



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: E91.SI)

Navigating a Journey of Excellence



Interim Report **2015**

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Corporate Information

BOARD OF DIRECTORS

HSU Chih-Chien
Chairman and Non-Executive Director

WU Chao-Huan
Managing Director

WU Jian
Executive Director

TSOI Wai Kwong
Non-Executive Director

CHU Wen Yuan
Independent Non-Executive Director

FOO Meng Kee
Independent Non-Executive Director

NGIAM Zee Moey
Independent Non-Executive Director

AUDIT COMMITTEE

NGIAM Zee Moey (*Chairman*)
CHU Wen Yuan
FOO Meng Kee

REMUNERATION COMMITTEE

CHU Wen Yuan (*Chairman*)
HSU Chih-Chien
NGIAM Zee Moey

NOMINATING COMMITTEE

CHU Wen Yuan (*Chairman*)
HSU Chih-Chien
NGIAM Zee Moey

PRINCIPAL PLACE OF BUSINESS

Suite 1801
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

JOINT COMPANY SECRETARY

LEE Pih Peng
HON Kwok Ping Lawrence

ASSISTANT COMPANY SECRETARY

Codan Services Limited

BERMUDA REGISTRAR

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

SHARE REGISTRAR

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

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

STOCK EXCHANGE LISTED

Singapore Exchange Securities Trading Limited
Stock Code: ATL.SI

The Stock Exchange of Hong Kong Limited
Stock Code: 1145

WEBSITE

www.couragemarine.com

Statement of Directors

In the opinion of the directors of the Company (the “Directors”), the condensed consolidated financial statements of Courage Marine Group Limited (the “Company”) and its subsidiaries (collectively referred to the “Group”) as set out on pages 5 to 22 are drawn up to the best of our knowledge and nothing has come to the attention of the Board of Directors (the “Board”) which may render the condensed consolidated statement of financial position as at 30 June 2015, and of the results, changes in equity and cash flows of the Group for the six months period then ended to be false or misleading in any material aspects.

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien

Wu Chao-Huan

13 August 2015

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF COURAGE MARINE GROUP LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Courage Marine Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 22, which comprises the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

13 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

		Six months ended	
		30 June	30 June
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	US\$'000	US\$'000
Revenue	5	2,950	9,845
Cost of sales		(6,038)	(10,786)
Gross loss		(3,088)	(941)
Other income		205	189
Other gains and losses	6	(1,399)	1,427
Administrative expenses		(1,145)	(1,363)
Other expenses	7	(11,094)	(500)
Finance costs		(592)	(716)
Loss before tax		(17,113)	(1,904)
Income tax credit	8	41	21
Loss for the period	9	(17,072)	(1,883)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of owner-occupied property		325	151
Deferred tax charge arising on revaluation of leasehold land and building		(43)	(17)
		282	134
Total comprehensive expense for the period attributable to owners of the Company		(16,790)	(1,749)
Loss per share (US cents)			(Restated)
– basic	11	(16.12)	(1.78)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

		30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	50,889	68,711
Interest in a joint venture		5,330	5,330
Long-term receivables and deposits	13	1,450	5,329
Available-for-sale investment		79	79
Total non-current assets		57,748	79,449
Current assets			
Trade receivables	14	376	156
Other receivables and prepayments	13	5,036	3,160
Amount due from a joint venture		669	553
Held-for-trading investments		-	444
Pledged bank deposits		251	4,361
Cash and cash equivalents		12,773	8,883
Total current assets		19,105	17,557
Total assets		76,853	97,006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other payables and accruals		842	2,193
Borrowings	15	11,024	4,024
Total current liabilities		11,866	6,217
Capital and reserves			
Share capital	16	19,059	19,059
Share premium		28,027	28,027
Revaluation reserve		2,016	1,734
Other reserve		1,531	1,531
(Accumulated losses) retained profits		(9,101)	7,971
Total equity		41,532	58,322
Non-current liabilities			
Borrowings	15	23,144	32,156
Deferred tax liabilities		311	311
Total non-current liabilities		23,455	32,467
Total liabilities and equity		76,853	97,006
Net current assets		7,239	11,340
Total assets less current liabilities		64,987	90,789

Condensed Consolidated Statement of Changes in Equity

Six months period ended 30 June 2015

	Share capital	Share premium	Property revaluation reserve	Other reserve	Retained profits (accumulated losses)	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014 (Audited)	19,059	28,027	1,073	1,531	17,695	67,385
Loss for the period	-	-	-	-	(1,883)	(1,883)
Gain on revaluation of owner-occupied property	-	-	151	-	-	151
Deferred tax charge arising on revaluation of leasehold land and building	-	-	(17)	-	-	(17)
Total comprehensive income (expense) for the period	-	-	134	-	(1,883)	(1,749)
Balance at 30 June 2014 (Unaudited)	19,059	28,027	1,207	1,531	15,812	65,636
Balance at 1 January 2015 (Audited)	19,059	28,027	1,734	1,531	7,971	58,322
Loss for the period	-	-	-	-	(17,072)	(17,072)
Gain on revaluation of owner-occupied property	-	-	325	-	-	325
Deferred tax charge arising on revaluation of leasehold land and building	-	-	(43)	-	-	(43)
Total comprehensive income (expense) for the period	-	-	282	-	(17,072)	(16,790)
Balance at 30 June 2015 (Unaudited)	19,059	28,027	2,016	1,531	(9,101)	41,532

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Operating activities		
Loss before tax	(17,113)	(1,904)
Adjustments for:		
Dividends from held-for-trading investments	(20)	(20)
Depreciation of property, plant and equipment	1,201	1,132
Change in fair value of investment property	-	(15)
Change in fair value of held-for-trading investments	(70)	22
Loss (gain) on disposal of property, plant and equipment	1,478	(1,475)
Discount effect on long-term loan receivable	-	246
Interest income	(61)	(30)
Finance costs	592	716
Impairment loss on deposits paid	1,685	254
Impairment loss on property, plant and equipment	9,409	-
Imputed interest income on long-term receivable	(123)	(118)
Operating cash flows before movements in working capital	(3,022)	(1,192)
(Increase) decrease in trade receivables	(220)	978
Decrease (increase) in other receivables and prepayments	610	(371)
Decrease in other payables and accruals	(1,351)	(690)
Decrease in held-for-trading investment	514	-
Cash used in operating activities	(3,469)	(1,275)
Interest expense paid	(592)	(716)
Interest income received	61	30
Income tax paid	(2)	(9)
Dividend received from held-for-trading investment	20	20
Net cash used in operating activities	(3,982)	(1,950)
Investing activities		
Deposits for acquisition of property, plant and equipment and investment properties	(239)	(254)
Purchase of property, plant and equipment	(75)	(7,742)
Proceeds on disposal of property, plant and equipment	6,204	8,393
Withdrawal (placement) of pledged bank deposits	4,110	(14)
Advance to a joint venture	(116)	-
Net cash from investing activities	9,884	383
Financing activities		
Repayment of loans	(2,012)	(5,319)
New loans raised	-	10,000
Decrease in bank overdraft	-	(2,457)
Net cash (used in) from financing activities	(2,012)	2,224
Net increase in cash and cash equivalents	3,890	657
Cash and cash equivalents at the beginning of the period	8,883	13,152
Cash and cash equivalents at the end of the period, represented by Bank balances and cash	12,773	13,809

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1 GENERAL

The Company (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1801, West Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"). The condensed consolidated financial statements are presented in United States dollars ("US\$"), which is the functional currency of the Company, and all values in the tables are rounded to the nearest thousand (US\$'000) as indicated.

The principal activity of the Company is that of an investment holding company and the principal activities of the Group are provision of marine transportation services, property holding, investment holding and provision of administration services.

There are no significant changes to the principal activities of the Company and the Group for the six months ended 30 June 2015.

2 PRINCIPAL ACCOUNTING POLICIES

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

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) that are effective for the Group’s accounting periods beginning on 1 January 2015:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

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

The Group has not yet applied the new and revised IFRSs that have been issued but not yet effective. The Directors anticipate that the application of these new and revised IFRSs will have no material impact on the results and the financial position of the Group.

The new and revised IFRSs that have been issued but not yet effective are the same as those disclosed in the Group’s annual financial statements for the year ended 31 December 2014.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

4 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation service. The executive Directors monitor the revenue of marine transportation service based on the voyage charter service income of dry bulk carriers of different sizes and their utilisation rates for the purpose of making decisions about resource allocation and performance assessment. However, other than revenue analysis, no operating results and other discrete financial information is available for the resource allocation and performance assessment.

The executive Directors review the loss for the period of the Group prepared in accordance with accounting policies set out in Note 2 as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive Directors.

The revenue of the dry bulk carriers of different sizes is analysed as follows:

Vessel voyage charter

	Six months ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Dry bulk carriers		
– Capsize	–	2,048
– Supermax	2,950	5,476
– Panamax	–	2,321
	2,950	9,845

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the Directors consider that it is not meaningful to provide geographical financial information concerning revenue and location of non-current assets of the Group. Accordingly, financial information about geographical areas is not presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

5 REVENUE

	Six months ended	
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Marine transportation services income		
– Vessel voyage charter	2,950	9,845

6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
(Loss) gain on disposal of property, plant and equipment	(1,478)	1,475
Change in fair value of held-for-trading investments	70	(22)
Change in fair value of investment property	–	15
Net foreign exchange gain (loss)	9	(41)
	(1,399)	1,427

7 OTHER EXPENSES

	Six months ended	
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Impairment loss on vessels (<i>Note 12</i>)	(9,409)	–
Impairment loss on deposits paid (<i>Note 13(ii)</i>)	(1,685)	(254)
Discount effect on long-term loan advanced to Santarli Corporation Pte. Ltd. (“Santarli Corp”) (<i>Note 13(i)</i>)	–	(246)
	(11,294)	(500)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

8 INCOME TAX CREDIT

	Six months ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Current tax:		
Enterprise Income Tax of the People's Republic of China ("PRC")	2	9
Deferred tax:		
Current period	(43)	(30)
	(41)	(21)

Enterprise Income Tax of the PRC is calculated at 25% of the assessable profit of a representative office in Shanghai, PRC for both periods.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

9 LOSS FOR THE PERIOD

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

	Six months ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Interest income	<u>(61)</u>	<u>(30)</u>
Imputed interest income on long-term receivable	<u>(123)</u>	<u>(118)</u>
Directors' remuneration (including Directors' fee)	<u>88</u>	<u>81</u>
Employee benefits expense (including Directors' remuneration):		
– Salaries and other benefits	516	549
– Contributions to retirement benefits scheme	16	16
Total employee benefits expenses	<u>532</u>	<u>565</u>
Marine crew expenses	<u>1,251</u>	<u>1,470</u>
Depreciation of property, plant and equipment	<u>1,201</u>	<u>1,132</u>

10 DIVIDEND

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

11 LOSS PER SHARE

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

	Six months ended	
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(17,072)	(1,883)
	Six months ended	
	30 June	30 June
	2015	2014
	(Unaudited)	(Unaudited and restated)
	'000	'000
Number of ordinary shares in issue during the period, for the purpose of calculation of basic loss per share (<i>Note</i>)	105,883	105,883

Note: Weighted average number of ordinary shares in issue and basic loss per share were stated after taking into account the effect of the share consolidation that took place on 7 May 2015. Comparative figures have also been restated on the assumption that the share consolidation had been effective in prior period.

No diluted loss per share were presented for both periods as there were no potential ordinary shares outstanding during both periods and at the end of each reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group disposed a vessel with a carrying amount of US\$7,682,000, resulting in a loss on disposal of US\$1,478,000 recognised in other gains and losses in profit or loss. The net proceed received from disposal of this vessel is US\$6,204,000.

During the six months ended 30 June 2014, the Group paid US\$7,742,000 for the acquisition of vessels, furniture, fixtures and equipment.

An impairment loss of US\$9,409,000 (six months ended 30 June 2014: nil) has been recognised in respect of the vessels in profit or loss during the interim period in light of decrease in revenue, utilisation rate and market value of the vessels and scrap materials of the vessels of the Group. The recoverable amount of the vessels has been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use is 9.07%. During the six months ended 30 June 2014, the recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell. No impairment loss has been recognised during the six months ended 30 June 2014.

The Group's leasehold land and building classified as property, plant and equipment was revalued by RHL Appraisal Limited ("RHL"), who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL who is a member of The Hong Kong Institute of Surveyors, and 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 as at the end of the current interim period. The resulting revaluation gain of US\$325,000 (six months ended 30 June 2014: US\$151,000) has been recognised in the property revaluation reserve during the six months ended 30 June 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13 LONG-TERM RECEIVABLES AND DEPOSITS/OTHER RECEIVABLES AND PREPAYMENTS

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

	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
Interest-free loan to Santarli Realty and deposit for acquisition of investment (<i>Note (i)</i>)	4,171	4,048
Deposits for acquisition of property, plant and equipment and investment properties	1,450	1,281
Other receivables	52	59
Prepayments	776	1,379
Other deposits (<i>Note (ii)</i>)	2,365	2,365
Less: impairment on other deposits	(2,328)	(643)
	6,486	8,489
Less: Non-current portion	(1,450)	(5,329)
	5,036	3,160

- (i) On 14 September 2012, Courage Marine Overseas Ltd., ("CM Overseas"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corp, an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty Pte Ltd., ("Santarli Realty") (which constitutes 10% of the issued share capital of Santarli Realty) at a cash consideration of S\$100,000 and shareholder's loans of not exceeding the principal amount of S\$5,400,000 (collectively referred to as the "Consideration"). Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore. On 30 June 2015, CM Overseas has advanced an interest-free loan amounting to S\$5,500,000 (equivalent to US\$4,373,000) (31 December 2014: S\$5,500,000 (equivalent to US\$4,373,000)) to Santarli Corp and this interest-free loan will be used to offset the Consideration. On 14 September 2012, Santarli Holdings Pte Ltd., the holding company of Santarli Corp has executed a guarantee in favour of CM Overseas of all the liabilities due by Santarli Corp to CM Overseas.

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

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

As the interest free loan to Santarli Realty is expected by the Group to be repaid within twelve months from the end of the reporting period, the balance is reclassified to current receivable at the end of the reporting period. The balance carries an effective interest rate of 5.73% per annum. Imputed interest income on the long-term receivable of US\$123,000 (six months ended 30 June 2014: US\$118,000) is recognised in profit or loss for the period ended 30 June 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

13 LONG-TERM RECEIVABLES AND DEPOSITS/OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

- (ii) The Group has paid a total of US\$2,646,000 to a third party supplier for the purchase of coals in Indonesia in prior years and subsequently, the Group has agreed with the supplier to cancel the purchase transaction and requested the supplier to refund the coal deposit. Up to 30 June 2015, US\$318,000 has been refunded by the supplier and the outstanding balance due from the supplier is US\$2,328,000. Due to the continuous drop of the coal price in recent years, impairment loss of US\$643,000 had been recognised up to 31 December 2014. Although the Group has requested the supplier to refund all the coal deposits on or before 30 June 2015, the supplier still failed to do so up to the date of this report and the current financial capability of the supplier is in doubt. The Directors considered that the carrying amount of coal deposit of US\$1,685,000 should be fully impaired during the six months period ended 30 June 2015.

14 TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (31 December 2014: 2 weeks) after the receipt of invoices while other customers are requested to prepay the charter-hire income in full before discharging for voyage charter. Customers of time charter are requested to prepay the charter-hire income for time charter. An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
0 – 30 days	376	156

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

15 BORROWINGS

During the current interim period, the Group repaid loans of US\$2,012,000. The bank loans carry interest at London Interbank Offered Bank plus certain basis points and are repayable over a period ranging from 4-10 years.

The borrowings at the end of the reporting period are secured by the followings:

- (i) Corporate guarantee from the Company on the outstanding loan balance;
- (ii) First preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp. and Courage Marine Co. Ltd., named "ZORINA", "HEROIC" and "COURAGE", respectively; and
- (iii) Assignment of insurance proceeds in respect of ZORINA, HEROIC and COURAGE.

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

16 SHARE CAPITAL

	Number of ordinary shares	US\$'000
Authorised:		
As at 1 January 2014 and 31 December 2014 (US\$0.018 per share)	10,000,000,000	180,000
Share consolidation (Note)	(9,000,000,000)	–
	<hr/>	<hr/>
As at 30 June 2015 (US\$0.18 per share)	1,000,000,000	180,000
	<hr/>	<hr/>
Issued and fully paid:		
As at 1 January 2014 and 31 December 2014 (US\$0.018 per share)	1,058,829,308	19,059
Share consolidation (Note)	(952,946,378)	–
Share repurchased and cancelled	(2)	–
	<hr/>	<hr/>
As at 30 June 2015 (US\$0.18 per share)	105,882,928	19,059
	<hr/>	<hr/>

Fully paid ordinary shares, which have a par value of US\$0.18 each (31 December 2014: US\$0.018 each), carry one vote per share and carry right to dividends as and when declared by the Company.

Note: 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

17 PLEDGE OF ASSETS

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

	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
Property, plant and equipment	43,731	60,240
Pledged bank deposits	251	4,361
	43,982	64,601

18 RELATED PARTY TRANSACTIONS

A) TRADING TRANSACTIONS

The Group has the following transactions with related parties who are not members of the Group:

Nature of transaction	Six months ended	
	30 June 2015 (Unaudited) US\$'000	30 June 2014 (Unaudited) US\$'000
Rental expense paid (i)	14	14
Commission on disposal of vessel paid (ii)	-	44

(i) Ms. Chou Hsiu-Ma is the spouse of Mr. Chang Shun-Chi, whom was a non-executive Director. In the opinion of the Directors, the monthly rental was renegotiated between Ms. Chou Hsiu-Ma and the Group by reference to the market rent.

At the end of the reporting period, the Group had commitments of US\$13,803 (31 December 2014: US\$27,606) for future minimum lease payments under non-cancellable operating leases which fall due within one year (31 December 2014: one year).

(ii) Mr. Chang Shun-Chi, who had resigned as a non-executive Director on 29 April 2014, is the sole director and a controlling shareholder of Maxmart Shipping & Trading Co. Ltd. ("Maxmart"). The related party transaction was conducted in accordance with the terms of an agreement entered into between the Group and Maxmart.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

18 RELATED PARTY TRANSACTIONS (Continued)

B) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in Note 9.

C) GUARANTEES

Details of the guarantees provided by the Company for security of the borrowings granted to the Group are disclosed in Note 15.

The Company also provided corporate guarantee in favour of a bank in relation to general banking facilities granted to the Group.

19 CAPITAL COMMITMENTS

	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
Capital expenditure in respect of contracted commitments		
for addition of dry docking	–	70
for acquisition of investment properties	698	889
for acquisition of property, plant and equipment	724	922

20 CONTINGENT LIABILITIES

As at 30 June 2015, the Group has 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 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 US\$9,094,000) (31 December 2014: S\$12,250,000 (equivalent to US\$9,252,000)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

21 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2015	31 December 2014				
Held-for-trading investments	Nil	Listed equity securities in Republic of China: – Shipping industry – US\$444,000	Level 1	Quoted bid prices in an active market	N/A	N/A

22 AUTHORISATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 were authorised for issue in accordance with the resolution of the Directors dated 13 August 2015.

Management Discussion and Analysis

(I) BUSINESS REVIEW

REVENUE

The Group turnover decreased by 70% from approximately US\$9.8 million in the six months ended 30 June 2014 to approximately US\$3 million in the six months ended 30 June 2015. The dry bulk market was under intense pressure and the Baltic Dry Index (the “BDI”) was at the 500 - 700 level during 1H2015.

PROFITABILITY

The Group’s cost of sales decreased by 44% from approximately US\$10.8 million in 1H14 to approximately US\$6 million in 1H15. It was mainly due to less variable cost consumed with less fleet utilisation. The Group recorded a gross loss of US\$3.1 million in 1H15 compared to a gross loss of US\$0.9 million in 1H14.

OTHER INCOME

Other income consists of interest income from banks and certificate of deposit, sundry income, and other one-off income. The Group recorded other income of US\$0.2 million in 1H15, an increase of 8% compared to 1H14. This was largely due to a one-off interest income received in 1H15.

OTHER GAINS AND LOSSES

Other gains and losses consist of changes in fair value of investment property, changes in fair value of held-for-trading investments, gains and losses on the disposal of fixed assets and exchange gains and losses. The Group recorded other losses of approximately US\$1.4 million in 1H15 due to the disposal loss of MV Cape Pioneer. The Group recorded other gains of approximately US\$1.4 million in 1H14 due to the disposal gain of MV Cape Warrior.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 16% from approximately US\$1.4 million in 1H14 to approximately US\$1.1 million in 1H15 as the Group had less legal and professional expenses during the period.

OTHER EXPENSES

The Group conducted a review of the Group’s vessels and other receivables and determined that a number of those assets were impaired. The Group recorded other expenses of approximately US\$11.1 million in 1H15 as there were impairment loss on deposits paid and impairment loss in respect of the vessels in light of decrease in revenue, utilisation rate, and market value of the vessels and scrap materials. The recoverable amount of the vessels has been determined on the basis of their value in use. The Group recorded other expenses of US\$0.5 million in 1H14 due to the impairment loss on deposit paid and discount effect on the long-term loan advanced.

FINANCE COSTS

The Group recorded finance costs of approximately US\$0.6 million in 1H15 compared to US\$0.7 million in 1H14 mainly due to the bank borrowings.

Management Discussion and Analysis

(I) BUSINESS REVIEW *(Continued)*

INCOME TAX CREDIT

The Group's subsidiaries recorded an income tax credit of US\$41,000 during 1H15 compared to approximately US\$21,000 in 1H14. It was due mainly to the over provision of the deferred tax liability in the previous year.

NET LOSS

Overall, the Group recorded a higher net loss of approximately US\$16.8 million in 1H15 compared to US\$1.7 million in 1H14 due to lower turnover with lower freight rate, disposal loss of MV Cape Pioneer, and the impairment loss of the vessels' value in use and deposits paid.

OTHER COMPREHENSIVE INCOME

The Group recorded a gain on revaluation of owner-occupied property for approximately US\$0.3 million in 1H15 compared to a gain of US\$0.2 million in 1H14.

The Group recorded a deferred tax charge on revaluation of leasehold land and building for approximately US\$43,000 in 1H15 compared to a deferred tax charge of approximately US\$17,000 in 1H14.

(II) FINANCIAL REVIEW

GEARING RATIOS

The Group's gearing ratios (being calculated as the Group's total liabilities divided by the Group's total equity) for the first half of 2015 and 2014 were approximately 85% and 66.3% respectively. The increase of the Group's gearing ratio was mainly due to less total equity, which attributed to larger accumulated loss during the period.

	As at June 30, 2015 (Unaudited) US\$'000	As at Dec 31, 2014 (Audited) US\$'000
Other payables and accruals	842	2,193
Borrowings – due within one year	11,024	4,024
Borrowings – due after one year	23,144	32,156
Deferred tax liabilities	311	311
Total liabilities	35,321	38,684
Total equity	41,532	58,322
Gearing ratio	85.0%	66.3%

Management Discussion and Analysis

(II) FINANCIAL REVIEW *(Continued)*

BANK BORROWINGS

	June 30, 2015 US\$'000	Dec 31, 2014 US\$'000
Secured bank overdraft	–	–
Secured other loans	34,168	36,180
	34,168	36,180
Carrying amount repayable:		
Within one year	11,024	4,024
More than one year, but not exceeding two years	2,691	4,024
More than two years, but not exceeding five years	8,072	21,054
More than five years	12,381	7,078
	34,168	36,180

(III) PROSPECTS

The dry bulk market remains poor during the recent months. The BDI, which has a close correlation to freight rates, was around the 500 - 700 level during the first half of 2015. Low demand of commodities in the Greater China Region, and over-supply of vessels led to more pressure on the freight rates of the dry bulk market. Although the BDI climbed up gradually to 1,200 level in July and August, the Group remains cautious on the outlook for the next 12 months.

During 2Q15, the Group had disposed a Capesize vessel and recorded a loss on disposal of approximately US\$1.4 million subject to the audit of FY2015. The updated tonnage of the Group's fleet is approximately 186,000 dwt. Fleet utilisation is expected to remain low for the rest of the year. Due to poor operating environment, the Group will continue to explore various options for reducing costs, including operating costs.

In view of the foregoing, the financial performance of the Group for 2015 will continue to be adversely affected by the current challenging economic conditions.

Management Discussion and Analysis

(IV) SUPPLEMENTARY INFORMATION

1. CONTINGENT LIABILITIES

As at 30 June 2015, the Group has 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 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 US\$9,094,000) (31 December 2014: S\$12,250,000 (equivalent to US\$9,252,000)).

2. MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2015, the Group was not involved in any material litigation or arbitration.

3. AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group, has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

4. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2015, except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices.

5. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUER

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2015, all Directors have complied with the required standards of the Model Code.

Management Discussion and Analysis

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

6. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

7. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, there were 23 (2014: 23) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

8. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND DEBENTURES

At 30 June 2015, the interests of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company, a related corporation of the Company (within the meaning of Part I of the Securities and Futures Act (the "SFA")) or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company, the SGX-ST and the HKEx were as follows:

Long positions in the ordinary shares of US\$0.18 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Hsu Chih-Chien	Founder of a discretionary trust <i>(Note 1)</i>	14,208,161	13.419%
Chu Wen Yuan	Beneficial owner	4,000	0.004%
Wu Chao-Huan	Interest in a controlled corporation <i>(Note 2)</i>	14,208,161	13.419%

Management Discussion and Analysis

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

8. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND DEBENTURES *(Continued)*

Notes:

- (1) 14,208,161 Shares are registered in the name of Sea-Sea Marine Company Limited ("Sea-Sea Marine"), the entire issued share capital is wholly-owned by Besco Holding Limited ("Besco"), which in turn is wholly-owned by Summit Trustees (Cayman) Limited ("Summit Trustees") in its capacity as trustee of The Lowndes Foundation with Mr. Hsu Chih-Chien as settlor of the trust. Summit Trustees is a wholly-owned subsidiary of Summit Trust International SA ("Summit Trust International") and Summit Trust International is deemed to have an interest in the Shares of the Company which Summit Trustees has an interest in. Besco, Summit Trustees in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor, Summit Trust International and Mr. Hsu Chih-Chien are all deemed to be interested in the Shares held by Sea-Sea Marine under the SFO and the SFA. Sea-Sea Marine is deemed to be interested in the 673,700 Shares held by Pilot Assets Group Limited only under the SFA.
- (2) 14,208,161 Shares are registered in the name of China Lion International Limited ("China Lion"), the entire issued share capital of which is owned by Wu Chao-Huan as to 60% and by Wang Ho as to 40%. Wu Chao-Huan is deemed to be interested in the Shares held by China Lion, under the SFO and SFA. China Lion is deemed to be interested in the 673,700 Shares held by Pilot Assets Group Limited only under the SFA.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company, the SGX-ST and the HKEx pursuant to Subdivision 1 of Part VI of the SFA, Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuer or which were required to be entered in the register required to be kept under Section 352 of the SFO.

Management Discussion and Analysis

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

9. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SECURITIES

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at 30 June 2015, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO:

Long position in shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Number of issued shares</u>	<u>Approximate percentage of issued shares (%)</u>
Sea-Sea Marine	Beneficial owner	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Besco <i>(Note 2)</i>	Interest in controlled corporation	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Summit Trust International SA <i>(Note 2)</i>	Trustee	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Summit Trustees (Cayman) Limited <i>(Note 2)</i>	Interest in controlled corporation	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Hsu Chih-Chien <i>(Note 2)</i>	Founder of a discretionary trust	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Yeh Wan-Yao <i>(Note 3)</i>	Interest of spouse	14,208,161	13.419%
China Lion	Beneficial owner	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Wu Chao-Huan <i>(Note 4)</i>	Interest in controlled corporation	14,208,161/ 14,881,861 <i>(Note 1)</i>	13.419%/14.06%
Wang Ho <i>(Note 4)</i>	Interest of spouse	14,208,161 <i>(Note 2)</i>	13.419%
Zhou Xunlan	Beneficial owner	8,595,200	8.12%

Management Discussion and Analysis

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

9. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SECURITIES *(Continued)*

Notes:

1. Sea-Sea Marine, China Lion and China Harvest are deemed to be interested in the 673,700 Shares held by Pilot Assets Group Limited only under the SFA.
2. Sea-Sea Marine is wholly-owned by Besco, which in turn is wholly-owned by Summit Trustees in its capacity as trustee of The Lowndes Foundation with Mr. Hsu Chih-Chien as settlor of the trust. Summit Trustees is a wholly-owned subsidiary of Summit Trust International and Summit Trust International is deemed to have an interest in the Shares of the Company which Summit Trustees has an interest in. Besco, Summit Trustees in its capacity as trustee of a discretionary trust with Mr. Hsu Chih-Chien as settlor, Summit Trust International and Mr. Hsu Chih-Chien are all deemed to be interested in the Shares held by Sea-Sea Marine under SFO and the SFA.
3. Ms. Yeh Wen-Yao is the spouse of Mr. Hsu Chih-Chien and is deemed to be interested in the Shares held by Sea-Sea Marine under the SFO.
4. These Shares are registered in the name of China Lion, the entire issued share capital of which is owned by Mr. Wu Chao-Huan as to 60% and by Ms. Wang Ho as to 40%. Ms. Wang Ho is the spouse of Mr. Wu Chao-Huan. Mr. Wu Chao-Huan and Ms. Wang Ho are deemed to be interested in the Shares held by China Lion under the SFO and the SFA.