries	**3,789**	6,643	**14,422**	27,685
	4,546	6,663	**21,718**	34,702

Note: Non-current assets excluded available-for-sale investment and interest in a joint venture.

6. SEGMENT INFORMATION (continued)

Information about major customers

Revenue arising from customers individually contributing over 10% of the total revenue of the Group are all related to marine transportation services segment and are disclosed as follows:

	2016 **US$'000**	2015 US$'000
Customer A	**1,810**	–*
Customer B	**1,010**	–*
Customer C	**–***	2,288
Customer D	**–***	1,445
	2,820	3,733

* No revenue was contributed from these customers for the relevant year.

7. REVENUE

	2016 **US$'000**	2015 US$'000
Marine transportation services income:		
– Vessel voyage charter	**3,563**	6,643
– Time charter	**50**	–
Merchandise trading income	**713**	–
Interest income from financial assets at FVTPL	**99**	–
Dividend income from financial assets at FVTPL *(note)*	**55**	20
Rental income from investment property	**66**	–
	4,546	6,663

Note: The amount represents dividend income from listed securities, which was classified as other income in the prior year. During the year, the management of the Group reclassified such amount from the other income to the revenue for the purpose of resources allocation and performance assessment for the segment of investment holding.

Notes to the Consolidated Financial Statements

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8. OTHER INCOME

	2016 *US$'000*	2015 *US$'000*
Interest income from banks	**12**	67
Imputed interest income on long-term receivable	**–**	246
Sundry income	**16**	131
	28	444

9. OTHER GAINS AND LOSSES, NET

	2016 *US$'000*	2015 *US$'000*
Gain on disposals of subsidiaries *(note 35)*	**450**	–
Increase in fair value of an investment property *(note 19)*	**513**	–
Increase in fair value of financial assets at FVTPL	**–**	70
Realised loss on disposal of financial assets at FVTPL	**(29)**	–
Loss on disposal of property, plant and equipment	**–**	(5,335)
Net foreign exchange loss	**(67)**	(568)
	867	(5,833)

10. OTHER EXPENSES

	2016 *US$'000*	2015 *US$'000*
Acquisition costs in relation to the acquisition of subsidiaries *(note 34)*	**81**	–
Compensation paid in relation to marine transportation services	**791**	–
Property, plant and equipment written off	**1**	13
Impairment loss on deposits paid	**–**	1,685
Impairment loss on trade receivables	**–**	146
Impairment loss on other receivables	**–**	26
	873	1,870

Notes to the Consolidated Financial Statements

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11. FINANCE COSTS

	2016 **US$'000**	2015 US$'000
Interest expenses from borrowings	**817**	1,008
Other finance costs	**–**	83
	817	1,091

12. INCOME TAX EXPENSE

	2016 **US$'000**	2015 US$'000
Current tax:		
Enterprise income tax of the People's Republic of China (the "PRC")	**–**	2

Enterprise income tax of the PRC is calculated at 25% of the assessable profit of a representative office in Shanghai, PRC for the year ended 31 December 2015. There was no assessable profit in 2016. In the opinion of the directors, there is no taxation arising in other jurisdictions.

Details of deferred tax are set out in note 32.

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

	2016 **US$'000**	2015 US$'000
Loss before tax	**(17,766)**	(36,841)
Tax at the applicable income tax rate of 16.5% *(note)*	**(2,931)**	(6,079)
Tax effect of income not taxable for tax purpose	**(800)**	(1,735)
Tax effect of expenses not deductible for tax purpose	**3,570**	7,717
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	1
Tax effect of tax losses not recognised	**161**	110
Others	**–**	(12)
Income tax expense for the year	**–**	2

Note: Hong Kong Profits Tax rate is used for the tax reconciliation as the Group is considered to be principally managed in Hong Kong.

Notes to the Consolidated Financial Statements

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13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 US$'000	2015 US$'000
Auditor's remuneration:		
– to auditors of the Company	**211**	285
Non audit assurance services fees:		
– to other auditors	**2**	2
Employee benefits expense (including directors' emoluments):		
– Salaries and other benefits	**848**	814
– Contributions to retirement benefits scheme	**16**	32
Total employee benefits expense	**864**	846
Marine crew expenses	**1,237**	2,257
Fuel expenses	**1,617**	4,066
Depreciation for property, plant and equipment	**1,051**	1,945
Amortisation of intangible assets	**192**	–
Allowance for inventories	**397**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of ten (2015: twelve) directors, which include the chief executive, were as follows:

2016

	Director's fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme US$'000	Total US$'000
Executive Directors					
Mr. Sue Ka Lok	–	84	–	2	86
Mr. Lai Ming Wai	–	67	–	2	69
Ms. Chan Yuk Yee	–	50	–	2	52
Mr. Wu Jian (resigned on 8 June 2016)	–	13	–	–	13
Mr. Zhou Jifeng (appointed on 26 May 2016 and resigned on 1 December 2016)	–	–	–	–	–
	–	214	–	6	220
Non-executive Directors					
Mr. Tsoi Wai Kwong (resigned on 25 January 2016)	2	–	–	–	2
Independent Non-executive Directors					
Mr. Ngiam Zee Moey	37	–	–	–	37
Mr. Zhou Qijin	19	–	–	–	19
Mr. To Yan Ming, Edmond	19	–	–	–	19
Mr. Foo Meng Kee (resigned on 16 May 2016)	14	–	–	–	14
	89	–	–	–	89
Total	91	214	–	6	311

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14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

2015

	Director's fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme US$'000	Total US$'000
Executive Directors					
Mr. Wu Chao-Huan (resigned on 14 October 2015)	–	113	126	–	239
Mr. Wu Jian	30	72	31	2	135
Mr. Sue Ka Lok (appointed on 14 October 2015)	–	14	–	–	14
Mr. Lai Ming Wai (appointed on 14 October 2015)	–	11	–	–	11
Ms. Chan Yuk Yee (appointed on 30 October 2015)	–	8	–	–	8
	30	218	157	2	407
Non-executive Directors					
Mr. Hsu Chih-Chien (resigned on 14 October 2015)	–	–	–	–	–
Mr. Tsoi Wai Kwong	30	–	–	–	30
	30	–	–	–	30
Independent Non-executive Directors					
Mr. Chu Wen Yuan (resigned on 14 October 2015)	34	–	–	–	34
Mr. Ngiam Zee Moey	35	–	–	–	35
Mr. Foo Meng Kee	35	–	–	–	35
Mr. Zhou Qijin (appointed on 14 October 2015)	3	–	–	–	3
Mr. To Yan Ming, Edmond (appointed on 30 October 2015)	3	–	–	–	3
	110	–	–	–	110
Total	170	218	157	2	547

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Mr. Lai Ming Wai is an Executive Director and the Chief Executive of the Company and his emoluments disclosed above include those services rendered by him as the Chief Executive.

Discretionary bonus, if any, is determined based on the evaluation of individual's and the Group's performance annually, which is subject to approval by the Remuneration Committee of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors and the chief executive of the Company whose emoluments are included in note 14 above. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016	2015
	US$'000	*US$'000*
Salaries and allowance	**197**	389
Contributions to retirement benefits scheme	**2**	4
	199	393

The emoluments of the two (2015: two) highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**2**	2

No emoluments was paid by the Group to any of the directors and the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

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16. LOSS PER SHARE

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

	2016	2015
	US$'000	*US$'000*
Loss		
Loss for the year attributable to owners of the Company	**(17,381)**	(36,843)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year	**127,059**	107,217

For the years ended 31 December 2016 and 2015, diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during both years.

17. DIVIDEND

During the year, no dividend was paid, declared or proposed (2015: nil), nor has any dividend been proposed by the directors for the year since the end of reporting period.

18. PROPERTY, PLANT AND EQUIPMENT

	Vessels	Dry-docking	Furniture, fixtures and equipment	Leasehold improvement	Leasehold land and building	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST OR VALUATION						
At 1 January 2015	69,300	929	177	272	6,539	77,217
Additions	–	140	6	–	–	146
Disposal/written off	(16,100)	(807)	(118)	(121)	–	(17,146)
Surplus on revaluation	–	–	–	–	391	391
At 31 December 2015	53,200	262	65	151	6,930	60,608
Additions	–	–	18	–	80	98
Acquisition of subsidiaries *(note 34)*	–	–	1,307	–	–	1,307
Deficit on revaluation	–	–	–	–	(164)	(164)
Transferred to investment property	–	–	–	–	(6,846)	(6,846)
Disposal of subsidiaries *(note 35)*	–	–	(1,233)	–	–	(1,233)
Written off	–	–	(12)	(19)	–	(31)
Exchange realignment	–	–	(89)	–	–	(89)
At 31 December 2016	**53,200**	**262**	**56**	**132**	**–**	**53,650**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	7,777	324	151	254	–	8,506
Depreciation	1,502	280	12	18	133	1,945
Impairment loss recognised in profit or loss	20,651	–	–	–	–	20,651
Disposal/written off	(2,530)	(491)	(105)	(121)	–	(3,247)
Eliminated on revaluation	–	–	–	–	(133)	(133)
At 31 December 2015	27,400	113	58	151	–	27,722
Depreciation	659	105	218	–	69	1,051
Impairment loss recognised in profit or loss	10,763	–	–	–	–	10,763
Eliminated on revaluation	–	–	–	–	(69)	(69)
Eliminated on disposal of subsidiaries *(note 35)*	–	–	(209)	–	–	(209)
Written off	–	–	(11)	(19)	–	(30)
Exchange realignment	–	–	(6)	–	–	(6)
At 31 December 2016	**38,822**	**218**	**50**	**132**	**–**	**39,222**
CARRYING VALUES						
At 31 December 2016	**14,378**	**44**	**6**	**–**	**–**	**14,428**
At 31 December 2015	25,800	149	7	–	6,930	32,886

18. PROPERTY, PLANT AND EQUIPMENT (continued)

During both years, the Group continued to experience unfavourable market conditions as demonstrated by the decrease in second-hand price of vessels and the Baltic Dry Index remained at low level during most of the time of 2015 and 2016 as compare to that of 2014, which led to significant decrease in revenue of the vessels of the Group. In light of these considerations, the directors conducted a review of the Group's vessels and determined the recoverable amounts of the vessels to be the fair value less cost to sell. The fair value less cost to sell was determined based on direct comparison approach by making reference to the recent transactions of similar vessels with similar ages and conditions (Level 2 hierarchy). In estimating the fair value of these vessels, the highest and best use of the vessels were their current use. There were no transfers into or out of Level 2 during both years. Since the recoverable amounts of the vessels is lower than their carrying amounts, impairment loss of US$10,763,000 (2015: US$20,651,000) has been recognised in the profit or loss in current year.

The Group's leasehold land and buildings are situated in Hong Kong. On 30 June 2016, the Group's property, plant and equipment amounted to US$6,777,000 (note 19) was transferred to investment property as a result of the end of owner-occupation. The excess of the carrying amount of the property at the date of change in use over the fair value, amounting to US$164,000, was recognised as other comprehensive expense and the property revaluation reserve in equity was reduced accordingly.

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

The fair value of the Group's leasehold land and buildings (which were transfered to investment property on 30 June 2016) at 30 June 2016 and at 31 December 2015 had been arrived at on the basis of a valuation carried out on the respective dates by JP Assets Consultancy Limited, an independent qualified professional valuer 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. During the year ended 31 December 2015, a surplus of US$456,000 arising on revaluation had been recognised as other comprehensive income and accumulated in equity.

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2015 were as follows:

	Level 1	Level 2	Level 3	Fair value as at 31.12.2015
	US$'000	*US$'000*	*US$'000*	*US$'000*
Leasehold land and buildings located in Hong Kong	–	6,930	–	6,930

18. PROPERTY, PLANT AND EQUIPMENT (continued)

There were no transfers into or out of Level 2 in prior year.

The fair value was determined based on direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. In estimating the fair value of the properties, the highest and best use of the properties was their current use.

Had the leasehold land and buildings been carried at cost less accumulated depreciation, their carrying amounts would have been US$4,335,000 as at 31 December 2015.

Details of the pledge of property, plant and equipment are set out in note 38.

19. INVESTMENT PROPERTY

	US$'000
FAIR VALUE	
At 1 January 2016	**–**
Acquisition during the year	**2,851**
Transferred from property, plant and equipment *(note 18)*	**6,777**
Increase in fair value recognised in profit or loss	**513**
Disposed *(note 35)*	**(1,402)**
Reclassified to asset held-for-sale *(note 31)*	**(1,449)**
At 31 December 2016	**7,290**

The Group's property interest held to earn rental income or for capital appreciation purposes was measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 December 2016 had been arrived at on the basis of a valuation carried out on that date by JP Assets Consultancy Limited, an independent qualified professional valuer not connected to the Group.

The fair value was determined based on direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. In estimating the fair value of the property, the highest and best use of the property was its current use.

19. INVESTMENT PROPERTY (continued)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2016 were as follows:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Fair value as at 31.12.2016 US$'000
Office unit located in Hong Kong	–	7,290	–	7,290

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

The rental income from the Group's investment property, which was generated under operating lease, amounted to US$66,000 (2015: nil) for the current year. No material direct operating expenses arise from the investment property.

During the year ended 31 December 2016, the Group had completed the acquisition of certain investment properties in Singapore (three residential property units) totalling US$2,851,000, of which the amount of US$1,736,000 was previously recorded as long-term deposits at 31 December 2015. Two of the residential units had been disposed of through disposal of two subsidiaries during the year (note 35 (a)) and the Group is in active negotiation for the disposal of the remaining unit and the disposal transaction is highly probable to be completed within 2017. As a result, the remaining unit was reclassified to asset held-for-sale at the end of the reporting period.

20. INTEREST IN A JOINT VENTURE

	2016 US$'000	2015 US$'000
Cost of unlisted investment in a joint venture	5,330	5,330
Share of post-acquisition loss and other comprehensive expenses	(597)	–
	4,733	5,330

Name of entity	Place of establishment/ operation	Class of capital held	Proportion of nominal value of issued registered capital held by the Group 2016 %	2015 %	Principal activity
上海悦勇投資管理公司	PRC	Registered	41.7	41.7	Property investment

20. INTEREST IN A JOINT VENTURE (continued)

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

	2016 ***US$'000***	2015 *US$'000*
Current assets	**1**	160
Non-current assets	**12,383**	14,122
Current liabilities	**(1,033)**	(1,251)
Non-current liabilities	**–**	–

The above amounts of assets and liabilities include the following:

	2016 ***US$'000***	2015 *US$'000*
Cash and cash equivalents	**1**	18
Current financial liabilities	**(1,033)**	(1,251)
Revenue	**–**	–
(Loss) profit and total comprehensive (expense) income for the year	**(1,303)**	273

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

	2016 ***US$'000***	2015 *US$'000*
Interest expense	**–**	(25)
Income tax expenses	**–**	–

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20. INTEREST IN A JOINT VENTURE (continued)

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

	2016	2015
	US$'000	*US$'000*
Net assets of the joint venture	**11,351**	13,031
Proportion of the Group's ownership interest in the joint venture	**4,733**	5,434
Others	**–**	(104)
Carrying amount of the Group's interest in the joint venture	**4,733**	5,330

21. 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. The Group normally allows credit period for customers of merchandise trading ranging from 30 days to 180 days. An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2016	2015
	US$'000	*US$'000*
0 to 90 days	**254**	–
91 to 180 days	**27**	–
	281	–

Movements in the allowance for doubtful debts:

	2016	2015
	US$'000	*US$'000*
Balance at the beginning of the year	**146**	–
Impairment loss on trade receivables	**–**	146
Balance at the end of the year	**146**	146

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21. TRADE RECEIVABLES (continued)

As at 31 December 2016, trade receivable of US$27,000 (2015: nil) was past due but not impaired. It is related to a customer with no recent history of default. The aging analysis of trade receivable which is past due but not impaired is as follows:

	2016	2015
	US$'000	*US$'000*
91 to 180 days	**27**	–

The Group had not provided for the trade receivable which is past due but not impaired because the management of the Group considered that this receivable was recoverable based on the good settlement track record of the customer. No interest was charged on the outstanding trade receivable. The Group did not hold any collateral over the balance.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment loss for irrecoverable amount, if necessary.

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

22. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	2016	2015
	US$'000	*US$'000*
Unlisted investment, at cost:		
– Equity securities *(note)*	**79**	79
Analysed for reporting purposes as:		
Non-current assets	**79**	79

Note: The Group holds 10% (2015: 10%) of the ordinary share capital of Santarli Realty Pte Ltd. ("Santarli Realty"), a company involved in property development business in Singapore. The directors do not consider that the Group is able to exercise significant influence over Santarli Realty as the Group does not have any board seat in Santarli Realty.

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23. OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM DEPOSITS

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

	2016	2015
	US$'000	*US$'000*
Interest-free loan to an investee company *(note)*	**1,866**	3,812
Other receivables	**499**	38
Prepayments	**92**	255
Deposits for acquisition of property, plant and equipment	**–**	80
Deposits for acquisition of investment properties	**–**	1,736
Other deposits	**9**	37
	2,466	5,958
Less: non-current portion	**–**	(1,816)
Amounts due within one year shown under current assets	**2,466**	4,142

Note: 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 Corporation Pte Ltd ("Santarli Corp"), an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty (which constitutes 10% of the issued share capital of Santarli Realty), at a cash consideration of S$100,000 and advanced an interest-free shareholder's loan of S$5,400,000. On the same date, 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. Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore.

During the year, Santarli Realty has partially repaid the interest-free loan amounting to S$2,700,000 (equivalent to approximately US$1,946,000). The remaining interest-free loan of S$2,700,000 (equivalent to approximately US$1,866,000) is expected by the Group to be repaid within twelve months from the end of the reporting period, therefore the balance is classified as current.

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

24. AMOUNT DUE FROM A JOINT VENTURE

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **US$'000**	2015 US$'000
Equity-linked notes	**645**	–

At 31 December 2016, the Group held equity-linked notes with aggregate principal amount of HK$5,000,000 (2015: nil) which bear fixed interest rate of 10.08% per annum and will be due in March 2017 (subject to early redemption). These equity-linked notes are linked with a Hong Kong listed security at a strike price. The fair value of these equity-linked notes is determined based on quoted price in over-the-counter market at the end of the reporting period.

26. RESTRICTED BANK DEPOSITS/TIME DEPOSIT

As detailed in note 29, the Group had set aside US$3,697,000 at 31 December 2015 in order to maintain the security coverage ratio as stipulated in the relevant borrowing agreements and such amount was considered to be restricted for the purpose of repayment of borrowings.

As at 31 December 2016, the Group had a time deposit of US$500,000 (2015: nil) with an original maturity of over three months carrying interest at prevailing market deposit rate of 1.12% per annum, and for a remaining tenure of approximately 165 days.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprised bank balances and cash held by the Group of US$4,544,000 (2015: US$3,955,000) and there was no time deposits (2015: US$6,452,000) with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

As at 31 December 2015, the Group had time deposits carrying interest at the then prevailing market deposit rates ranging from 0.21% to 0.52% per annum and for a remaining tenure of approximately 81 days.

The Group's bank balances and cash that are not denominated in the functional currencies of the respective entities in the Group are as follows:

	2016 **US$'000**	2015 US$'000
Hong Kong dollars ("HKD")	**3,253**	6,964
New Taiwan dollars ("NTD")	**–**	50
Singapore dollars ("SGD")	**942**	29
Renminbi ("RMB")	**49**	63

28. DEPOSIT RECEIVED, OTHER PAYABLES AND ACCRUALS

	2016	2015
	US$'000	*US$'000*
Accrued vessel related expenses	**935**	455
Accrued staff related expenses	**6**	725
Payable for purchase of equity-linked notes	**645**	–
Deposit received	**65**	–
Others	**329**	453
	1,980	1,633

The Group's other payables and accruals are mainly denominated in the functional currency of the respective entities of the Group.

29. BORROWINGS

	2016	2015
	US$'000	*US$'000*
Secured bank loans	**19,799**	24,490
Carrying amount repayable:		
Repayable on demand	**6,441**	–
Within one year	**1,146**	2,691
More than one year, but not exceeding two years	**2,691**	2,691
More than two years, but not exceeding five years	**6,735**	13,176
More than five years	**2,786**	5,932
	19,799	24,490
Less: amounts due within one year shown under current liabilities	**(7,587)**	(2,691)
Amounts shown under non-current liabilities	**12,212**	21,799
Effective interest rate (%) per annum	**3.23 – 3.97**	3.26 – 4.04

The carrying amounts of borrowings approximate to their fair values.

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

During the year ended 31 December 2016, the Group repaid bank loans totalling US$4,691,000 (2015: US$11,690,000). These bank loans carry interest at London Interbank Offered Rates ("LIBOR") plus certain basis points. The outstanding bank loans at 31 December 2016 are repayable within 3 to 6 years (2015: repayable within 3 to 9 years).

29. BORROWINGS (continued)

The borrowings at 31 December 2016 and 2015 were secured by the followings:

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

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

(iii) assignment of insurance proceeds in respect of vessels MV Zorina and MV Heroic.

The proceeds arising from the loans were used to finance the acquisition of the vessels included in property, plant and equipment. The Group has no history of default for repayment of the borrowings.

At 31 December 2016 and 2015, the Group failed to maintain the financial covenant in relation to the security coverage ratio as stipulated in two borrowing agreements with the relevant banks. 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 should either provide cash deposit as additional security or prepay certain portion of the outstanding loan balance amounting to US$6,441,000 (2015: US$3,697,000) as will enable the security coverage ratio be maintained at the required level. At 31 December 2015, the Group had set aside cash deposit of US$3,697,000 restricted for the purpose of repayment of borrowings upon request.

In relation to the mortgage loan associated with the acquisition of vessel MV Zorina amounting to US$8,517,000 at 31 December 2016, the Group had signed a memorandum of agreement (note 44(b)) in February 2017 with a potential buyer as the Group intends to dispose of the vessel and to early repay the loan by utilising the sales proceeds to be received from the disposal. The relevant bank is aware of the Group's intention to dispose of the vessel and has agreed not to modify the existing repayment schedule of the borrowing before the completion of disposal of the vessel. In relation to the mortgage loan associated with the acquisition of vessel MV Heroic amounting to US$11,282,000 at 31 December 2016, the Group has negotiated with the relevant bank in respect of the failure to maintain the security coverage ratio and the bank has neither requested the Group to provide additional security nor to early repay the borrowing up to the date of this report. In light of the above, the shortfall to maintain the security coverage ratio amounting to US$6,441,000 has been included as the Group's current liabilities and considered as repayable on demand.

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30. SHARE CAPITAL

	Number of 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 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)	–
Placement of new shares *(note ii)*	21,176	3,812
As at 31 December 2015 and 2016 (US$0.18 per share)	**127,059**	**22,871**

All issued ordinary shares have a par value of US$0.18 each (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 "2015 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). These shares rank pari passu in all respects with the then existing shares.

31. ASSET CLASSIFIED AS HELD-FOR-SALE

As mentioned in note 19, the Group is in active negotiation for the disposal of an investment property through disposal of a subsidiary. The asset and liability classified as held-for-sale are as follows:

	2016 ***US$'000***	2015 *US$'000*
Asset classified as held-for-sale		
Investment property	**1,449**	–
Liability associated with asset classified as held-for-sale		
Other payable	**(182)**	–

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32. DEFERRED TAXATION

The followings are the major deferred tax liabilities (asset) recognised and movements thereon during the year:

	Accelerated tax depreciation US$'000	Revaluation of leasehold land and building US$'000	Tax losses US$'000	Total US$'000
At 1 January 2015	1	310	–	311
Charged (credited) to profit or loss	1	–	(1)	–
Charged to other comprehensive income	–	65	–	65
At 31 December 2015	2	375	(1)	376
Credited to other comprehensive income	–	(24)	–	(24)
Reversal upon transfer from property, plant and equipment to investment property	–	(351)	–	(351)
At 31 December 2016	**2**	**–**	**(1)**	**1**

At the end of the reporting period, the Group has unused tax losses of US$3,055,000 (2015: US$2,077,000). A deferred tax asset has been recognised in respect of US$5,000 (2015: US$5,000) of such losses. No deferred fax asset has been recognised in respect of the remaining US$3,050,000 (2015: US$2,072,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

33. INVENTORIES

At the end of the reporting period, the Group had the following inventories:

	2016 US$'000	2015 US$'000
Consumable goods	**181**	–

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34. ACQUISITION OF SUBSIDIARIES

On 31 March 2016, the Group entered into an agreement with two independent third parties pursuant to which Peak Prospect Global Limited ("Peak Prospect Global"), 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"), together with its subsidiaries (collectively referred to as the "Target Group"), for a cash consideration of HK$6,800,000 (equivalent to approximately 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 considered that the acquisition could 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 and accruals	**(1,277)**
	1,546
Cash consideration paid	**877**
Add: non-controlling interests	**669**
	1,546

Net cash outflow arising on acquisition of subsidiaries:

Cash consideration paid	**877**
Less: bank balance and cash acquired	**(105)**
	772

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 year, included in the other expense line item in the consolidated statement of profit or loss and other comprehensive income.

34. ACQUISITION OF SUBSIDIARIES (continued)

Included in the loss for the year is loss of US$818,000 incurred by the Target Group. Revenue for the year included US$176,000 contributed by the Target Group.

Had the acquisition been completed on 1 January 2016, the revenue of the Group for the year would have been US$4,592,000, and loss for the year would have been US$16,169,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the 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 year, the directors have calculated depreciation of plant and equipment and amortisation of intangible assets 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.

35. DISPOSALS OF SUBSIDIARIES

(a) On 5 October 2016, CM Overseas, an indirect wholly owned subsidiary of the Company had entered into two sale and purchase agreements with an independent third party to dispose of the entire shareholding interest in and the shareholder's loan to Diamond Plus Limited ("Diamond Plus") and Triple Diamond Limited ("Triple Diamond"), both were wholly owned subsidiary of CM Overseas immediately before the disposal, at a cash consideration of US$629,000 and US$616,000 respectively. At the time of the disposal, the major assets of Diamond Plus and Triple Diamond were two residential properties located in Singapore, which were classified as investment properties. The aggregated gain on disposal of these subsidiaries was US$18,000 and the disposal was completed on 6 October 2016.

The aggregated net assets of the subsidiaries at the date of disposal were as follows:

	US$'000
Investment properties	**1,402**
Other payables	**(175)**
	1,227
Cash consideration received	**1,245**
Net assets disposed of	**(1,227)**
Gain on disposal of subsidiaries	**18**
Cash inflow from disposal of subsidiaries:	
Cash consideration received	**1,245**

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35. DISPOSALS OF SUBSIDIARIES (continued)

(b) On 10 November 2016, Peak Prospect Global entered into a sale and purchase agreement with an independent third party to dispose of the 70% equity interest in the Target Company for a consideration HK$6,800,000 (equivalent to approximately US$877,000). The gain on disposal of the Target Group was US$432,000. The disposal was completed on 11 November 2016.

The aggregated net assets of the subsidiaries at the date of disposal were as follows:

	US$'000
Property, plant and equipment	**1,024**
Intangible assets	**863**
Trade receivables	**14**
Other receivables and prepayments	**174**
Bank balances and cash	**91**
Other payables and accruals	**(1,507)**
	659
Cash consideration received	**877**
Net assets disposed of	**(659)**
Non-controlling interests	**254**
Release of exchange reserve upon disposal of subsidiaries	**(40)**
Gain on disposal of subsidiaries	**432**
Net cash inflow from disposal of subsidiaries:	
Cash consideration received	**877**
Bank balances and cash disposed of	**(91)**
	786

36. OPERATING LEASE COMMITMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	US$'000	*US$'000*
Within one year	**166**	124

36. OPERATING LEASE COMMITMENTS (continued)

The Group as lessee

	2016 US$'000	2015 US$'000
Minimum lease payments paid under operating leases recognised as an expense	**35**	124

At the end of 2015, the Group had commitments of US$48,000 for future minimum lease payments under non-cancellable operating leases which fall due within one year.

Operating lease payments in 2015 represent rentals payable by the Group for its office premises. Leases are negotiated for a term of one year and rentals are fixed for a term one year.

Operating lease payments in 2016 represent rental payable by the Group for its office premise for 6 months.

37. CONTINGENT LIABILITY

As at 31 December 2015, the Group had contingent liabilities under an indemnity provided by CM Overseas (together with the other shareholders of Santarli Realty) to parties affiliated to the major shareholder of Santarli Realty in respect of a joint and several guarantee provided by such parties in favour of the bank providing a loan to Santarli Realty. The liability of the parties under the indemnity is several, in proportion to their respective equity holdings in Santarli Realty. The Group's portion of this guarantee was S$12,250,000 (equivalent to approximately US$9,341,000). The entire bank loan was repaid by Santarli Realty during the year ended 31 December 2016 and the indemnity was subsequently released.

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks as security for the loan facilities granted to the Group:

	2016 US$'000	2015 US$'000
Property, plant and equipment	**14,378**	25,949

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39. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Both the Group and employees contribute a fixed percentage to the Mandatory Provident Fund Scheme based on their monthly salary in accordance with government regulations.

For the operations in Republic of China and the PRC, the employees of the Group are members of state-managed retirement benefits scheme operated by the Taiwan and the PRC government, respectively. The relevant subsidiaries are required to contribute a specific percentage of the payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and cost charged to the profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

40. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) During the year, the Group have the following transactions with related parties that are not members of the Group:

Related parties	**Nature of transaction**	*Notes*	**2016** ***US$'000***	2015 *US$'000*
Hwalee Marine Co. Ltd.	Commission paid	*(i)*	**–**	7
Poly Investment & Finance Limited ("PIF")	Rental expense	*(ii)*	**35**	–

Notes:

(i) Hwalee Marine Co. Ltd is owned and operated by Mr. Hsu Chih-Chien's spouse. Mr. Hsu Chih-Chien was a non-executive director until 14 October 2015.

During the year ended 31 December 2015, the Group paid US$7,000 commission expense to Hwalee Marine Co. Ltd for vessel chartering services.

(ii) The amount represents rental expense paid to PIF in which Mr. Suen Cho Hung, Paul (a substantial shareholder of the Company) is the controlling shareholder and Mr. Sue Ka Lok is a director of both the Company and PIF.

The above transactions were regarded as continuing connected transactions pursuant to Chapter 14A of the Hong Kong Listing Rules and interested person transactions pursuant to Chapter 9 of the Listing Manual of the SGX-ST.

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

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in note 14.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2016	2015
	US$'000	US$'000
Financial assets		
Available-for-sale investment	79	79
Financial assets at FVTPL	645	–
Loans and receivables (including bank balances and cash)	8,368	18,660
Financial liability		
Amortised cost	20,444	24,490

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, deposits, interest-free loan to an investee company, amount due from a joint venture, financial assets at FVTPL, available-for-sale investment, restricted bank deposits, time deposit, bank balances and cash, other payable and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with the Group's financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group's operations are mainly conducted in US$, the functional currency of relevant group companies, with considerable extent in HKD and certain extent in NTD, SGD and RMB. For the four operating segments of the Group, (i) the marine transportation service business is mainly conducted in US$ whereas (ii) the investment holding business is mainly conducted in US$ and HKD; (iii) the property holding and investment business is mainly conducted in HKD, SGD and RMB; and (iv) the merchandise trading business is mainly conducted in HKD, USD and RMB. To the extent that the Group's revenue and expenditure are not naturally matched in the same currency and to the extent that there are timing differences between receipt and payment, the Group will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than its functional currency. As a result, the Group's results may be affected. Certain bank balances which are denominated in NTD, SGD and RMB as disclosed in note 27 are insignificant to the Group.

As the Group does not have significant foreign currency exposures, foreign currency sensitivity analysis is not presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

41. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to restricted bank deposits, time deposit, certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in notes 26, 27 and 29, respectively. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liability are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of LIBOR arising from the Group's variable-rate borrowings.

The directors consider that the changes in interest rates of restricted bank deposits, time deposit and bank balances have no significant impact on the Group and the sensitivity analysis of interest rate risk of such balances is not presented.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate borrowings as at 31 December 2015 and 2016. The analysis is prepared assuming the variable-rate borrowings outstanding at the end of the reporting period were outstanding for the whole reporting year. An 100 basis points increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held, the Group's loss for the year ended 31 December 2016 would increase/decrease by US$198,000 (2015: US$245,000).

(iii) Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to the financial guarantee provided by the Group as disclosed in note 37.

As the Group has a policy of requesting certain customers to prepay the charter-hire income in full before discharging for voyage charter and prepay the charter-hire income for time charter, the balance of trade receivables at the end of the reporting period are normally low. The directors generally grant credit only to customers with good credit ratings and also closely monitors overdue trade debts. The unsettled trade receivables are monitored on an ongoing basis and followed up by the finance department. The directors review the recoverable amount of each individual receivable regularly to ensure that follow up actions are taken to recover overdue debts and adequate impairment losses, if any, are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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For the year ended 31 December 2016

41. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

The Group's credit risk is primarily attributable to the interest-free loan to Santarli Realty as disclosed in note 23. The directors consider the credit risk over the interest-free loan to Santarli Realty is low because Santarli Holdings Pte Ltd., the holding company of Santarli Realty, has provided corporate guarantee to the Group and Santarli Holdings Pte Ltd. is engaged in property development, construction and civil engineering work in Singapore and Malaysia while Santarli Realty is engaged in property development in Singapore and both have good reputation in the industry and the Group had received partial repayment of the loan in 2016.

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

The directors also consider that the credit risk on certain investments in securities including listed equity securities in Hong Kong and equity-linked notes is low as the counterparties are companies with good reputations.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are based on floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or 6 months or less US$'000	6 to12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	> 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amounts US$'000
At 31 December 2016								
Other payable	–	645	–	–	–	–	645	645
Borrowings	3.23 – 3.97	6,572	1,682	3,243	7,302	2,812	21,611	19,799
		7,217	1,682	3,243	7,302	2,812	22,256	20,444
At 31 December 2015								
Borrowings	3.26 – 4.04	1,758	1,735	3,400	14,369	6,170	27,432	24,490
Financial guarantee contract	N/A	9,341	–	–	–	–	9,341	–

41. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. As disclosed in note 37, the financial guarantee provided in favour of a bank was released during the year ended 31 December 2016.

(v) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets at FVTPL are determined with reference to quoted prices in over-the-counter market; and

- The fair values of other financial assets and financial liability are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their fair values.

Fair value of the Group's financial assets 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 value of these financial assets is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial asset	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2016	31 December 2015				
	US$	*US$*				
Financial assets at FVTPL	**645**	–	Level 2	Quoted price in over-the-counter market	N/A	N/A

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2016	2015
	US$'000	*US$'000*
Non-current assets		
Interest in subsidiaries	**–**	–
Amounts due from subsidiaries	**39,592**	18,057
Total non-current assets	**39,592**	18,057
Current assets		
Other receivables and prepayments	**37**	35
Cash and cash equivalents	**903**	10,708
Total current assets	**940**	10,743
Total assets	**40,532**	28,800
Current liabilities		
Amounts due to subsidiaries	**29,592**	–
Other payables and accruals	**204**	677
Total current liabilities	**29,796**	677
Capital and reserves		
Share capital	**22,871**	22,871
(Deficit) reserves *(note)*	**(12,135)**	5,252
Total equity	**10,736**	28,123
Total liabilities and equity	**40,532**	28,800
Net current (liabilities) assets	**(28,856)**	10,066
Total assets less current liabilities	**10,736**	28,123

42. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note:

	Share premium US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2015	28,027	(8,775)	19,252
Placing of new shares	6,845	–	6,845
Total comprehensive expense for the year	–	(20,845)	(20,845)
At 31 December 2015	34,872	(29,620)	5,252
Total comprehensive expense for the year	–	(17,387)	(17,387)
At 31 December 2016	**34,872**	**(47,007)**	**(12,135)**

43. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	2016 **US$'000**	2015 US$'000
Unquoted equity shares, at cost	**24,489**	22,918
Less: impairment	**(24,489)**	(22,918)
	–	–

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

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The imputed interest income on the amounts due from subsidiaries of US$1,571,000 (2015: US$1,773,000) is recognised for the year. No guarantees have been given or received.

During the year, the directors reviewed the carrying values of the interests in subsidiaries and the amounts due from subsidiaries. The recoverable amounts of these investments and the amounts due are determined with reference to the directors' estimate of discounted future cash flows of these investments as at the end of reporting period. Accordingly, an impairment loss on interests in subsidiaries and amounts due from subsidiaries amounting to US$1,571,000 (2015: US$8,705,000) and US$15,086,000 (2015: US$13,419,000) were recognised in the profit or loss during the year.

43. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (continued)

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
			2016 %	2015 %	
CMG Management Limited	Hong Kong	Ordinary	100	N/A	Merchandise trading, investment in securities and provision of management services
Courage Marine (HK) Company Limited	Hong Kong	Ordinary	100	100	Investment holding and provision of administration services to group companies
Courage Marine Holdings (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	100	100	Investment holding
Courage Marine Property Investment Limited	Hong Kong	Ordinary	100	100	Property holding and investment
Heroic Marine Corp.	Republic of Panama	Ordinary	100	100	Provision of marine transportation services
Jade Management and Consultant (Shanghai) Co. Ltd.	PRC	Registered	100	100	Provision of management and consulting services
Midas Shipping Navigation Corp.	Republic of Panama	Ordinary	100	100	Provision of operating services to group companies
Peak Prospect Global	BVI	Ordinary	100	100	Investment holding
Target Win Limited	BVI	Ordinary	100	100	Property holding
Zorina Navigation Corp.	Republic of Panama	Ordinary	100	100	Provision of marine transportation services
上海吉進企業管理諮詢有限公司	PRC	Registered	100	100	Provision of management and consulting services

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

43. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES (continued)

The directors are of the opinion that a complete list of subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affects the results or assets of the Group.

44. EVENT AFTER THE REPORTING PERIOD

(a) On 18 January 2017, the Company completed a placement of 25,400,000 ordinary shares under general mandate to certain independent parties at an issue price of HK$3.82 each (the "2017 Placing"). The net proceeds from the 2017 Placing was approximately US$12,194,000. The Company intends to use the net proceeds from the 2017 Placing as general working capital of the Group and/or funding of business/investment opportunities if so arise.

(b) On 8 February 2017, the Company entered into a memorandum of agreement (the "MOA") with an independent third party to dispose of a vessel for a cash consideration of US$7,350,000. The transaction constitutes a major transaction of the Group under Chapter 14 of the Hong Kong Listing Rules and the completion of the MOA is conditional upon approval by the Company's shareholders at the special general meeting which is to be held subsequent to the date of this report.

Five-Years Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
RESULTS					
Revenue	**4,546**	6,663	16,535	24,963	18,758
Loss before tax	**(17,766)**	(36,841)	(9,714)	(1,772)	(10,671)
Income tax expense	**–**	(2)	(10)	(3)	(6)
Loss for the year	**(17,766)**	(36,843)	(9,724)	(1,775)	(10,677)
Loss for the year attributable to:					
Owners of the Company	**(17,381)**	(36,843)	(9,724)	(1,775)	(10,677)
Non-controlling interests	**(385)**	–	–	–	–
	(17,766)	(36,843)	(9,724)	(1,775)	(10,677)
Total comprehensive expense for the year attributable to owners of the Company	**(17,575)**	(36,452)	(9,063)	(1,819)	(10,362)

	At 31 December				
	2016	2015	2014	2013	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS AND LIABILITIES					
Total assets	**37,265**	59,026	97,006	105,766	104,631
Total liabilities	**(21,962)**	(26,499)	(38,684)	(38,381)	(36,958)
Equity attributable to owners of the Company	**15,303**	32,527	58,322	67,385	67,673