# COURAGE INVESTMENT GROUP LIMITED
# 勇利投資集團有限公司

*(Incorporated in Bermuda with limited liability)*
**(Hong Kong Stock Code: 1145)**
**(Singapore Stock Code: CIN)**

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the "**Board**") of Courage Investment Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "**Group**") for the year ended 31 December 2017 together with comparative figures as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **Revenue** | *5* | **9,897** | 4,546 |
| Cost of goods sold and direct expenses | | **(7,192)** | (6,973) |
| Other income | | **65** | 28 |
| Other gains and losses, net | *6* | **4,724** | 867 |
| Administrative expenses | | **(1,638)** | (3,238) |
| Impairment loss reversed (recognised) on vessels | *12* | **5,352** | (10,763) |
| Share of result of a joint venture | | **(547)** | (543) |
| Other expenses | | **(3)** | (873) |
| Finance costs | *7* | **(774)** | (817) |
| Profit (loss) before tax | *8* | **9,884** | (17,766) |
| Income tax credit | *9* | **1** | – |
| **Profit (loss) for the year** | | **9,885** | (17,766) |

| | Note | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **Other comprehensive income (expense) for the year, net of income tax:** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Deficit on revaluation of leasehold land and building | | **–** | (164) |
| Deferred tax credit arising on revaluation of leasehold land and building | | **–** | 24 |
| | | **–** | (140) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **299** | (124) |
| Net increase in fair value of available-for-sale investments | | **63** | – |
| Realisation of translation reserve upon disposal of subsidiaries | | **–** | 40 |
| | | **362** | (84) |
| Other comprehensive income (expense) for the year | | **362** | (224) |
| **Total comprehensive income (expense) for the year** | | **10,247** | (17,990) |
| **Profit (loss) for the year attributable to:** | | | |
| Owners of the Company | | **9,885** | (17,381) |
| Non-controlling interests | | **–** | (385) |
| | | **9,885** | (17,766) |
| **Total comprehensive income (expense) for the year attributable to:** | | | |
| Owners of the Company | | **10,247** | (17,575) |
| Non-controlling interests | | **–** | (415) |
| | | **10,247** | (17,990) |
| **Basic earnings (loss) per share attributable to owners of the Company (US cents)** | *10* | **2.18** | (4.56) |
| | | | (restated) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

| | Notes | 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *12* | **19,501** | 14,428 |
| Investment property | | **9,058** | 7,290 |
| Interest in a joint venture | | **4,485** | 4,733 |
| Available-for-sale investments | *13* | **9,539** | 79 |
| | | **42,583** | 26,530 |
| **Current assets** | | | |
| Inventories | | **521** | 181 |
| Available-for-sale investments | *13* | **200** | – |
| Trade receivables | *14* | **513** | 281 |
| Other receivables and prepayments | | **916** | 2,466 |
| Amount due from a joint venture | | **669** | 669 |
| Financial assets at fair value through profit or loss | *15* | **8,067** | 645 |
| Time deposit | | **500** | 500 |
| Cash and cash equivalents | | **2,744** | 4,544 |
| | | **14,130** | 9,286 |
| Asset classified as held-for-sale | | **–** | 1,449 |
| | | **14,130** | 10,735 |
| **Total assets** | | **56,713** | 37,265 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **Current liabilities** | | | |
| Trade payables | *16* | **556** | – |
| Deposits received, other payables and accruals | | **1,292** | 1,980 |
| Borrowings – due within one year | *17* | **4,116** | 7,587 |
| | | **5,964** | 9,567 |
| Liability associated with asset classified as held-for-sale | | **–** | 182 |
| | | **5,964** | 9,749 |
| **Capital and reserves** | | | |
| Share capital | *18* | **27,443** | 22,871 |
| Reserves (deficit) | | **10,314** | (7,568) |
| **Total equity** | | **37,757** | 15,303 |
| **Non-current liabilities** | | | |
| Borrowings – due more than one year | *17* | **12,992** | 12,212 |
| Deferred tax liability | | **–** | 1 |
| | | **12,992** | 12,213 |
| **Total liabilities and equity** | | **56,713** | 37,265 |
| **Net current assets** | | **8,166** | 986 |
| **Total assets less current liabilities** | | **50,749** | 27,516 |

*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 "**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.

## 2. Application of new and revised international financial reporting standards

*Amendments to International Financial Reporting Standards that are mandatorily effective for the current year*

The Group has applied the following amendments to International Financial Reporting Standards ("**IFRSs**") for the first time in the current year:

| | |
|---|---|
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 | As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle |

Except as described below, the application of the above amendments to 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.

**Amendments to IAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

Apart from the additional disclosure requirement as stated in above, the application of these amendments has had no impact 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property that are measured at 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 2017, the Group commenced to invest in corporate bonds which were classified as available-for-sale ("**AFS**") investments in the consolidated financial statements.

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

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

Segment results represent the profit/loss from each segment without allocation of corporate income, corporate expenses, impairment loss reversed (recognised) on vessels, share of result of a joint venture and finance costs.

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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Segment revenue | **1,756** | 3,613 | **5,634** | 713 | **1,961** | 66 | **546** | 154 | **9,897** | 4,546 |
| Segment results | **173** | (3,270) | **(27)** | (771) | **3,615** | 436 | **3,380** | 126 | **7,141** | (3,479) |
| Unallocated: | | | | | | | | | | |
| Corporate income | | | | | | | | | **93** | 8 |
| Corporate expenses | | | | | | | | | **(1,381)** | (2,172) |
| Impairment loss reversed (recognised) on vessels | | | | | | | | | **5,352** | (10,763) |
| Share of result of a joint venture | | | | | | | | | **(547)** | (543) |
| Finance costs | | | | | | | | | **(774)** | (817) |
| Profit (loss) before tax | | | | | | | | | **9,884** | (17,766) |

**Geographical information**

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

The directors of the Company consider that the nature of the Group's marine transportation business precludes a meaningful allocation of the Group's revenue and non-current assets to specific geographical segments as these revenue and non-current assets mainly derives from and include vessels which are utilised across different geographical markets.

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 | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Hong Kong | **6,417** | 757 | **9,059** | 7,296 |
| People's Republic of China | **–** | 176 | **4,485** | 4,733 |
| Singapore | **1,724** | – | **–** | – |
| | **8,141** | 933 | **13,544** | 12,029 |

*Note:* Non-current assets excluded available-for-sale investments and the carrying amount of the vessels. Revenue excluded the revenue from marine transportation services.

**Information about major customers/sources**

Revenue arising from customers/sources individually contributing over 10% of the total revenue of the Group are related to merchandise trading and property holding and investment segments (2016: marine transportation services segment) and are disclosed as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Customer/source A (from merchandise trading segment) | **3,284** | 440 |
| Customer/source B (from property holding and investment segment) | **1,724** | –* |
| Customer/source C (from merchandise trading segment) | **1,076** | –* |
| Customer/source D (from marine transportation services segment) | **–*** | 1,810 |
| Customer/source E (from marine transportation services segment) | **–*** | 1,010 |
| | **6,084** | 3,260 |

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

## 5. Revenue

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Marine transportation services income: | | |
| – Vessel voyage charter | **14** | 3,563 |
| – Vessel time charter | **1,742** | 50 |
| Merchandise trading income | **5,634** | 713 |
| Dividend income from an investee company *(note)* | **1,724** | – |
| Rental income from an investment property | **237** | 66 |
| Interest income from financial assets at fair value through profit or loss ("**FVTPL**") | **49** | 99 |
| Interest income from AFS investments | **398** | – |
| Dividend income from financial assets at FVTPL | **99** | 55 |
| | **9,897** | 4,546 |

*Note:* The dividend income from an investee company represents the dividend income derived from the investment in Santarli Realty Pte Ltd. ("**Santarli Realty**") during the year, which was classified as AFS investment (note 13(i)).

## 6. Other gains and losses, net

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Gain on disposals of subsidiaries | **51** | 450 |
| Increase in fair value of an investment property | **1,768** | 513 |
| Net increase in fair value of financial assets at FVTPL | **2,489** | – |
| Realised gain (loss) on disposals of financial assets at FVTPL *(note)* | **335** | (29) |
| Net foreign exchange gain (loss) | **81** | (67) |
| | **4,724** | 867 |

*Note:* The amount represents gain (loss) on disposals of financial assets at FVTPL measured on the difference between the net proceeds from disposals during the year and the acquisition costs as all the financial assets were purchased during the current year.

## 7. Finance costs

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Interest expenses from borrowings | **774** | 817 |

## 8. Profit (loss) before tax

Profit (loss) before tax has been arrived at after charging:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Auditor's remuneration | **159** | 213 |
| Employee benefits expense (including directors' emoluments): | | |
| – Salaries and other benefits | **603** | 848 |
| – Contributions to retirement benefits scheme | **17** | 16 |
| Total employee benefits expenses | **620** | 864 |
| Marine crew expenses | **884** | 1,237 |
| Depreciation of property, plant and equipment | **276** | 1,051 |
| Amortisation of intangible assets | – | 192 |
| Allowance for inventories | **5** | 397 |

## 9. Income tax credit

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Deferred tax credit | **1** | – |

No tax is payable on the profit for the year ended 31 December 2017 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. There was no assessable profit in 2016. In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

## 10. Earnings (loss) per share

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

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Earnings (loss)** | | |
| Profit (loss) for the year attributable to owners of the Company | **9,885** | (17,381) |

| | **2017** | 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue during the year *(note)* | **453,828** | 381,177 |
| | | (restated) |

*Note:* The weighted average number of ordinary shares for the years ended 31 December 2017 and 2016 for the purpose of calculating the basic earnings (loss) per share had been adjusted to account for the effect of the share subdivision of the capital of the Company (note 18(i)) which became effective on 6 July 2017.

For the years ended 31 December 2017 and 2016, no diluted earnings (loss) per share is presented as there were no dilutive potential ordinary shares outstanding during both years.

## 11. Dividend

During the year, no dividend was paid, declared or proposed (2016: nil), nor has any dividend been proposed by the directors for the year since the end of reporting period.

## 12. Property, plant and equipment

In 2016, the Group experienced unfavourable market conditions as demonstrated by the decrease in second-hand price of vessels and the Baltic Dry Index ("**BDI**") was remained at low level during a large part of 2016, which led to the significant decrease in revenue generated by the vessels of the Group. Since the recoverable amounts of the vessels were lower than their carrying amounts at 31 December 2016, an impairment loss of US$10,763,000 was recognised in the profit or loss in 2016.

In 2017, as indicated by the rebound of the BDI and the second-hand price of vessels, the dry bulk market recovered considerably. Since the recoverable amounts of the vessels were higher than their carrying amounts at 31 December 2017, a reversal of impairment loss of US$5,352,000 was recognised in profit or loss in 2017.

## 13. Available-for-sale investments

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Unlisted investment, at cost: | | |
| – Equity securities *(note (i))* | **79** | 79 |
| Listed investments, at fair value: | | |
| – Debt securities *(note (ii))* | **9,660** | – |
| | **9,739** | 79 |
| Analysed for reporting purposes as: | | |
| Current assets | **200** | – |
| Non-current assets | **9,539** | 79 |

*Notes:*

(i) The Group holds 10% (2016: 10%) of the ordinary share capital of Santarli Realty, a company engaged in property development business in Singapore. The directors of the Company 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. The above unlisted equity securities were measured at cost less impairment at the end of the reporting period.

(ii) The fair values of the listed debt securities were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange or SGX-ST.

## 14. Trade receivables

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (2016: 2 weeks) after the issuance of invoices while other customers are requested to prepay the charter-hire income in full before discharging for voyage charter. The credit period for customers of time charter are 30 days. The Group normally allows credit period for customers of merchandise trading ranging from 30 days to 90 days (2016: 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:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 to 90 days | **468** | 254 |
| 91 to 180 days | **45** | 27 |
| | **513** | 281 |

## 15. Financial assets at fair value through profit or loss

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Held for trading, at fair value: | | |
| Equity-linked notes *(note (i))* | **–** | 645 |
| Equity securities listed in Hong Kong *(note (ii))* | **8,067** | – |
| | **8,067** | 645 |

*Notes:*

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

(ii) The fair values of these listed equity securities were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange.

## 16. Trade payables

The following is an aged analysis of trade payables presented based on the invoice date:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 61 – 90 days | **112** | – |
| Over 90 days | **444** | – |
| | **556** | – |

## 17. Borrowings

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Secured bank loans | **17,108** | 19,799 |
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | **2,691** | 2,691 |
| More than one year, but not exceeding two years | **9,339** | 2,691 |
| More than two years, but not exceeding five years | **5,078** | 11,631 |
| More than five years | **–** | 2,786 |
| Total | **17,108** | 19,799 |
| The carrying amounts of the bank loans that are repayable on demand due to breach of loan covenants: | | |
| Repayable on demand | **1,425** | 6,441 |
| Within one year | **2,691** | 1,146 |
| More than one year, but not exceeding two years | **7,914** | 2,691 |
| More than two years, but not exceeding five years | **5,078** | 6,735 |
| More than five years | **–** | 2,786 |
| | **17,108** | 19,799 |
| Less: amounts due within one year shown under current liabilities | **(4,116)** | (7,587) |
| Amounts shown under non-current liabilities | **12,992** | 12,212 |
| Effective interest rate (%) per annum | **3.70 – 4.56** | 3.23 – 3.97 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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

During the year ended 31 December 2017, the Group repaid bank loans totalling US$2,691,000 (2016: US$4,691,000). The bank loans were carrying interest at London Interbank Offered Rates plus certain basis points. The outstanding bank loans at 31 December 2017 were repayable within 2 to 5 years (2016: repayable within 3 to 6 years).

The borrowings at 31 December 2017 and 2016 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 Group has no history of default for repayment of the borrowings.

At 31 December 2017, the Group failed to maintain the financial covenant in relation to the security coverage ratio as stipulated in a (2016: two) borrowing agreement with the relevant bank. The corresponding loan amount at 31 December 2017 was US$9,738,000 (2016: US$19,799,000). 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 agreement, the Group should either provide cash deposit as additional security or repay certain portion of the outstanding loan balance amounting to US$1,425,000 (2016: US$6,441,000) so as to cause the security coverage ratio be maintained at the required level. The shortfall to maintain the security coverage ratio amounting to US$1,425,000 (2016: US$6,441,000) was considered as bank borrowings repayable on demand and included as the Group's current liabilities.

During the year, the Group raised a new loan from a licensed money lender, which was a related party of the Company, amounting to US$774,000 (2016: nil). The loan carried interest at 10% per annum and was fully repaid during the year.

## 18. Share capital

| | **Number of shares** *'000* | **Amount** *US$'000* |
|---|---|---|
| Authorised: | | |
| At 1 January 2016 and 31 December 2016 (US$0.18 per share) | 1,000,000 | 180,000 |
| Share subdivision *(note (i))* | 2,000,000 | – |
| At 31 December 2017 (US$0.06 per share) | **3,000,000** | **180,000** |
| Issued and fully paid: | | |
| At 1 January 2016 and 31 December 2016 (US$0.18 per share) | 127,059 | 22,871 |
| Issue of new shares *(note (ii))* | 25,400 | 4,572 |
| Share subdivision *(note (i))* | 304,918 | – |
| At 31 December 2017 (US$0.06 per share) | **457,377** | **27,443** |

All issued ordinary shares have a par value of US$0.06 each (2016: US$0.18 each), carry one vote per share and carry rights to dividends as and when declared by the Company.

*Notes:*

(i) On 6 July 2017, the Company implemented a share subdivision by subdividing every one existing share of the Company with par value of US$0.18 each in the share capital of the Company into three subdivided shares of the Company with par value of US$0.06 each (the "**Share Subdivision**"). Immediately after the Share Subdivision became effective, the authorised share capital of the Company became US$180,000,000 divided into 3,000,000,000 subdivided shares of par value of US$0.06 each, of which approximately 457,377,000 subdivided shares were in issue and were credited as fully paid.

(ii) On 18 January 2017, the Company completed a placement of 25,400,000 ordinary shares (equivalent to 76,200,000 subdivided shares) under general mandate to certain independent third parties at an issue price of HK$3.82 each (equivalent to approximately HK$1.27 per subdivided share) (the "**2017 Placing**") and recognised an increase in share capital of US$4,572,000 and share premium of US$7,635,000 (after netting off US$313,000 share issue expenses). The net proceeds from the 2017 Placing were US$12,207,000. The new shares issued pursuant to the 2017 Placing rank pari passu in all respects with the then existing shares.

## FINAL DIVIDEND

In order to retain financial resources for future development of the Group, the Board has resolved not to declare a final dividend for the year ended 31 December 2017 (2016: nil).

## BUSINESS REVIEW

During the year ended 31 December 2017 ("**FY2017**"), the Group continued to principally engage in the business of marine transportation services, property holding and investment, investment holding and merchandise trading.

The Board is pleased to report that the Group achieved a turnaround of its results by posting a profit of US$9,885,000 for FY2017, in contrast to its loss of US$17,766,000 for the year ended 31 December 2016 ("**FY2016**"), and registered a basic earnings per share of US2.18 cents (2016: loss per share of US4.56 cents (restated)). The Group's revenue also increased by 118% reaching US$9,897,000 for the current year (2016: US$4,546,000), which was mainly due to the increase in revenue of the merchandise trading business of US$4,921,000, and of the property holding and investment business of US$1,895,000.

### Marine transportation services

For FY2017, the Group's marine transportation business generated a revenue of US$1,756,000, which showed a decline of 51% from the prior year (2016: US$3,613,000), and recorded an operating profit of US$173,000, in contrast to the operating loss of US$3,270,000 in FY2016. The decline of operation's revenue that coupled with the turnaround of its results was mainly due to the change in mode of operation of this business since February 2017 by putting the two vessels held, namely MV Zorina and MV Heroic, primarily on time chartering mode rather than on the previous voyage chartering mode. This change in mode of vessel operation greatly enhances the utilisation rate of these vessels by having them on hire on a much longer and continuous term while correspondingly the Group is in a better position to control the vessels' operating costs. Under time chartering, the revenue derived from chartering the vessels is lesser than that from voyage chartering as the charterer will be responsible for a majority of the vessels' running costs. For FY2017, the utilisation rate of the Group's vessels was over 96% compared to 67% in FY2016. Nevertheless, the outlook for market conditions of vessel chartering remains competitive and challenging as the BDI, which has a close correlation to freight rate, was volatile in FY2017. During the year, BDI was at its low and below 700 points in February 2017, reached its peak and over 1,700 points in December 2017, and was hovering between 800 to 1,400 points level throughout a large part of the year. In light of these volatile market conditions, the management will continue to explore various measures that can raise revenue and save costs of this operation in order to further improve its results in 2018. For FY2017, there was a reversal of impairment loss of US$5,352,000 on the two vessels held by the Group primarily due to the rebound of BDI in December 2017 and the general rise of second-hand vessel prices.

**Property holding and investment**

The property holding and investment business continued to deliver a profitable result of US$3,615,000 (2016: US$436,000) and contributed a revenue of US$1,961,000 (2016: US$66,000) to the Group in FY2017. The Group has leased out its investment property being an office unit in Shun Tak Centre, Sheung Wan, Hong Kong since September 2016 and rental income of US$237,000 (2016: US$66,000) was generated for the current year. The investment property was valued at US$9,058,000 at year end (2016: US$7,290,000) and a revaluation gain of US$1,768,000 (2016: US$513,000) was recognised in FY2017. The Group held a 10% interest in a residential property development project in Singapore which was completed in 2016 and received distribution of profits totalling US$1,724,000 (2016: nil) from this project during FY2017. The Group also disposed a subsidiary which held a residential property in Singapore at a consideration of US$1,500,000 and recorded a gain of US$51,000 upon disposal of this subsidiary.

**Investment holding**

The Group's investment holding business contributed a revenue of US$546,000 (2016: US$154,000) and recorded an operating profit of US$3,380,000 (2016: US$126,000) in FY2017. During the year, the Group continued to invest in listed equity securities and equity-linked notes and has commenced to invest in corporate bonds for the purpose of diversifying the Group's investment portfolio and broadening its income base. The corporate bonds acquired by the Group were issued by property and aircraft leasing companies listed on the Hong Kong Stock Exchange with yield to maturity upon acquisition of these bonds ranging from approximately 4.68% to 8.75% per annum. For FY2017, the revenue of this business comprised interest income from equity-linked notes and corporate bonds, and dividends from equity securities. The operating profit of this business represented mainly unrealised gain on listed equity securities held at year end of US$2,489,000 (2016: nil) and realised gain on disposal of listed equity securities of US$335,000 (2016: loss of US$29,000). At 31 December 2017, the Group's investments classified as "financial assets at fair value through profit or loss" of US$8,067,000 represented a portfolio of listed equity securities held and the Group's investments classified as "available-for-sale investments", constituted by current and non-current portion totalling US$9,660,000, represented a portfolio of corporate bonds held.

**Merchandise trading**

The Group continued to develop its merchandise trading business which focuses on trading of consumable goods relating to infant and personal care products during FY2017. During the second half of 2017, the operation has expanded its business scope to electronic components with the view to expand its revenue base. The operation generated a revenue of US$5,634,000 (2016: US$713,000) and recorded a small operating loss of US$27,000 (2016: US$771,000) for the year. The sharp rise of the revenue was mainly due to the expanded range of consumable goods traded, and the additional sales generated from trades of electronic components, whilst the operating loss recorded was mainly due to promotion expenses incurred.

**Share of result of a joint venture**

During FY2017, the Group shared the loss of a joint venture amounting to US$547,000 (2016: US$543,000) which mainly related to the decrease in fair value of an industrial property in Shanghai, China held by the joint venture, the property is intended for leasing. At 31 December 2017, the carrying value of the investment in joint venture was US$4,485,000 (2016: US$4,733,000).

**Overall results**

The Group achieved a turnaround of its results by reporting a profit attributable to owners of the Company of US$9,885,000 (2016: loss of US$17,381,000) and comprehensive income attributable to owners of the Company of US$10,247,000 (2016: loss of US$17,575,000). The turnaround of the Group's results was mainly attributed to (i) the reversal of impairment loss on the Group's vessels of US$5,352,000 recognised in FY2017 in contrast with the impairment loss of US$10,763,000 recognised in prior year; (ii) the increase in fair value of the Group's investment property of US$1,768,000; and (iii) the profitable operating results of the Group's property holding and investment, investment holding and marine transportation services businesses.

## FINANCIAL REVIEW

**Liquidity, financial resources and capital structure**

During FY2017, the Group financed its operation mainly by credit facilities provided by banks and shareholders' funds. At 31 December 2017, the Group had current assets of US$14,130,000 (2016: US$10,735,000) and liquid assets comprising bank balances and cash, time deposit and investment in listed equity securities totalling US$11,311,000 (2016: US$5,689,000). The Group's current ratio, calculated based on current assets over current liabilities of US$5,964,000 (2016: US$9,749,000), was at a strong ratio of about 2.37 at year end (2016: 1.10). At 31 December 2017, equity attributable to owners of the Company amounted to US$37,757,000 (2016: US$15,303,000), increased by US$22,454,000 or 147% compared to the prior year end and was mainly due to the completion of placing of 25,400,000 Company's new shares in January 2017 that raised net proceeds of US$12,207,000, and the profit earned by the Group during FY2017.

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 dollar, 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:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | US$'000 |
| Secured bank loans | **17,108** | 19,799 |
| Carrying amount repayable: | | |
| Repayable on demand | **1,425** | 6,441 |
| Within one year | **2,691** | 1,146 |
| More than one year, but not exceeding two years | **7,914** | 2,691 |
| More than two years, but not exceeding five years | **5,078** | 6,735 |
| More than five years | **–** | 2,786 |
| | **17,108** | 19,799 |

The Group's finance costs of US$774,000 for the year represented mainly interests for the above bank borrowings, finance costs decreased by 5% compared to the prior year (2016: US$817,000) as there were less bank borrowings during FY2017.

The Group's gearing ratio, calculated on the basis of total bank borrowings of US$17,108,000 (2016: US$19,799,000) divided by total equity of US$37,757,000 (2016: US$15,303,000), was at a ratio of about 45% at year end (2016: 129%). The Group's gearing ratio has greatly improved mainly due to the completion of the Company's shares placement in January 2017 as well as the profitable results recorded by the Group in FY2017.

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 January 2017, the Company completed the placing of 25,400,000 new shares to independent investors at the price of HK$3.82 per share (before the completion of the Share Subdivision as mentioned below). The net proceeds from the placing amounted to US$12,207,000 and has been used as intended as general working capital of the Group and for funding of attractive business/investment opportunities. A majority of the proceeds has been applied for the operation and development of the Group's investment holding and merchandise trading businesses.

**Share subdivision**
On 6 June 2017, the Board proposed to implement the Share Subdivision by subdividing every one existing share of the Company with par value of US$0.18 each in the share capital of the Company into three subdivided shares of the Company with par value of US$0.06 each. The Share Subdivision was approved by the shareholders of the Company on 28 June 2017 and became effective on 6 July 2017.

## PROSPECTS

FY2017 was a successful year for the Group, looking forward, the management will keep up their efforts in managing the businesses of the Group and will continue to seize investment/business opportunities with attractive returns aiming to create value to our shareholders. Particular emphasis will be placed by the Group on investment/business opportunities linking with the "One Belt, One Road" and "Greater Bay Area" initiatives strongly supported by the Chinese Government, which are beneficial to Hong Kong's long-term economic prospects.

## 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 of the Hong Kong Listing Rules for the year ended 31 December 2017 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 2017, there has been a deviation from the code provision A.4.1 before 29 March 2017 since Mr. Ngiam Zee Moey ("**Mr. Ngiam**"), a former Independent Non-executive Director, was not appointed for a specific term but was 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. 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 on 29 March 2017.

## AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company and 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 2017, 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 Investment Group Limited**
**Sue Ka Lok**
*Chairman*

Hong Kong, 27 March 2018

*As at the date of this announcement, the Board comprises Mr. Sue Ka Lok (Chairman) as Non-executive Director; Mr. Zhang Liang (Chief Executive Officer), Ms. Wang Yu and Ms. Wan Jia as Executive Directors and Mr. Zhou Qijin and Mr. To Yan Ming, Edmond as Independent Non-executive Directors.*