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)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of Courage Marine Group Limited (the "**Company**") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the year ended 31 December 2016 together with comparative figures as follows:

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	*5*	**4,546**	6,663
Cost of sales		**(6,973)**	(11,073)
Gross loss		**(2,427)**	(4,410)
Other income		**28**	444
Other gains and losses, net	*6*	**867**	(5,833)
Administrative expenses		**(3,238)**	(3,430)
Impairment loss on property, plant and equipment	*13*	**(10,763)**	(20,651)
Share of result of a joint venture		**(543)**	–
Other expenses	*7*	**(873)**	(1,870)
Finance costs	*8*	**(817)**	(1,091)
Loss before tax		**(17,766)**	(36,841)
Income tax expense	*9*	**–**	(2)
Loss for the year	*10*	**(17,766)**	(36,843)

	Note	2016 US$'000	2015 US$'000
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)
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)	*11*		
Basic and diluted		**(13.68)**	(34.36)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 US$'000	2015 US$'000
Non-current assets			
Property, plant and equipment	13	**14,428**	32,886
Investment property	14	**7,290**	–
Interest in a joint venture		**4,733**	5,330
Long-term deposits		**–**	1,816
Available-for-sale investment		**79**	79
Total non-current assets		**26,530**	40,111
Current assets			
Inventories		**181**	–
Trade receivables	15	**281**	–
Other receivables and prepayments		**2,466**	4,142
Amount due from a joint venture		**669**	669
Financial assets at fair value through profit or loss		**645**	–
Restricted bank deposits		**–**	3,697
Time deposit		**500**	–
Cash and cash equivalents		**4,544**	10,407
		9,286	18,915
Asset classified as held-for-sale	17	**1,449**	–
Total current assets		**10,735**	18,915
Total assets		**37,265**	59,026

	Notes	**2016**	2015
		US$'000	*US$'000*
Current liabilities			
Deposit received, other payables and accruals		**1,980**	1,633
Borrowings – due within one year	*16*	**7,587**	2,691
		9,567	4,324
Liability associated with asset classified as held-for-sale	*17*	**182**	–
Total current liabilities		**9,749**	4,324
Capital and reserves			
Share capital		**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	*16*	**12,212**	21,799
Deferred tax liability		**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

Notes:

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 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. 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.

2. Application of new and revised international financial reporting standards

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.

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.

4. 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.

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 for the year									**(17,766)**	(36,843)

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.

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	2015
	US$'000	*US$'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.*

5. Revenue

	2016	2015
	US$'000	*US$'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 fair value through profit or loss ("**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.

6. Other gains and losses, net

	2016	2015
	US$'000	*US$'000*
Gain on disposals of subsidiaries	**450**	–
Increase in fair value of an investment property *(note 14)*	**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)

7. Other expenses

	2016	2015
	US$'000	*US$'000*
Acquisition costs in relation to the acquisition of subsidiaries	**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

8. Finance costs

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

9. Income tax expense

	2016	2015
	US$'000	*US$'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.

10. Loss for the year

Loss for the year has been arrived at after charging:

	2016	2015
	US$'000	*US$'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**	–

11. 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.

12. 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.

13. Property, plant and equipment

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 ("**BDI**") remained at low level during most of the time of 2015 and 2016 as compared 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. In estimating the fair value of these vessels, the highest and best use of the vessels were their current use. 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 14) 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.

14. Investment property

	US$'000
FAIR VALUE	
At 1 January 2016	–
Acquisition during the year	**2,851**
Transferred from property, plant and equipment *(note 13)*	**6,777**
Increase in fair value recognised in profit or loss	**513**
Disposed	**(1,402)**
Reclassified to asset held-for-sale *(note 17)*	**(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.

The rental income from the Group's investment property, which was generated under operating leases, 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 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.

15. 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	–

16. 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 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).

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 the 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 MV Zorina amounting to US$8,517,000 at 31 December 2016, the Group had signed a memorandum of agreement (note 18(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 neither requested the Group to provide additional security nor to early repay the borrowing up to the date of this announcement. 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.

17. Asset classified as held-for-sale

As mentioned in note 14, 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	2015
	US$'000	*US$'000*
Asset classified as held-for-sale		
Investment property	**1,449**	–
Liability associated with asset classified as held-for-sale		
Other payable	**(182)**	–

18. 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 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 announcement.

FINAL DIVIDEND

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

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.

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).

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.

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$10,530,000 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.

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.

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

AUDIT COMMITTEE

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

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

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

By Order of the Board
Courage Marine Group Limited
Sue Ka Lok
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises Mr. Sue Ka Lok (Chairman), Mr. Lai Ming Wai (Chief Executive Officer) and Ms. Chan Yuk Yee as Executive Directors and Mr. Ngiam Zee Moey, Mr. Zhou Qijin and Mr. To Yan Ming, Edmond as Independent Non-executive Directors.