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 2018

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 to as the "**Group**") for the year ended 31 December 2018 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPRESHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***US$'000***	2017 *US$'000*
Revenue			
Marine transportation income		**5,886**	1,756
Trading income		**5,248**	5,634
Interest income		**629**	447
Dividend income		**155**	1,823
Rental income		**273**	237
Total revenue	*6*	**12,191**	9,897
Cost of goods sold and direct expenses		**(10,122)**	(7,192)
Other income		**75**	65
Other gains and losses, net	*7*	**(3,102)**	4,724
Administrative expenses		**(1,334)**	(1,638)
Impairment loss reversed on vessels	*13*	**4,257**	5,352
Share of result of a joint venture		**99**	(547)
Other expenses		**–**	(3)
Finance costs	*8*	**(812)**	(774)

	Notes	**2018**	2017
		US$'000	*US$'000*
Profit before tax	*9*	**1,252**	9,884
Income tax (expense) credit	*10*	**(1)**	1
Profit for the year attributable to owners of the Company		**1,251**	9,885
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(247)**	299
Net decrease in fair value of debt instruments at fair value through other comprehensive income		**(1,107)**	–
Net increase in fair value of available-for-sale investments		**–**	63
Other comprehensive (expense) income for the year, net income tax		**(1,354)**	362
Total comprehensive (expense) income for the year attributable to owners of the Company		**(103)**	10,247
Basic earnings per share attributable to owners of the Company (US cent(s))	*11*	**0.25**	2.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** ***US$'000***	2017 *US$'000*
Non-current assets			
Property, plant and equipment	*13*	**23,460**	19,501
Deposit paid for an acquisition	*20*	**1,088**	–
Investment property		**10,490**	9,058
Interest in a joint venture		**4,337**	4,485
Debt instruments at fair value through other comprehensive income	*14*	**8,829**	–
Available-for-sale investments		**–**	9,539
		48,204	42,583
Current assets			
Inventories		**722**	521
Available-for-sale investments		**–**	200
Trade receivables	*15*	**441**	513
Other receivables and prepayments		**1,702**	916
Amount due from a joint venture		**669**	669
Financial assets at fair value through profit or loss	*16*	**2,596**	8,067
Time deposit		**500**	500
Bank balances and cash		**4,284**	2,744
		10,914	14,130
Total assets		**59,118**	56,713

	Notes	**2018** **US$'000**	2017 US$'000
Current liabilities			
Trade payables	*17*	**363**	556
Deposits received, other payables and accruals		**1,211**	1,292
Contract liabilities		**42**	–
Income tax payable		**1**	–
Borrowings – due within one year	*18*	**9,339**	4,116
		10,956	5,964
Capital and reserves			
Share capital	*19*	**32,931**	27,443
Reserves		**10,153**	10,314
Total equity		**43,084**	37,757
Non-current liability			
Borrowings – due more than one year	*18*	**5,078**	12,992
Total liabilities and equity		**59,118**	56,713
Net current (liabilities) assets		**(42)**	8,166
Total assets less current liabilities		**48,162**	50,749

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. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and secondarily listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The consolidated financial statements are presented in the 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. Basis of preparation of consolidated financial statements

As at 31 December 2018, the Group had net current liabilities of US$42,000. The consolidated financial statements of the Group have been prepared on a going concern basis for the reason that the bank has agreed to renew a loan facility of US$7,000,000 which is to be repaid by quarterly instalments over 5 years as set out in note 18. The directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future.

3. Application of new and amendments to International Financial Reporting Standards (IFRSs)

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

3.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from the following major sources which arise from contracts with customers:

- Marine transportation income
- Merchandise trading income

Information about the Group's performance obligations resulting from application of IFRS 15 are disclosed in note 6.

Effect arising from initial application of IFRS 15

The application of the IFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current year and accumulated losses at 1 January 2018.

3.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities and (ii) expected credit losses ("**ECL**") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

		Available-for sale ("AFS") investments	Equity instrument at fair value through other comprehensive income ("FVTOCI")	Debt instruments at FVTOCI
		US$'000	*US$'000*	*US$'000*
Closing balance at 31 December 2017 – IAS 39		9,739	–	–
Effect arising from initial application of IFRS 9:				
Reclassification				
From AFS investments	*Note*	(9,739)	79	9,660
Opening balance at 1 January 2018		–	79	9,660

Note:

The Group elected to present in other comprehensive income for the fair value changes of all its equity investment previously classified as AFS investments. At the date of initial application of IFRS 9, US$79,000 was reclassified from AFS investments to equity instrument at FVTOCI, which was an unquoted equity investment previously measured at cost less impairment under IAS 39. Based on the assessment by the directors of the Company, the fair value of the unquoted equity investment as at 1 January 2018 was approximately US$79,000.

Listed bonds with a fair value of US$9,660,000 were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of US$63,000 continued to accumulate in the investment revaluation reserve as at 1 January 2018.

4. 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 an investment property that are measured at fair values.

5. **Segment information**

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the executive directors of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance. This is also the current basis of organisation in the Group, whereby the management has chosen to organise the Group in different operating activities.

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

1. Marine transportation
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 on vessels, share of result of a joint venture and finance costs.

Segment revenue and results

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

	Marine transportation		**Merchandise trading**		**Property holding and investment**		**Investment holding**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Segment revenue	**5,886**	1,756	**5,248**	5,634	**273**	1,961	**784**	546	**12,191**	9,897
Segment results	**942**	173	**71**	(27)	**1,739**	3,615	**(3,809)**	3,380	**(1,057)**	7,141
Unallocated:										
Corporate income									**127**	93
Corporate expenses									**(1,362)**	(1,381)
Impairment loss reversed on vessels									**4,257**	5,352
Share of result of a joint venture									**99**	(547)
Finance costs									**(812)**	(774)
Profit before tax									**1,252**	9,884

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**	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**6,305**	6,417	**10,491**	9,059
People's Republic of China	**–**	–	**4,337**	4,485
Singapore	**–**	1,724	**–**	–
	6,305	8,141	**14,828**	13,544

Note: Non-current assets excluded debt instruments at FVTOCI, AFS investments, the carrying amount of the vessels and dry-docking and deposit paid for acquisition. Revenue excluded the revenue from marine transportation.

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 marine transportation segments (2017: merchandise trading and property holding and investment segment) and are disclosed as follows:

	2018	2017
	US$'000	*US$'000*
Customer/source A (from merchandise trading segment)	**1,841**	3,284
Customer/source B (from property holding and investment segment)	**– ***	1,724
Customer/source C (from merchandise trading segment)	**1,872**	1,076
Customer/source D (from marine transportation segment)	**1,661**	– *
	5,374	6,084

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

6. Revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Marine transportation *US$'000*	Merchandise trading *US$'000*	Property holding and investment *US$'000*	Investment holding *US$'000*	Total *US$'000*
Types of goods and services:					
Merchandise trading	–	5,248	–	–	5,248
Marine transportation	4,720	–	–	–	4,720
Revenue from contracts with customers	4,720	5,248	–	–	9,968
Bareboat charting income from a vessel	1,166	–	–	–	1,166
Rental income from an investment property	–	–	273	–	273
Interest income from debt instruments at FVTOCI	–	–	–	629	629
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	–	–	–	155	155
Total revenue	5,886	5,248	273	784	12,191

(ii) Performance obligations for contracts with customers

Merchandise trading income (revenue recognised at one point in time)

The Group sells merchandise to retailers in Hong Kong. Revenue is recognised when the title of the goods has been transferred. The normal credit term is 0 to 60 days upon delivery, except for certain contracts that require upfront payment of the transaction price in full.

A contract liability is recognised for sales in which revenue has yet been recognised.

Marine transportation income (revenue recognised over time)

The Group provides marine transportation services to customers. Such service income is recognised over time as a performance obligation when the customer simultaneously receives the benefit provided by the Group. Revenue is recognised for these marine transportation services based on the stage of completion of the contract using output method.

The Group normally requires customers to provide upfront payment and that receipts are recognised as contract liabilities until the services have been performed for the customers.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017
	US$'000
Marine transportation income	1,756
Merchandise trading income	5,634
Rental income from an investment property	237
Interest income from financial assets at FVTPL	49
Interest income from AFS investments	398
Dividend income from financial assets at FVTPL	99
Dividend income from an investee company *(note)*	1,724
	9,897

Note: The dividend income from an investee company represents the dividend income received from the investment in Santarli Realty Pte Ltd. for the year ended 31 December 2017, which was classified as AFS investments as at 31 December 2017.

7. Other gains and losses, net

	2018	2017
	US$'000	*US$'000*
Increase in fair value of an investment property	**1,432**	1,768
Net (decrease) increase in fair value of financial assets at FVTPL	**(3,870)**	2,489
Realised (loss) gain on disposal of financial assets at FVTPL *(note)*	**(716)**	335
Net foreign exchange gain	**52**	81
Gain on disposal of a subsidiary	**–**	51
	(3,102)	4,724

Note: The amount represents (loss) gain on disposal of financial assets at FVTPL calculated based on the difference between the net proceeds from disposal during the year and the acquisition costs during the current year or the carrying amounts of such assets recorded at last financial year end.

8. Finance costs

	2018	2017
	US$'000	*US$'000*
Interest expenses from borrowings	**812**	774

9. Profit before tax

Profit before tax has been arrived at after charging:

	2018	2017
	US$'000	*US$'000*
Auditor's remuneration		
– audit service	**172**	159
– non-audit service	**26**	26
Employee benefits expense (including directors' emoluments):		
– Salaries and other benefits	**547**	603
– Contributions to retirement benefits scheme	**13**	17
Total employee benefits expenses	**560**	620
Property, plant and equipment written off	**–**	3
Cost of inventories recognised as expense	**5,191**	5,611
Marine crew expenses	**620**	884
Depreciation of property, plant and equipment	**497**	276
Allowance for inventories	**–**	5

10. Income tax (expense) credit

	2018	2017
	US$'000	*US$'000*
Current tax		
– Hong Kong Profits Tax	**(1)**	–
Deferred tax	**–**	1
	(1)	1

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong dollars ("**HK$**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

11. Earnings per share

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

	2018	2017
	US$'000	*US$'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,251**	9,885

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year *(note)*	**492,212**	453,828

Note: The weighted average number of ordinary shares for the year ended 31 December 2017 for the purpose of calculating the basic earnings per share had been adjusted to account for the effect of the share subdivision of the capital of the Company (note 19(i)) which became effective on 6 July 2017.

For the years ended 31 December 2018 and 2017, no diluted earnings per share is presented as there were no dilutive potential ordinary shares outstanding during both years.

12. Dividend

During the year ended 31 December 2018, no dividend was paid, declared or proposed (2017: nil), nor has any dividend been proposed by the directors of the Company since the end of reporting period.

13. Property, plant and equipment

The directors of the Company conducted a review of the Group's vessels at the end of every reporting period and determined the recoverable amounts of the vessels based on the higher of value in use and fair value less costs of disposal. During both years, the recoverable amounts were determined based on fair value less costs of disposal as these amounts were higher than the amounts of value in use. The fair value less costs of disposal 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.

During the year ended 31 December 2018, as indicated by the general rise of the Baltic Dry Index (the "**BDI**") and the price of second-hand vessels, the dry bulk market recovered considerably. Since the recoverable amounts of the vessels were higher than their carrying amounts at 31 December 2018, a reversal of impairment loss of US$4,257,000 (2017: US$5,352,000) was recognised in profit or loss for the year ended 31 December 2018.

14. Debt instruments at fair value through other comprehensive income

	2018	2017
	US$'000	*US$'000*
Listed debt securities *(note)*	**8,829**	–

Note: The fair values of the listed debt securities were determined based on the quoted market bid prices available on the Hong Kong Stock Exchange or SGX-ST.

15. Trade receivables

	2018	2017
	US$'000	*US$'000*
Trade receivables		
- merchandise trading	**423**	234
- marine transportation	**18**	279
	441	513

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to US$441,000 and US$513,000 respectively.

The credit period granted by the Group to certain customers of voyage charter in 2017 was within 2 weeks after the issuance of invoices while other customers were requested to prepay the charter-hire income in full before discharging for voyage charter. The credit period for certain customers of time charter are 30 days (2017: 30 days). The Group normally allows credit period for customers of merchandise trading ranging from 0 days to 60 days (2017: 30 days to 90 days). An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2018	2017
	US$'000	*US$'000*
0 to 90 days	**441**	468
91 to 180 days	**–**	45
	441	513

16. Financial assets at fair value through profit or loss

	2018	2017
	US$'000	*US$'000*
Held for trading, at fair value:		
Equity securities listed in Hong Kong *(note)*	**2,596**	8,067

Note: The fair values of these listed equity securities were determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

17. Trade payables

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

	2018	2017
	US$'000	*US$'000*
61 – 90 days	**363**	112
Over 90 days	**–**	444
	363	556

18. Borrowings

	2018 *US$'000*	2017 *US$'000*
Secured bank loans	**14,417**	17,108
The carrying amounts of the bank loans are repayable*:		
Within one year	**9,339**	2,691
More than one year, but not exceeding two years	**1,146**	9,339
More than two years, but not exceeding five years	**3,932**	5,078
Total	**14,417**	17,108
The carrying amounts of the bank loans are repayable:		
On demand due to breach of loan covenants	**–**	1,425
Within one year	**9,339**	2,691
More than one year, but not exceeding two years	**1,146**	7,914
More than two years, but not exceeding five years	**3,932**	5,078
	14,417	17,108
Less: amounts due within one year shown under current liabilities	**(9,339)**	(4,116)
Amounts shown under non-current liabilities	**5,078**	12,992
Effective interest rate (%) per annum	**4.29 – 5.79**	3.70 – 4.56

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

The Group's borrowings were mainly denominated in US$ which was also the functional currency of the respective entities of the Group.

During the year ended 31 December 2018, the Group repaid bank loans totalling US$2,691,000 (2017: US$3,465,000). The bank loans were carrying interest at London Interbank Offered Rates ("**LIBOR**") plus certain basis points. The outstanding bank loans at 31 December 2018 were repayable within one to four years (2017: repayable within one to five years).

The borrowings at 31 December 2018 and 2017 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 did not comply with the financial covenant in relation to the security coverage ratio as stipulated in a borrowing agreement with the relevant bank. The corresponding loan amount at 31 December 2017 was US$9,738,000. The security coverage ratio was 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 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 was considered as bank borrowings repayable on demand and included as the Group's current liabilities. At 31 December 2018, the Group complied with the financial covenant in relation to the security coverage ratio as mentioned above.

Subsequent to the year end, a bank loan, which was secured by MV Heroic, with carrying amount of US$8,193,000 as at 31 December 2018 was matured on 8 March 2019. The bank agreed to renew a portion of the loan of US$7,000,000 at an interest rate of LIBOR plus certain basis points and repayable by quarterly instalments over five years.

19. Share capital

	Number of shares *'000*	**Amount** *US$'000*
Authorised:		
At 1 January 2017 (US$0.18 per share)	1,000,000	180,000
Share subdivision *(note (i))*	2,000,000	–
At 31 December 2017 and 31 December 2018 (US$0.06 per share)	**3,000,000**	**180,000**
Issued and fully paid:		
At 1 January 2017 (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
Issue of new shares *(note (iii))*	91,475	5,488
At 31 December 2018 (US$0.06 per share)	**548,852**	**32,931**

All issued ordinary shares have a par value of US$0.06 each (2017: US$0.06 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.

(iii) On 15 August 2018, the Company completed a placement of 91,475,000 ordinary shares under general mandate to certain independent third parties at an issue price of HK$0.473 per share (the "**2018 Placing**") and recognised an increase in share capital of US$5,488,000 and a decrease in share premium of US$58,000 (after netting off US$152,000 share issue expenses). The net proceeds from the 2018 Placing were US$5,430,000.

20. Deposit paid for an acquisition and capital commitment

On 16 November 2018 and 16 January 2019, Peak Prospect Global Limited ("**Peak Prospect**"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement and a supplemental agreement (collectively the "**Agreement**") respectively with Mr. Suen Cho Hung, Paul, a substantial shareholder of the Company (the "**Vendor**"), as vendor and Peak Prospect as purchaser, for the acquisition of the entire issued share capital of and the shareholder's loan to Polyworld Marine Corp. ("**Polyworld**") for a maximum aggregate consideration of US$11,500,000 (the "**Acquisition**"). The principal purpose of entering into the Agreement is to facilitate the acquisition of a vessel formerly named MV Grand Pioneer (now known as MV Polyworld) (the "**Vessel**"), accordingly, on 16 November 2018 prior to the signing of the Agreement, the Vendor procured Polyworld to enter into a memorandum of agreement for the acquisition of the Vessel, with the intention of transferring the Vessel to the Group through the sale of Polyworld to the Group.

At 31 December 2018, a deposit of US$1,088,000 was paid to the Vendor for the Acquisition, and the balance of the maximum consideration of US$10,412,000 was disclosed as a capital commitment of the Group at the year end. The acquisition of Polyworld was completed on 20 February 2019. Details of the Acquisition were disclosed in the Company's circular dated 29 January 2019.

21. Event after the reporting period

Save for the completion of the acquisition of Polyworld as mentioned in note 20, there has been no other material event after the reporting period.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2018 (2017: nil).

BUSINESS REVIEW

During the year ended 31 December 2018 ("**FY2018**"), the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading.

The Group achieved a profit attributable to owners of the Company of US$1,251,000 (2017: US$9,885,000) and posted a basic earnings per share of US0.25 cent (2017: US2.18 cents) for FY2018. The Group's revenue also increased by 23% reaching US$12,191,000 (2017: US$9,897,000) that mainly due to the increase in revenue of the marine transportation business.

Marine transportation

For FY2018, the Group's marine transportation business generated a revenue of US$5,886,000, substantially increased by 235% when compared with the prior year (2017: US$1,756,000) and delivered an operating profit of US$942,000 (2017: US$173,000). The increases in revenue and profit of the operation were mainly due to the increase in charter rates of the Group's self-owned vessels during the year, resulting mainly from the improved market conditions of the vessel chartering business, as well as the commencement of the charter-in and charter-out vessel ("**CICOV**") business.

As a measure to expand the scope and operations of the marine transportation business, the Group has commenced its CICOV business in June 2018. Since then, the Group had charter-in two Supramax vessels and one Panamax vessel, however, owing to unstable market conditions resulting from the trade disputes between the United States and China, the Group had not continued the charter contracts of the two Supramax vessels upon their expiration. At the year end, the Group had one charter-in Panamax size vessel with carrying capacity of approximately 82,000 dead weight tonnage ("**dwt**"). The principal purpose of commencing CICOV business is to provide more options to customers in terms of mode of chartering i.e. voyage or time charter and duration of chartering period. The CICOV business enlarged the revenue base of the Group's marine transportation business and has expanded its scale of operation. For FY2018, the overall utilization rate of the Group's self-owned and charter-in vessels was over 98% (2017: over 96% (self-owned vessels)).

During the year, the BDI was at its low and below 1,000 points in April 2018, reached its peak of over 1,700 points in July 2018, and was hovering between 1,200 to 1,400 points level throughout a large part of the year. Although the market conditions of vessel chartering business have become rather volatile in recent months owing to the trade disputes and settlement negotiations between the United States and China, the Group remains prudently optimistic of the prospect of this business in the medium to long-term in light of the continuing growth of the world economy and international trade flow. For FY2018, there was a reversal of impairment loss of US$4,257,000 (2017: US$5,352,000) on the two self-owned vessels held by the Group primarily due to the general rise of the BDI and the second-hand vessel prices.

In November 2018, the Group announced to acquire a Supramax dry bulk carrier with carrying capacity of approximately 57,000 dwt, the acquisition was approved by shareholders in a special general meeting held in February 2019 and the transaction was completed accordingly. The carrying capacity of the Group's dry bulk fleet has increased through the acquisition of the vessel, the Group now has a total carrying capacity of approximately 253,000 dwt of which approximately 68% is from its self-owned vessels and the remaining 32% from the charter-in vessel. The acquisition of the vessel is in line with the Group's corporate development strategy to expand the scale of its marine transportation business.

Property holding and investment

The property holding and investment business continued to post satisfactory result by reporting profit of US$1,739,000 (2017: US$3,615,000) and contributing revenue of US$273,000 (2017: US$1,961,000) to the Group in FY2018. The Group has leased out its investment property being an office unit in Shun Tak Centre, Sheung Wan, Hong Kong since September 2016 and the property generated rental income of US$273,000 (2017: US$237,000) for the year. The investment property was valued at US$10,490,000 at the year end (2017: US$9,058,000) and a revaluation gain of US$1,432,000 (2017: US$1,768,000) was recognised in FY2018. The decreases in revenue and operating profit of this business were mainly due to the absence of profit distribution of US$1,724,000 recorded in last year from a Singapore residential property development project in which the Group held a 10% interest. As the project had been completed, no further profit distribution was received in FY2018.

Investment holding

The Group's investment holding business contributed revenue of US$784,000 (2017: US$546,000) and recorded a loss of US$3,809,000 (2017: profit of US$3,380,000) in FY2018. The revenue of the business comprised interest income from corporate bonds and dividend from listed equity securities held by the Group.

During the year, the Group continued to invest in listed equity securities and corporate bonds. 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 14.41% per annum. For listed equity securities, the Group's investment strategy is to target for stocks with good value appreciation potential whether in short, medium or long term and/or good dividend yield. For corporate bonds, the Group is to target for bonds with good interest yield and low default risk. For making investment decision on securities or bonds of individual target company, references will usually be made to its announcements, news, latest financial information, dividend policy and business prospect.

At the year end, the Group's investments classified as financial assets at FVTPL of US$2,596,000 (2017: US$8,067,000) represented a portfolio of listed equity securities held for non-long term purpose, and the Group's investments classified as debt instruments at FVTOCI of US$8,829,000 (2017: AFS investments of US$9,660,000) represented a portfolio of corporate bonds held for long term purpose (these investments were classified as AFS investments in the prior year).

For the year under review, the revenue of this business comprised interest income from corporate bonds and dividend from equity securities, whereas the loss of this business represented mainly unrealised loss on listed equity securities held at year end of US$3,870,000 in contrast with the unrealised gain of US$2,489,000 in the prior year. The unrealised loss recorded for the current year was mainly a reversal of the unrealised gains recognised on a major investment of the Group in the prior year. On a historical cost basis, the unrealised loss on the portfolio was US$2,164,000. During FY2018, the Group disposed part of its equity securities investments and derived gains of gross amount of US$315,000 and loss of gross amount of US$1,031,000, resulting in net realised loss of US$716,000. The Group intends to further divest part of its investments in listed equity securities in 2019 to reallocate its financial resources for the operation of its marine transportation business.

For FY2018, a net decrease in fair value of the Group's debt instruments at FVTOCI of US$1,107,000 (2017: net increase in fair value of AFS investments of US$63,000) was recognised as other comprehensive expense. There were no material fundamental changes in the financial parameters of these debt instruments, the net decrease in fair value of these debts was primarily due to the general rise in market interest rates in 2018 which drove down the market value of these debts.

Merchandise trading

The Group continued its merchandise trading business which focusing on trading of consumable goods relating to infant and personal care products as well as electronic components during FY2018. The business generated revenue of US$5,248,000 (2017: US$5,634,000), slightly decreased by 7%, and registered a turnaround of its results by reporting an operating profit of US$71,000 in contrast to the loss of US$27,000 recorded in the prior year.

Share of result of a joint venture

During FY2018, the Group shared the profit of a joint venture amounting to US$99,000 (2017: shared the loss of US$547,000) which mainly related to the increase in fair value of an industrial property in Shanghai China held by the joint venture, the property is vacant at present and is intended for leasing. At 31 December 2018, the carrying value of the investment in joint venture was US$4,337,000 (2017: US$4,485,000).

Overall results

The Group recorded a profit for the year attributable to owners of the Company of US$1,251,000 (2017: US$9,885,000) and total comprehensive expense attributable to owners of the Company of US$103,000 (2017: total comprehensive income of US$10,247,000). The significant decrease in profit for the year was mainly due to the unrealised loss on listed equity securities held at year end of US$3,870,000 as compared with the comparable unrealised gain of US$2,489,000 recorded in last year, despite the profitable results recorded by the other three business segments of the Group, namely marine transportation, property holding and investment and merchandise trading business, totalling US$2,752,000 (2017: US$3,761,000). The other comprehensive expense of US$1,107,000 represented the net decrease in fair value of debt instruments at FVTOCI.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

During FY2018, the Group financed its operation mainly by credit facilities provided by banks and shareholders' funds. At 31 December 2018, the Group had current assets of US$10,914,000 (2017: US$14,130,000) and liquid assets comprising bank balances and cash, time deposit and investment in listed equity securities totalling US$7,380,000 (2017: US$11,311,000). The Group's current ratio, calculated based on current assets over current liabilities of US$10,956,000 (2017: US$5,964,000), was at a ratio of about 1.00 at the year end (2017: 2.37). The decrease in current ratio was mainly due to the maturity of a bank loan in March 2019 such that the whole amount of the loan was classified as current liabilities at 31 December 2018, the Group has successfully agreed with the bank for renewal of the loan facility of US$7,000,000 for five years subsequent to year end and the Group's current ratio has improved accordingly. At 31 December 2018, the equity attributable to owners of the Company amounted to US$43,084,000 (2017: US$37,757,000), increased by US$5,327,000 or 14% compared to the prior year end that was mainly due to the completion of the placing of 91,475,000 Company's new shares in August 2018 that raised net proceeds of US$5,430,000.

At the 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:

	2018	2017
	US$'000	US$'000
Secured bank loans	**14,417**	17,108
Carrying amount repayable*:		
Within one year	**9,339**	2,691
More than one year, but not exceeding two years	**1,146**	9,339
More than two years, but not exceeding five years	**3,932**	5,078
	14,417	17,108

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

The Group's finance costs of US$812,000 for the year represented mainly interests for the above bank borrowings, finance costs increased by 5% compared to the prior year (2017: US$774,000) was mainly a result of the increase in interest rates of bank borrowings during FY2018.

The Group's gearing ratio, calculated on the basis of total bank borrowings of US$14,417,000 (2017: US$17,108,000) divided by total equity of US$43,084,000 (2017: US$37,757,000), was at a ratio of about 33% at the year end (2017: 45%). The Group's gearing position had improved considerably mainly due to the completion of the Company's shares placement in August 2018.

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.

Acquisition of a vessel

On 16 November 2018 and 16 January 2019, Peak Prospect, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement and a supplemental agreement respectively with Mr. Suen Cho Hung, Paul, a substantial shareholder of the Company, as vendor and Peak Prospect as purchaser, for the acquisition of the entire issued share capital of and the shareholder's loan to Polyworld for a maximum aggregate consideration of US$11,500,000. The principal purpose of entering into the Agreement is to facilitate the acquisition of the Vessel, accordingly, on 16 November 2018 prior to the signing of the Agreement, the Vendor procured Polyworld to enter into a memorandum of agreement for the acquisition of the Vessel, with the intention of transferring the Vessel to the Group through the sale of Polyworld to the Group.

At 31 December 2018, a deposit of US$1,088,000 was paid to the Vendor for the Acquisition, and the balance of the maximum consideration of US$10,412,000 was disclosed as a capital commitment of the Group at the year end. The acquisition of Polyworld and effectively the Vessel was completed on 20 February 2019. The Acquisition was funded by net proceeds from the 2018 Placing, internal resources of the Group, and borrowings from bank and other financial institution. Details of the Acquisition were disclosed in the Company's circular dated 29 January 2019.

The Vessel is a second hand Supramax dry bulk carrier with carrying capacity of approximately 57,000 dwt., it was built in the People's Republic of China in 2011 and its flag state was Marshall Islands (now is Panama).

Use of proceeds from shares placement

In August 2018, the Company completed the placing of 91,475,000 new shares to certain independent investors at the price of HK$0.473 per share. The net proceeds from the 2018 Placing amounted to US$5,430,000. As referred to in the Company's announcement dated 27 July 2018, the Company originally intended to use (i) approximately 80% of the net proceeds as general working capital for the Group's marine transportation business; and (ii) the remaining 20% as general working capital for the Group's other businesses. The Group was at that time contemplating to expand its marine transportation business through acquisition of an additional vessel, and if such acquisition materialized, it was intended that the 80% net proceeds allocated to the marine transportation business as general working capital would be re-designated for funding such acquisition.

Following the entering into the Agreement to acquire Polyworld and effectively the Vessel for the maximum consideration of US$11,500,000 as mentioned above, the Group has reallocated the net proceeds of the 2018 Placing wholly for the use of the acquisition of Polyworld. Up to 31 December 2018, US$1,088,000 was applied as the deposit for the acquisition of Polyworld, and the remaining net proceeds of US$4,342,000, together with other financial resources of the Group and borrowings raised, were applied for the completion of acquisition of Polyworld in February 2019.

PROSPECTS

Upon completion of the acquisition of the Vessel, the Group significantly increases the carrying capacity of its dry bulk fleet and such acquisition is in line with the corporate development strategy of the Group to expand the scale of its marine transportation business.

Although the market conditions of vessel chartering business have become rather volatile in recent months owing to the trade disputes and settlement negotiations between the United States and China, the Group remains prudently optimistic of the prospect of this business in the medium to long-term in light of the continuing growth of the world economy and international trade flow. Subject to the developments and outcomes of the trade disputes between the United States and China, the Group intends to acquire another dry bulk vessel in order to further expand the carrying capacity of its fleet.

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 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 the long-term economic prospects of Hong Kong.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules for the year ended 31 December 2018.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee 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 2018, 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, 22 March 2019

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Sue Ka Lok (Chairman); two Executive Directors, namely Ms. Wang Yu and Ms. Wan Jia; and three Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. To Yan Ming, Edmond and Mr. Pau Shiu Ming.