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)

2017 Annual Report

Contents

Abbreviations

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

"BDI"	Baltic Dry Index
"Board"	Board of Directors of the Company
"Bye-laws"	Bye-laws of the Company
"Company"	Courage Investment Group Limited
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"PRC"	People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX-ST"	Singapore Exchange Securities Trading Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$" and "US cents"	United States dollars and cents, the lawful currency of the United States of America
"%"	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Sue Ka Lok *(Chairman)*

Executive Directors

Mr. Zhang Liang *(Chief Executive Officer)*
Ms. Wang Yu
Ms. Wan Jia

Independent Non-executive Directors

Mr. Zhou Qijin
Mr. To Yan Ming, Edmond
Mr. Pau Shiu Ming

AUDIT COMMITTEE

Mr. To Yan Ming, Edmond *(Chairman)*
Mr. Zhou Qijin
Mr. Pau Shiu Ming

REMUNERATION COMMITTEE

Mr. Pau Shiu Ming *(Chairman)*
Mr. Zhou Qijin
Mr. To Yan Ming, Edmond

NOMINATION COMMITTEE

Mr. Zhou Qijin *(Chairman)*
Mr. To Yan Ming, Edmond
Mr. Pau Shiu Ming
Mr. Sue Ka Lok

JOINT COMPANY SECRETARY

Ms. Lee Pih Peng
Mr. Hon Kwok Ping Lawrence

TRADING OF SHARES

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 1510, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.,
Hong Kong Branch
Hang Seng Bank Limited
Credit Suisse AG

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SINGAPORE BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.courageinv.com

The above information is updated to 19 April 2018, being the latest practicable date before printing of this annual report.

Chairman's Statement

On behalf of the Board, I am pleased to present to the shareholders of the Company the results of the Group for the year ended 31 December 2017 ("FY2017").

RESULTS

During FY2017, the Group continued to principally engage in the business of marine transportation services, property holding and investment, investment holding and merchandise trading.

The Group has made a good progress in FY2017 and achieved a turnaround of its results by posting a profit attributable to owners of the Company of US$9,885,000, in contrast to its loss of US$17,381,000 in the prior year, and recorded 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.

The turnaround of the Group's results was mainly contributed by: (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 the prior year; (ii) the increase in fair value of the Group's investment property of US$1,768,000; and (iii) the profitable results of the Group's property holding and investment, investment holding and marine transportation services businesses.

In order to retain financial resources for the future development of the Group, the Board has resolved not to declare a final dividend for FY2017 (2016: nil).

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 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.

APPRECIATION

I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors including all the outgoing directors for their valuable services to the Group, and to all staff members for their great efforts and hard work during FY2017.

Sue Ka Lok
Chairman
Hong Kong, 27 March 2018

Management Discussion and Analysis

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 incurred in the year ended 31 December 2016 ("FY2016"), and also recorded a remarkable 118% growth in revenue by reaching US$9,897,000 (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.

Management Discussion and Analysis

Investment holding

The Group's investment holding business contributed a revenue of US$546,000 (2016: US$154,000) and recorded a 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 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 ("FVTPL")" of US$8,067,000 represented a portfolio of listed equity securities held and the Group's listed investments classified as "available-for-sale ("AFS") investments", comprised of current and non-current portion totalling US$9,660,000, represented a portfolio of corporate bonds held.

A summary of the Group's major investments classified as financial assets at FVTPL, together with other information, is as below:

Investee company	Principal activities of investee company	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %	% of shareholder interest %	*Acquisition costs during the year/ carrying amount as at 1 January 2017 US$'000	Market value as at 31 December 2017 US$'000	Unrealised gain (loss) recognised during FY2017 US$'000	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C = B – A		
Equity securities listed in Hong Kong								
Larry Jewelry International Company Limited (stock code: 8351)	Jewelry and pharmaceutical business	55%	2.09%	2,184	4,473	2,289	For the nine months ended 30 September 2017, revenue increased by 108% to HK$317,036,000 and loss for the period attributable to owners of the investee company increased by 4 times to HK$150,292,000 compared to the same period in 2016.	For its jewelry business, the investee company will explore opportunities to broaden the geographic base of customers to markets outside Hong Kong and Singapore and increase its visibility across South East Asian countries. For the pharmaceutical business, the investee company shall review its sales network and customer focus and to introduce more locally made products to suit the needs of domestic market.

Management Discussion and Analysis

Investee company	Principal activities of investee company	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %	% of shareholder interest %	*Acquisition costs during the year/ carrying amount as at 1 January 2017 US$'000	Market value as at 31 December 2017 US$'000	Unrealised gain (loss) recognised during FY2017 US$'000	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C = B - A		
Get Nice Holdings Limited (stock code: 64)	(i) Money lending; (ii) property development and holding and investment in financial instruments; (iii) real estate brokerage and (iv) the provision of financial services, including securities dealing and brokerage, futures and options brokerage, securities margin financing and corporate finance services	29%	0.62%	2,013	2,323	310	For the six months ended 30 September 2017, revenue increased by 5.8% to HK$257,963,000 and profit for the period attributable to owners of the investee company increased by 96% to HK$138,003,000 compared to the same period in 2016.	The investee company is going to further enlarge the sales and marketing team and corporate finance team, and further improve their information and technology infrastructure. In addition, the investee will keep seeking quality and upscale investment properties and investment in securities with good potential to enhance its investment portfolio and continue to provide a source of steady rental income and investment gains in the future.

Management Discussion and Analysis

Investee company	Principal activities of investee company	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %	% of shareholder interest %	*Acquisition costs during the year/ carrying amount as at 1 January 2017 US$'000	Market value as at 31 December 2017 US$'000	Unrealised gain (loss) recognised during FY2017 US$'000	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C = B – A		
PetroChina Company Limited (stock code: 857)	Petroleum exploration and production business	8%	negligible	645	603	(42)	For the six months ended 30 June 2017, revenue increased by 32% to RMB975,909 million and profit for the period attributable to owners of the investee company increased by over 22 times to RMB12,676 million compared to the same period in 2016.	The investee company will enhance its analysis and assessment of the situation, grasp favourable opportunities arising from China's implementation of major strategies such as the supply-side structural reform and the "Belt and Road" initiative, take advantage of its strengths on integrated operation and make an overall planning in respect of its resources and markets, both within and outside the PRC.
Others	-	8%	-	736	668	(68)	-	-
		100%		5,578	8,067	2,489		

* The amount represented the costs of the securities acquired during FY2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

\# Extracted from published financial information of the investee companies.

Management Discussion and Analysis

A summary of the Group's major investments classified as AFS investments, together with other information, is as below:

Issuer	Principal activities of issuer	Approximate weighting to the market/fair value of the Group's AFS investment portfolio %	Yield to maturity upon acquisition %	Acquisition costs during the year *US$'000*	Market value as at 31 December 2017 *US$'000*	Unrealised gain (loss) recognised during FY2017 *US$'000*
				A	B	C = B - A
China Evergrande Group	Property related business	36%	8.22 - 8.75	3,401	3,548	147
Pacific Century Premium Developments Limited	Property related business	21%	4.68	2,006	2,036	30
Logan Property Holdings Company Limited	Property related business	19%	5.48	1,978	1,899	(79)
China Aircraft Leasing Group Holdings Limited	Airline leasing	11%	5.09	983	976	(7)
Others	N/A	13%	5.09 - 5.50	1,229	1,201	(28)
		100%		9,597	9,660	63

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.

Management Discussion and Analysis

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 the prior year; (ii) the increase in fair value of the Group's investment property of US$1,768,000; and (iii) the profitable 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 ***US$'000***	2016 *US$'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

Management Discussion and Analysis

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 proceeds from the placing after deducting for incidental expenses including placing commission amounted to US$12,207,000 and have 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 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"). The Share Subdivision was approved by the shareholders of the Company on 28 June 2017 and became effective on 6 July 2017.

Foreign currency management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in United States dollars and Hong Kong dollars. During FY2017, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any financial arrangements for hedging purposes. Appropriate measures will be undertaken by the Group should exchange rate fluctuations become significant.

Pledge of assets

At 31 December 2017, the two vessels held by the Group, namely MV Zorina and MV Heroic, with carrying amount totalling US$19,500,000 (2016: US$14,378,000) were pledged to banks to secure loan facilities granted to the Group.

Contingent liabilities

At 31 December 2017, the Group had no significant contingent liability (2016: nil).

Capital commitments

At 31 December 2017, the Group had no significant capital commitments (2016: nil).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2017, the Group had 14 (2016: 13) employees including directors of the Company. During FY2017, a crew agency had been engaged by the Group to provide crew services for one of the Group's vessels. For FY2017, staff costs (including directors' emoluments) amounted to US$620,000 (2016: US$864,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, subsidised training programme as well as discretionary bonus.

RISK FACTORS

The Group has identified and is facing a number of significant risks during FY2017. Some of these risks are ongoing factors which the industry has to cope with in medium to long-term. Other risk factors are specific to the Group.

1. Economic Risk

The BDI fluctuated widely during FY2017 although there are signs indicating recovery of demand for commodities in the Greater China Region. The BDI, which has a close correlation to freight rate, 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 FY2017, this is in sharp contrast to its five-year peak of about 2,330 points in December 2013. The movement of BDI is outside of the Group's control and would have a material effect on the financial performance of the Group's marine transportation business.

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

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

Management Discussion and Analysis

2. Market Risk

The Group's marine transportation business is operating in a volatile market. The business of dry bulk cargo carriers is subject to demand and supply of vessels by cargo shippers in the region as well as the worldwide market. On one hand, the industry has suffered from over-supply of vessels in the last few years, and on the other hand, cargo volumes have decreased considerably in recent years although there are signs indicating a recovery of demand for commodities in the Greater China Region. The Group is therefore exposed to multiple impacts especially due to the intense competition among shippers.

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

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

3. Financial Risk

The Group is exposed to financial risks relating to foreign currency, interest rate, price of securities, credit and liquidity in its ordinary course of business. For details of such risks and management policies, please refer to note 42 to the consolidated financial statements.

4. Environment Risk

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

5. Customer Risk

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

6. Supply Chain Risk

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

Management Discussion and Analysis

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2017, there were no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management as at 19 April 2018, the latest practicable date before printing of this annual report, are set out below:

NON-EXECUTIVE DIRECTOR

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

Aged 52, joined the Group as an Executive Director and the Chairman of the Board in October 2015, in October 2017, he stepped down from the position as the Chairman of the Board and was re-designated as a Non-executive Director. He has been re-appointed as the Chairman of the Board in February 2018. Mr. Sue is a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia and a fellow of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of China Strategic Holdings Limited ("China Strategic") (stock code: 235), an executive director of EPI (Holdings) Limited ("EPI") (stock code: 689), PT International Development Corporation Limited ("PT International") (stock code: 372) and PYI Corporation Limited ("PYI") (stock code: 498) and a non-executive director of Birmingham Sports Holdings Limited ("Birmingham Sports") (stock code: 2309). All the above companies are listed on the Main Board of the Hong Kong Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Zhang Liang ("Mr. Zhang"), *Chief Executive Officer*

Aged 46, joined the Group as a Project Manager in May 2016 and was appointed as an Executive Director and the Chief Executive Officer in October 2017. Mr. Zhang is also a director of various subsidiaries of the Company. Mr. Zhang holds a Bachelor's degree in Engineering specialised in mechanical and electronic engineering from Baotou Steel and Iron Institute (now known as Inner Mongolia University of Science and Technology) and a Master of Business Administration degree from the University of South Australia. He has extensive experience in marine vessel chartering and trading of steel and commodities.

Ms. Wang Yu ("Ms. Wang")

Aged 42, joined the Group as an Executive Director in October 2017. Ms. Wang holds a Bachelor's degree in Arts from the University of Science and Technology of China, Master of Business Administration degree from the University of Birmingham in the United Kingdom, Master of Corporate Governance degree and Master of Professional Accounting degree from The Hong Kong Polytechnic University. Ms. Wang is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has experience in logistics industry, corporate administration and company secretarial practice.

Ms. Wan Jia ("Ms. Wan")

Aged 36, joined the Group as an Executive Director in January 2018. Ms. Wan holds a Bachelor's degree in Engineering specialised in computer science and technology from Shenyang Artillery Academy of Chinese People's Liberation Army (literal translation of its Chinese name 中國人民解放軍瀋陽炮兵學院) in the PRC. She has extensive experience in trading and internet related business.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Qijin ("Mr. Zhou")

Aged 57, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Zhou holds a Bachelor's degree in law from the Southwest University of Political Science and Law, the PRC. He has extensive experience in property investments, large scale outdoor advertising and promotion business as well as automobile sales and marketing in the PRC.

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

Aged 46, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. To holds a Bachelor of Commerce Accounting degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, a certified practising accountant of the CPA Australia and an associate of The Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, initial public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited.

Mr. To is an independent non-executive director of Birmingham Sports, EPI, Tianli Holdings Group Limited ("Tianli Holdings") (stock code: 117), Wai Chun Group Holdings Limited (stock code: 1013), Wai Chun Mining Industry Group Company Limited (stock code: 660) and SH Group (Holdings) Limited (stock code: 1637). All of the above companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. To is also an independent non-executive director of China Vanguard You Champion Holdings Limited ("China Vanguard") (stock code: 8156) and Asia Grocery Distribution Limited (stock code: 8413). Both companies are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Mr. Pau Shiu Ming ("Mr. Pau")

Aged 68, joined the Group as an Independent Non-executive Director in April 2018 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Pau holds a Bachelor of Social Sciences degree from the University of Hong Kong. Mr. Pau had held senior roles in various international banks and has extensive experience in the banking and finance industry.

SENIOR MANAGEMENT

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

Aged 44, is the Group's financial controller and is in charge of the Group's finance and accounting control, as well as the Group's reporting and compliance with SGX-ST and the Hong Kong Stock Exchange. Mr. Yuen obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from University of Houston, United States in 1997 and 1998 respectively. Mr. Yuen has rich experience in finance and accounting in both Hong Kong and the United States. He started his career in the United States. He joined Greensmart Corp., a United States listed company in 2000 and served as chief financial officer from 2000 to 2003. Mr. Yuen then joined the Company as the financial manager since January 2004 and has been appointed as the Financial Controller since May 2006.

Mr. Yuen is an independent non-executive director of Qianhai Health Holdings Limited (stock code: 911) and Fullsun International Holdings Group Co., Limited (stock code: 627). Both companies are listed on the Main Board of the Hong Kong Stock Exchange.

Biographical Details of Directors and Senior Management

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

Aged 69, is the Financial Director and one of the joint company secretaries of the Group. He is a Certified Practising Accountant with fellow membership of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants, United Kingdom. Mr. Hon has over 30 years of working experience in accounting and finance as well as business operations. He joined the Company in January 2004 and is now the Financial Director in charge of the Group's finance and accounting controls.

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

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 28 June 2017 and the subsequent approvals of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the English name of the Company has been changed from "Courage Marine Group Limited" to "Courage Investment Group Limited" and the Chinese name "勇利投資集團有限公司" has been adopted as the secondary name of the Company in place of its previous Chinese secondary name "勇利航業集團有限公司".

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 14 of this annual report. This discussion forms part of this report.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 42 to 43.

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

FIVE–YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 104. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movement in the investment property of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVE OF THE COMPANY

The Company had accumulated losses of US$49,540,000 as at 31 December 2017 (2016: US$47,007,000) and had no reserve available for distribution to its shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, sales to the Group's five largest customers accounted for approximately 78.9% of the total revenue for the year and sales to the largest customer accounted for approximately 33.2%. Purchases from the Group's five largest suppliers accounted for approximately 83.6% of the total purchases for the year and purchases from the largest supplier accounted for approximately 44.1%.

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

DIRECTORS

The directors of the Company during the year and up to 19 April 2018, being the latest practicable date prior to the printing of this annual report were:

Non-executive Director:

Mr. Sue Ka Lok *(re-designated on 19 October 2017)*

Executive Directors:

Mr. Zhang Liang *(appointed on 19 October 2017)*
Ms. Wang Yu *(appointed on 19 October 2017)*
Ms. Wan Jia *(appointed on 12 January 2018)*
Mr. Lai Ming Wai *(resigned on 31 March 2017, re-appointed on 19 October 2017 and resigned on 28 February 2018)*
Ms. Chan Yuk Yee *(resigned on 19 October 2017)*

Independent Non-executive Directors:

Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*
Mr. Zhou Qijin
Mr. To Yan Ming, Edmond
Mr. Pau Shiu Ming *(appointed on 13 April 2018)*

In accordance with Bye-law 85(6) of the Bye-laws, any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Zhang Liang, Ms. Wang Yu, Ms. Wan Jia and Mr. Pau Shiu Ming shall retire at the forthcoming annual general meeting of the Company (the "2018 AGM"), and being eligible, offer themselves for re-election.

In accordance with Bye-law 86 of the Bye-laws, each Director shall retire at least once every three years. Mr. Zhou Qijin will retire by rotation at the 2018 AGM and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2018 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISIONS

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

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 13 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Sue Ka Lok stepped down as the chief executive officer of EPI and resigned as a non-executive director of Tianli Holdings, both on 17 January 2018, and has been appointed as the chief executive officer of China Strategic on 18 January 2018;

2. Mr. To Yan Ming, Edmond retired as an independent non-executive director of China Vanguard on 23 November 2017 and has been re-appointed as an independent non-executive director of China Vanguard on 11 December 2017.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS AND SHORT POSITIONS, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, none of the directors and chief executive of the Company had any interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2017. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption.

The purpose of the Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants of the Share Option Scheme comprise of (a) directors (including executive directors, non-executive directors and independent non-executive directors); (b) employees of the Group; and (c) any advisors, consultants, business partners, agents, customers, suppliers, service providers, contractors of any member of the Group or any company or other entity in which the Group or any member of it has a shareholding interest, who, in the sole discretion of the Board, has contributed or may contribute to the Group or any member of it. The offer of a grant of options may be accepted for a period of 30 days from the date of grant, provided that no such offer shall be open for acceptance after the expiry of the period of ten years commencing on the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a Company's share (if any) on the date of grant.

The total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her/it under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Company's shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her/its associates abstaining from voting.

The limit on the total number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the Company's shares in issue from time to time. In addition, the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the Company's shares in issue as at the date of adoption of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of the approval of the refreshed Scheme Mandate Limit as the case may be.

No share options has been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 45,737,678 shares (after taking into account the Share Subdivision which became effective on 6 July 2017), representing approximately 10% of the issued shares of the Company as at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, the following interests of more than 5% of the total number of issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	87,270,066 *(note)*	19.08%
Brilliant Epic Asia Limited ("Brilliant Epic")	Interests of controlled corporation	87,270,066 *(note)*	19.08%
Success United Development Limited ("Success United")	Beneficial owner	87,270,066 *(note)*	19.08%
Zhou Xunlan	Beneficial owner	25,785,600	5.64%

Note:

Success United was a wholly owned subsidiary of Brilliant Epic which was, in turn, wholly owned by Mr. Suen. Mr. Suen was the sole director of Brilliant Epic and Success United. Accordingly, Brilliant Epic and Mr. Suen were deemed to be interested in 87,270,066 shares of the Company held by Success United under the SFO.

The interests of Mr. Suen, Brilliant Epic and Success United in 87,270,066 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2017 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

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

REMUNERATION POLICY

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2017, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme disclosed above, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2018 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Sue Ka Lok
Chairman

Hong Kong, 27 March 2018

Corporate Governance Report

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Hong Kong Listing Rules for the year ended 31 December 2017, except for the following deviation with reason as explained:

Code Provision A.4.1

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

Deviation

During the year ended 31 December 2017, there had 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 Bye-laws. However, the aforesaid deviation was rectified and the code provision A.4.1 had been complied with as Mr. Ngiam entered into a letter of appointment with the Company with a specific term on 29 March 2017. On 15 January 2018, Mr. Ngiam resigned as independent non-executive director of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2017.

BOARD OF DIRECTORS

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

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

Corporate Governance Report

As at 19 April 2018, being the latest practicable date before printing of this annual report, the Board comprises seven directors, one of which is Non-executive Director, Mr. Sue Ka Lok (Chairman), three are Executive Directors, namely Mr. Zhang Liang (Chief Executive Officer), Ms. Wang Yu and Ms. Wan Jia and three are Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. To Yan Ming, Edmond and Mr. Pau Shiu Ming. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules.

The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Hong Kong Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management"on pages 15 to 17 of this annual report.

As disclosed in that section, Mr. Sue Ka Lok is an executive director of EPI and a non-executive director of Birmingham Sports, while Mr. To Yan Ming, Edmond is an independent non-executive director of EPI and Birmingham Sports.

Mr. Suen Cho Hung, Paul ("Mr. Suen"), the ultimate beneficial owner of the substantial shareholder of the Company, indirectly holds 9.89% of the issued share capital in China Strategic. Mr. Suen is also the ultimate beneficial owner of the controlling shareholder of PT International and Birmingham Sports and the ultimate beneficial owner of the substantial shareholder of EPI and PYI.

Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the substantial shareholders and members of the Board.

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

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

During the year ended 31 December 2017, four regular Board meetings and two general meetings were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	**General Meetings**
Non-executive Director		
Mr. Sue Ka Lok *(re-designated on 19 October 2017)*	4/4	2/2
Executive Directors		
Mr. Zhang Liang *(appointed on 19 October 2017)*	0/4	0/2
Ms. Wang Yu *(appointed on 19 October 2017)*	0/4	0/2
Ms. Wan Jia *(appointed on 12 January 2018)*	0/4	0/2
Mr. Lai Ming Wai *(resigned on 31 March 2017, re-appointed on 19 October 2017 and resigned on 28 February 2018)*	2/4	0/2
Ms. Chan Yuk Yee *(resigned on 19 October 2017)*	4/4	2/2
Independent Non-executive Directors		
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	4/4	2/2
Mr. Zhou Qijin	3/4	2/2
Mr. To Yan Ming, Edmond	4/4	2/2

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer (the "CEO"). The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board. During the year ended 31 December 2017, Mr. Lai Ming Wai resigned as an executive director and the CEO with effect from 31 March 2017 and subsequent to his resignation, his day-to-day management responsibilities as an executive director and the CEO were temporarily taken up by other executive directors of the Company until Mr. Zhang Liang was appointed as the CEO on 19 October 2017. The position of the Chairman of the Board is currently held by Mr. Sue Ka Lok and the position of CEO is currently held by Mr. Zhang Liang.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, during the year ended 31 December 2017, there had been a deviation from the code provision A.4.1 before 29 March 2017 since 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 Bye-laws. However, the aforesaid deviation was rectified and the code provision A.4.1 had been complied with as Mr. Ngiam entered into a letter of appointment with the Company with a specific term on 29 March 2017. On 15 January 2018, Mr. Ngiam resigned as independent non-executive director of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at 19 April 2018, being the latest practicable date before printing of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Pau Shiu Ming, Mr. Zhou Qijin and Mr. To Yan Ming, Edmond. Mr. Pau Shiu Ming is the Chairman of the Remuneration Committee.

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

The Remuneration Committee met one time during the year ended 31 December 2017 to review and make recommendations to the Board on the discretionary bonus for executive directors and remuneration packages for directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. To Yan Ming, Edmond	1/1
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	1/1
Mr. Zhou Qijin	1/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at 19 April 2018, being the latest practicable date before printing of this annual report, the Nomination Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. To Yan Ming, Edmond and Mr. Pau Shiu Ming; and one Non-executive Director, namely Mr. Sue Ka Lok. Mr. Zhou Qijin is the Chairman of the Nomination Committee.

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

The Nomination Committee met one time during the year ended 31 December 2017 to review the board diversity policy of the Company (the "Board Diversity Policy"), including the review on the structure, size and composition of the Board; and review and make recommendation to the Board on the appointment of directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Zhou Qijin	1/1
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	1/1
Mr. To Yan Ming, Edmond	1/1
Mr. Sue Ka Lok	1/1

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy in March 2014. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances. The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31 December 2017 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2017 is set out in the "Independent Auditor's Report"on pages 36 to 41 of this annual report.

For the year ended 31 December 2017, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK$1,235,000. During the year, HK$200,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at 19 April 2018, being the latest practicable date before printing of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Zhou Qijin and Mr. Pau Shiu Ming, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Mr. To Yan Ming, Edmond is the Chairman of the Audit Committee. Up to 15 January 2018, Mr. Ngiam Zee Moey was the Chairman of the Audit Committee, until he resigned as independent non-executive director and ceased to be the Chairman of the Audit Committee on the same date. Upon the resignation of Mr. Ngiam Zee Moey on 15 January 2018 and up to 12 April 2018, the number of independent non-executive directors and the number of members of the Audit Committee fell below the minimum number required under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Hong Kong Listing Rules. Mr. Pau Shiu Ming has been appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee with effect from 13 April 2018. Upon the said appointment, the number of independent non-executive directors and the number of members of the Audit Committee have complied with the requirements under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Hong Kong Listing Rules. The Audit Committee is mainly responsible for reviewing the financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2017 and the attendance of each member is set out as follows:

Corporate Governance Report

Members	**Number of attendance**
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	2/2
Mr. Zhou Qijin	1/2
Mr. To Yan Ming, Edmond	2/2

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

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2016 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 and recommended to the Board for approval;

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

4. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2016;

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

During the year ended 31 December 2017, the Group has reviewed an internal audit charter which defined the scope and duties and responsibilities of the internal audit function and its reporting protocol. The Group has also conducted an annual risk assessment which identified respective strategic risks, operational risks, financial risks and compliance risks of its major business segments. Based on the risk assessment results following a risk based methodology audit approach, a continuous three-year audit plan was updated which prioritised the risks identified into annual audit projects. An annual review was performed according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems. The review also covered material controls, including financial, operational and compliance controls at entity and operational levels. The result of risk assessment and internal control review indicated that other than some minor weaknesses and recommendations for enhancement were identified, reported to the Board and Audit Committee and brought to the attention of the management for remediation, there was no material risk management and internal control weaknesses noted for the year ended 31 December 2017.

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

Based on the risk management and internal control systems established and maintained by the Group, the work performed by the internal and external auditors, and reviews performed by the management, respective Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group has maintained adequate and effective risk management and internal control systems addressing strategic, financial, operational and compliance risks for the year ended 31 December 2017.

COMPANY SECRETARY

Ms. Lee Pih Peng and Mr. Hon Kwok Ping Lawrence were appointed as the joint Company Secretary of the Company. Each of Ms. Lee Pih Peng and Mr. Hon Kwok Ping Lawrence has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2017.

Corporate Governance Report

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

A printed copy of the Bye-laws has been published on the websites of the Company and the Hong Kong Stock Exchange. There had been no changes in the Company's constitutional documents during the year ended 31 December 2017.

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

Environmental, Social and Governance Report

GENERAL

The Directors are pleased to present the Environmental, Social and Governance Report for the year ended 31 December 2017 in compliance with the applicable code provision of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Hong Kong Listing Rules.

OVERVIEW

The Group is committed to the long-term sustainability of the environment, employment and labour practices, operating practices and communities in its businesses, especially its major businesses of marine transportation services and merchandise trading.

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

The Group reinforces the internal control systems and procedures in these aspects in compliance with the rules and regulations of the IMO for the shipping industry, which include safety, environment, human, technical, legal and security elements, especially the International Safety Management ("ISM") code.

The Group emphasises on quality management of products and the management of supply chains for the commitment of product responsibility in merchandise trading.

A. ENVIRONMENTAL

Based on the nature of business and operation, the management considers that only marine transportation services pose impact on the environment. Nevertheless, key performance indicators in the aspect of environment during the year is not applicable because the operation of vessel chartering is outsourced to third party agencies and the charterer is responsible for the majority of operation under time chartering mode of services.

A1. Emissions

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

A2. Use of Resources

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

A3. The Environment and Natural Resources

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

B. SOCIAL

(i) Employment and Labour Practices

B1. Employment

The Board understands the importance of maintaining a good relationship with employees. The Group has 10 full-time employees working for administration in headquarter whereas all employees ashore and aboard are employed and managed by the Agency.

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

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

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

During the year ended 31 December 2017, there were no material and significant dispute between the Group and the employees.

B2. Health and Safety

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

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

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

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

B3. Development and Training

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

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

B4. Labour Standards

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

(ii) **Operating Practices**

B5. Supply Chain Management

A manual of Ship Supply Procedures is formulated to ensure an effective supply management is in place so as to enhance quality and safety of the chartering services. Spare parts, store, bunker and lubricating oil are purchased from qualified suppliers.

For merchandise trading, the Group adopts control procedures for procurement and logistics management to maintain the products in good quality and reduce procurement costs. The Group selects local and overseas suppliers through a background analysis. The Group has developed a sound relationship with the suppliers based on fair terms of trade.

The Group carefully carries out performance evaluation on suppliers' quality of services, ability and products on an annual basis.

B6. Product Responsibility

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

Consumable goods relating to infant and personal care products and electronic components are the principal products of merchandise trading for the year. To maintain the high standard of products, the Group implements quality control procedures during logistics and customs clearance. In addition, the Group adheres to the relevant laws and regulations, in particular for the trading of infant products. As a registered food importer and distributor, the Group conducts infant product sales distribution in strict compliance with the Food Safety Ordinance issued by the Food and Environmental Hygiene Department in Hong Kong to ensure that the products are in compliance with the health and safety standards.

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

B7. Anti-Corruption

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

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

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

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

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

(iii) Community

B8. Community Investment

The Group is devoted to take up the corporate social responsibility for the communities where it is present. We encourage our employees to participate in various voluntary activities so as to create economic benefits to the society and develop their social network.

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

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Courage Investment Group Limited (formerly known as Courage Marine Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 103, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Reversal of impairment loss on vessels	
We identified the reversal of impairment loss on vessels as a key audit matter due to the significance of the balance and significant management's judgment required in the reversal of impairment loss assessment. The carrying values of vessels were US$19,500,000 as at 31 December 2017. As disclosed in note 4 to the consolidated financial statements, the management determines the recoverable amounts of vessels based on the higher of value in use and fair value less costs of disposal and compares such recoverable amount to the carrying amount to determine if any indication of impairment exist or whether reversal of impairment should be recognised.	Our procedures in relation to the reversal of impairment loss on vessels included: • Assessing the methodologies used by management for the impairment assessment; • Obtaining the valuation report and valuation certificate from ship broker used by the management to determine fair value less costs of disposal with reference to the recent transactions of vessels of similar ages and conditions from open sources and comparing with the carrying amounts of vessels; • Checking, on a sample basis, the accuracy and relevance of the input data used in the value in use calculation by the management; and • Assessing the reasonableness of management's key assumptions used in the value in use calculation based on the available market data of the vessel chartering industry.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of an investment property	
We identified the valuation of an investment property as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. As at 31 December 2017, the Group's investment property amounted to US$9,058,000 and represented 16.0% of the Group's total assets. The Group's investment property is stated at fair value based on valuation performed by an independent qualified professional valuer (the "Valuer"). The fair value of the investment property is derived using the direct comparison method. Details of the valuation techniques used in the valuation are disclosed in note 18 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment property included: • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and the terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if it is consistent with the industry norms; • Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and • Obtaining the detailed work of the Valuer on the investment property to evaluate the accuracy and relevance of key data inputs underpinning the valuation, including the recent market transactions of properties in similar location and condition and the adjustment factors applied in the valuation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Woo King Wa.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Revenue	6	**9,897**	4,546
Cost of goods sold and direct expenses		**(7,192)**	(6,973)
Other income	7	**65**	28
Other gains and losses, net	8	**4,724**	867
Administrative expenses		**(1,638)**	(3,238)
Impairment loss reversed (recognised) on vessels	17	**5,352**	(10,763)
Share of result of a joint venture		**(547)**	(543)
Other expenses	9	**(3)**	(873)
Finance costs	10	**(774)**	(817)
Profit (loss) before tax	11	**9,884**	(17,766)
Income tax credit	12	**1**	–
Profit (loss) for the year		**9,885**	(17,766)
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)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	**2017** **US$'000**	2016 US$'000
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)	*15*	**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	17	**19,501**	14,428
Investment property	18	**9,058**	7,290
Interest in a joint venture	19	**4,485**	4,733
Available-for-sale investments	20	**9,539**	79
		42,583	26,530
Current assets			
Inventories	21	**521**	181
Available-for-sale investments	20	**200**	–
Trade receivables	22	**513**	281
Other receivables and prepayments	23	**916**	2,466
Amount due from a joint venture	24	**669**	669
Financial assets at fair value through profit or loss	25	**8,067**	645
Time deposit	26	**500**	500
Cash and cash equivalents	27	**2,744**	4,544
		14,130	9,286
Asset classified as held-for-sale	28	**–**	1,449
		14,130	10,735
Total assets		**56,713**	37,265
Current liabilities			
Trade payables	29	**556**	–
Deposits received, other payables and accruals	30	**1,292**	1,980
Borrowings – due within one year	31	**4,116**	7,587
		5,964	9,567
Liability associated with asset classified as held-for-sale	28	**–**	182
		5,964	9,749
Capital and reserves			
Share capital	32	**27,443**	22,871
Reserves (deficit)		**10,314**	(7,568)
Total equity		**37,757**	15,303

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Non-current liabilities			
Borrowings – due more than one year	31	**12,992**	12,212
Deferred tax liability	33	**–**	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

The consolidated financial statements on pages 42 to 103 have been approved and authorised for issue by the Board of Directors on 27 March 2018 and are signed on its behalf by:

Sue Ka Lok
DIRECTOR

Zhang Liang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital *US$'000*	Share premium *US$'000*	Property revaluation reserve *US$'000*	Investment revaluation reserve *US$'000*	Other reserve *US$'000* *(Note)*	Exchange reserve *US$'000*	Accumulated losses *US$'000*	Sub-total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
At 1 January 2016	22,871	34,872	2,125	–	1,531	–	(28,872)	32,527	–	32,527
Loss for the year	–	–	–	–	–	–	(17,381)	(17,381)	(385)	(17,766)
Deficit on revaluation of leasehold land and building	–	–	(164)	–	–	–	–	(164)	–	(164)
Deferred tax credit arising on revaluation of leasehold land and building	–	–	24	–	–	–	–	24	–	24
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(94)	–	(94)	(30)	(124)
Release of exchange reserve upon disposal of subsidiaries *(note 35(c))*	–	–	–	–	–	40	–	40	–	40
Total comprehensive expense for the year	–	–	(140)	–	–	(54)	(17,381)	(17,575)	(415)	(17,990)
Non-controlling interests arising from acquisition of subsidiaries *(note 34)*	–	–	–	–	–	–	–	–	669	669
Disposal of subsidiaries *(note 35(c))*	–	–	–	–	–	–	–	–	(254)	(254)
Release of deferred taxation upon transfer from property, plant and equipment to investment property	–	–	351	–	–	–	–	351	–	351
Release of property revaluation reserve upon transfer from property, plant and equipment to investment property	–	–	(2,336)	–	–	–	2,336	–	–	–
At 31 December 2016	22,871	34,872	–	–	1,531	(54)	(43,917)	15,303	–	15,303

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Investment revaluation reserve US$'000	Other reserve US$'000 (Note)	Exchange reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
Profit for the year	-	-	-	-	-	-	9,885	9,885	-	9,885
Net increase in fair value of available-for-sale investments	-	-	-	63	-	-	-	63	-	63
Exchange difference arising on translation of a foreign operation	-	-	-	-	-	299	-	299	-	299
Total comprehensive income for the year	-	-	-	63	-	299	9,885	10,247	-	10,247
Issue of shares *(note 32(ii))*	4,572	7,948	-	-	-	-	-	12,520	-	12,520
Transaction costs attributable to issue of shares *(notes 32(ii))*	-	(313)	-	-	-	-	-	(313)	-	(313)
	4,572	7,635	-	-	-	-	-	12,207	-	12,207
At 31 December 2017	27,443	42,507	-	63	1,531	245	(34,032)	37,757	-	37,757

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 *US$'000*	2016 *US$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**9,884**	(17,766)
Adjustments for:		
Dividend income from financial assets at fair value through profit or loss	**(99)**	(55)
Interest income	**(479)**	(111)
Interest expenses on borrowings	**774**	817
Gain on disposals of subsidiaries	**(51)**	(450)
Net increase in fair value of financial assets at fair value through profit or loss	**(2,489)**	–
Increase in fair value of an investment property	**(1,768)**	(513)
Depreciation of property, plant and equipment	**276**	1,051
Amortisation of intangible assets	**–**	192
Allowance for inventories	**5**	397
Impairment loss (reversed) recognised on vessels	**(5,352)**	10,763
Property, plant and equipment written off	**3**	1
Dividend income from an investee company	**(1,724)**	–
Share of result of a joint venture	**547**	543
Operating cash flows before movements in working capital	**(473)**	(5,131)
Increase in inventories	**(345)**	(578)
Increase in trade receivables	**(232)**	(295)
Increase in other receivables and prepayments	**(114)**	(140)
Increase in financial assets at fair value through profit or loss	**(4,933)**	–
Increase in trade payables	**556**	–
Decrease in deposit received, other payables and accruals	**(870)**	(67)
Cash used in operations	**(6,411)**	(6,211)
Interest income received	**277**	111
Interest expense paid	**(774)**	(817)
Dividend income received from financial assets at fair value through profit or loss	**99**	55
Dividend income received from an investee company	**1,724**	–
NET CASH USED IN OPERATING ACTIVITIES	**(5,085)**	(6,862)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		**(9,597)**	–
Repayment of loan advance to an investee company		**1,866**	1,946
Proceeds from disposals of subsidiaries	35	**1,500**	2,031
Addition to investment properties		**–**	(759)
Purchase of property, plant and equipment		**–**	(18)
Acquisition of subsidiaries	34	**–**	(772)
Withdrawal of restricted bank deposits		**–**	3,697
Placement of time deposit		**–**	(500)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(6,231)**	5,625
FINANCING ACTIVITIES			
Net proceeds from issue of shares	32(ii)	**12,207**	–
New borrowing raised		**774**	–
Repayment of borrowings		**(3,465)**	(4,691)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**9,516**	(4,691)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,800)**	(5,928)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**4,544**	10,407
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**–**	65
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**2,744**	4,544

1. GENERAL

Courage Investment Group Limited (the "Company") (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and secondarily listed on the Main Board of the Singapore Exchange Securities Trading Limited (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.

Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 28 June 2017 and the subsequent approvals of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company has been changed from "Courage Marine Group Limited" to "Courage Investment Group Limited" and the Chinese name "勇利投資集團有限公司" has been adopted as the secondary name of the Company in place of its then Chinese secondary name "勇利航業集團有限公司".

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a joint venture are set out in notes 45 and 19 respectively.

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

Amendments to 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.

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

Amendments to International Financial Reporting Standards that are mandatorily effective for the current year (continued)

Amendments to IAS 7 Disclosure Initiative (continued)

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.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

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

IFRS 9 Financial Instruments

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impacts on initial application of IFRS 9:

Classification and measurement:

- Debt instruments classified as loan receivables carried at amortised cost as disclosed in notes 22, 23, 24, 26 and 27 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

- Listed debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 20: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the listed debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed debt instruments will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed debentures are derecognised or reclassified.

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

IFRS 9 Financial Instruments (continued)

Classification and measurement: (continued)

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 20: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of IFRS 9, the fair value gain relating to these securities would be adjusted to investment revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would have no significant impact as compared to the accumulated amount recognised under IAS 39.

The directors of the Company anticipate that the adoption of IFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

IFRS 15 Revenue from Contracts with Customers (continued)

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

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact in the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

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

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

Furthermore, extensive disclosures are required by IFRS 16.

In addition, the Group currently considers refundable rental deposit received of US$69,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payment under IFRS 16, such deposits are not payments relating to the rights to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

IFRS 16 Leases (continued)

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

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

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, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and accumulated impairment losses, if any.

Any revaluation increase arising on the revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of the revalued asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

Investment property

Investment property is property held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. The Group’s property interest held under operating lease to earn rentals or for capital appreciation purpose is classified and accounted for as investment property and is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the year in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included as revenue or other income of the Group, as appropriate.

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the revenue line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 42.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

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

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

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

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

Financial liabilities at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Retirement benefit costs

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Impairment loss reversed (recognised) on vessels

The Group assesses regularly whether the vessels have any indication of impairment in accordance with its accounting policy. The Group determines the recoverable amount of the vessels based on the higher of value in use and fair value less costs of disposal. At 31 December 2017, since the recoverable amounts of the vessels were higher than their carrying amounts, a reversal of impairment loss on vessels amounting to US$5,352,000 (2016: recognition of impairment loss of US$10,763,000) was recognised in the profit or loss. The carrying amounts of the Group's vessels at the end of the reporting period were US$19,500,000 (2016: US$14,378,000).

Fair value of an investment property

As described in note 18, the investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. If there are changes in the assumptions used for the valuation, the fair value of the investment property will change in the future. At 31 December 2017, the carrying amount of the investment property was US$9,058,000 (2016: US$7,290,000).

Estimated impairment of trade and other receivables

The Group regularly conducts assessments on possible losses resulting from the inability of debtors to settle the amounts due to the Group. The assessment is based, inter alia, on the age of the debt and the credit-worthiness of the debtors. For trade and other receivables, allowances are applied where events or changes in circumstance indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of trade and other receivables and impairment in the year in which such estimate has changed. At 31 December 2017, the carrying amount of trade and other receivables was US$1,355,000 (2016: US$2,646,000).

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. During the year ended 31 December 2017, the Group commenced to invest in corporate bonds which were classified as available-for-sale investments in the consolidated financial statements.

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

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.

5. SEGMENT INFORMATION (continued)

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 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'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)

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

	Marine transportation services		Merchandise trading		Property holding and investment		Investment holding		Total	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Segment assets	**20,380**	15,459	**959**	2,955	**14,298**	16,094	**18,304**	645	**53,941**	35,153
Unallocated corporate assets									**2,772**	2,112
Total assets									**56,713**	37,265
Segment liabilities	**18,097**	20,796	**606**	45	**82**	260	**-**	645	**18,785**	21,746
Unallocated corporate liabilities									**171**	216
Total liabilities									**18,956**	21,962

5. SEGMENT INFORMATION (continued)

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 ("PRC")	**–**	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/sources for the relevant year.

6. REVENUE

	2017 US$'000	2016 US$'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 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 20(i)).

7. OTHER INCOME

	2017 US$'000	2016 US$'000
Interest income from banks	**32**	12
Sundry income	**33**	16
	65	28

8. OTHER GAINS AND LOSSES, NET

	2017 US$'000	2016 US$'000
Gain on disposals of subsidiaries *(note 35)*	**51**	450
Increase in fair value of an investment property *(note 18)*	**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.

9. OTHER EXPENSES

	2017 US$'000	2016 US$'000
Property, plant and equipment written off	3	1
Acquisition costs in relation to the acquisition of subsidiaries *(note 34)*	–	81
Compensation paid in relation to marine transportation services	–	791
	3	873

10. FINANCE COSTS

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

11. PROFIT (LOSS) BEFORE TAX

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

	2017 US$'000	2016 US$'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

12. 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.

Income tax credit for the year can be reconciled to profit (loss) before tax per the Group's results as follows:

	2017	2016
	US$'000	*US$'000*
Profit (loss) before tax	**9,884**	(17,766)
Tax at the applicable income tax rate of 16.5% *(note)*	**1,631**	(2,931)
Tax effect of income not taxable for tax purpose	**(2,214)**	(800)
Tax effect of expenses not deductible for tax purpose	**533**	3,570
Effect of utilisation of tax losses previously not recognised	**(21)**	–
Tax effect of tax losses not recognised	**72**	161
Income tax credit for the year	**1**	–

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

Details of deferred tax are set out in note 33.

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13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of eight (2016: ten) directors, which include the chief executive, were as follows:

2017

	Director's fees US$'000	Basic salaries and allowance US$'000	Contributions to retirement benefits scheme US$'000	Total US$'000
Executive Directors				
Mr. Lai Ming Wai (resigned on 31 March 2017, re-appointed on 19 October 2017 and resigned on 28 February 2018)	–	32	1	33
Mr. Zhang Liang (appointed on 19 October 2017)	–	15	1	16
Ms. Wang Yu (appointed on 19 October 2017)	–	7	–	7
Mr. Sue Ka Lok (re-designated as a Non-executive Director on 19 October 2017)	–	67	2	69
Ms. Chan Yuk Yee (resigned on 19 October 2017)	–	40	2	42
	–	161	6	167
Non-executive Director				
Mr. Sue Ka Lok (re-designated as a Non-executive Director on 19 October 2017)	9	–	–	9
Independent Non-executive Directors				
Mr. Ngiam Zee Moey (resigned on 15 January 2018)	37	–	–	37
Mr. Zhou Qijin	19	–	–	19
Mr. To Yan Ming, Edmond	19	–	–	19
	75	–	–	75
Total	84	161	6	251

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

2016

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

The non-executive director's emoluments shown above was for his services as a director of the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

Mr. Lai Ming Wai was an Executive Director and the Chief Executive Officer of the Company until 31 March 2017. The position of the Chief Executive Officer was vacant until Mr. Zhang Liang was appointed as an Executive Director and the Chief Executive Officer of the Company on 19 October 2017. Their emoluments disclosed above include those services rendered by them as the Chief Executive Officer.

Discretionary bonus, if any, is determined based on the evaluation of the individual's and the Group's performance annually, which is subject to approval by the Remuneration Committee of the Company. No discretionary bonus were paid during both years.

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

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: three) were directors or former director of the Company whose emoluments are included in note 13 above. The emoluments of the remaining three (2016: two) individuals were as follows:

	2017	2016
	US$'000	*US$'000*
Salaries and allowance	**111**	197
Contributions to retirement benefits scheme	**2**	2
	113	199

The emoluments of the three (2016: two) highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	2

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

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to 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 32(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.

16. DIVIDEND

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

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17. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Dry-docking US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvement US$'000	Leasehold land and building US$'000	Total US$'000
COST OR VALUATION						
At 1 January 2016	53,200	262	65	151	6,930	60,608
Additions	–	–	18	–	80	98
Acquisition of subsidiaries *(note 34)*	–	–	1,307	–	–	1,307
Deficit on revaluation	–	–	–	–	(164)	(164)
Transferred to investment property	–	–	–	–	(6,846)	(6,846)
Disposal of subsidiaries *(note 35(c))*	–	–	(1,233)	–	–	(1,233)
Written off	–	–	(12)	(19)	–	(31)
Exchange realignment	–	–	(89)	–	–	(89)
At 31 December 2016	53,200	262	56	132	–	53,650
Written off	–	–	(30)	–	–	(30)
At 31 December 2017	**53,200**	**262**	**26**	**132**	**–**	**53,620**
Comprising						
At 1 January 2016						
At cost	53,200	262	65	151	–	53,678
At valuation	–	–	–	–	6,930	6,930
	53,200	262	65	151	6,930	60,608
At 31 December 2016						
At cost	53,200	262	56	132	–	53,650
At 31 December 2017						
At cost	**53,200**	**262**	**26**	**132**	**–**	**53,620**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	27,400	113	58	151	–	27,722
Depreciation	659	105	218	–	69	1,051
Impairment loss recognised in profit or loss	10,763	–	–	–	–	10,763
Eliminated on revaluation	–	–	–	–	(69)	(69)
Eliminated on disposal of subsidiaries *(note 35(c))*	–	–	(209)	–	–	(209)
Written off	–	–	(11)	(19)	–	(30)
Exchange realignment	–	–	(6)	–	–	(6)
At 31 December 2016	38,822	218	50	132	–	39,222
Depreciation	230	44	2	–	–	276
Written off	–	–	(27)	–	–	(27)
Reversal of impairment loss recognised in profit or loss	(5,352)	–	–	–	–	(5,352)
At 31 December 2017	**33,700**	**262**	**25**	**132**	**–**	**34,119**
CARRYING VALUES						
At 31 December 2016	14,378	44	6	–	–	14,428
At 31 December 2017	**19,500**	**–**	**1**	**–**	**–**	**19,501**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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 (Level 2 hierarchy). In estimating the fair value of these vessels, the highest and best use of the vessels were their current use. There were no transfers into or out of Level 2 during both years.

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.

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

18. INVESTMENT PROPERTY

	US$'000
FAIR VALUE	
At 1 January 2016	–
Acquisition during the year	2,851
Transferred from property, plant and equipment *(note 17)*	6,777
Increase in fair value recognised in profit or loss	513
Disposal of a subsidiary *(note 35(b))*	(1,402)
Reclassified to asset classified as held-for-sale *(note 28)*	(1,449)
At 31 December 2016	7,290
Increase in fair value recognised in profit or loss	1,768
At 31 December 2017	**9,058**

The investment property held by the Group represented an office unit in Hong Kong. The Group's property interest held to earn rental income or for capital appreciation purposes was measured using the fair value model and was classified and accounted for as investment property. The investment property was transferred from property, plant and equipment as a result of the end of owner-occupation on 30 June 2016. 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 in 2016.

18. INVESTMENT PROPERTY (continued)

The fair value of the Group's investment property as at 31 December 2017 and 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 investment property is at Level 2 fair value hierarchy and there were no transfers into or out of Level 2 in the current year.

The rental income generated from the Group's investment property, which was under operating lease, amounted to US$237,000 (2016: US$66,000) for the current year. No material direct operating expenses were incurred for the investment property.

19. INTEREST IN A JOINT VENTURE

	2017	2016
	US$'000	*US$'000*
Cost of unlisted investment in a joint venture	**5,330**	5,330
Share of post-acquisition loss and other comprehensive expenses	**(845)**	(597)
	4,485	4,733

Name of entity	**Place of establishment/ operation**	**Class of capital held**	**Proportion of nominal value of issued registered capital held by the Group**		**Principal activity**
			2017	2016	
			%	%	
上海悦勇投資管理公司	PRC	Registered	**41.7**	41.7	Property investment

19. INTEREST IN A JOINT VENTURE (continued)

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

	2017	2016
	US$'000	*US$'000*
Current assets	**1**	1
Non-current assets	**11,866**	12,383
Current liabilities	**(1,112)**	(1,033)
Non-current liabilities	**–**	–

The above amounts of assets and liabilities include the following:

	2017	2016
	US$'000	*US$'000*
Cash and cash equivalents	**1**	1
Current financial liabilities	**(1,112)**	(1,033)
Revenue	**–**	–
Loss for the year	**(1,311)**	(1,303)
Other comprehensive income (expense) for the year	**715**	(129)

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

	2017	2016
	US$'000	*US$'000*
Net assets of the joint venture	**10,755**	11,351
Proportion of the Group's ownership interest in the joint venture	**4,485**	4,733
Carrying amount of the Group's interest in the joint venture	**4,485**	4,733

20. 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 as the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(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.

21. INVENTORIES

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

	2017	2016
	US$'000	*US$'000*
Merchandises	**521**	181

22. 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

There is no allowance for doubtful debts during both years.

As at 31 December 2017, trade receivable with aging period of 91 to 180 days of US$45,000 (2016: US$27,000) was past due but not impaired. It is related to a customer with no recent history of default.

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

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

The Group's trade receivables were mainly denominated in the functional currency of the respective entities of the Group.

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23. OTHER RECEIVABLES AND PREPAYMENTS

Details of other receivables and prepayments are as follows:

	2017	2016
	US$'000	*US$'000*
Interest-free loan to an investee company *(note)*	**–**	1,866
Other receivables	**842**	499
Prepayments	**65**	92
Other deposits	**9**	9
	916	2,466

Note: On 14 September 2012, Courage Marine Overseas Ltd. ("CM Overseas"), a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corporation Pte Ltd ("Santarli Corp"), an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty (which constitutes 10% of the issued share capital of Santarli Realty), at a cash consideration of S$100,000 and advanced an interest-free shareholder's loan of S$5,400,000. On the same date, Santarli Holdings Pte Ltd., the holding company of Santarli Corp has executed a guarantee in favour of CM Overseas of all the liabilities due by Santarli Corp to CM Overseas. Santarli Realty is a subsidiary of Santarli Corp and is engaged in property development business in Singapore.

During the year ended 31 December 2016, Santarli Realty had partially repaid the interest-free loan amounting to S$2,700,000 (equivalent to approximately US$1,946,000). During the year ended 31 December 2017, Santarli Realty had repaid the remaining interest-free loan of S$2,700,000 (equivalent to approximately US$1,866,000). The entire amount had been fully settled during the year ended 31 December 2017.

24. AMOUNT DUE FROM A JOINT VENTURE

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

25. 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.

26. TIME DEPOSIT

As at 31 December 2017, the Group had a time deposit of US$500,000 (2016: US$500,000) with an original maturity of over three months carrying interest at prevailing market deposit rate of 1.49% per annum, and for a remaining tenure of approximately 165 days.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprised bank balances and cash held by the Group of US$2,744,000 (2016: US$4,544,000). The carrying amounts of these assets approximate to their fair values.

28. ASSET CLASSIFIED AS HELD-FOR-SALE

At 31 December 2016, the Group was 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:

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

The subsidiary was subsequently disposed on 26 June 2017 and details are disclosed in note 35(a).

29. TRADE PAYABLES

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

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

30. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2017 ***US$'000***	2016 *US$'000*
Accrued vessel related expenses	**222**	935
Accrued staff related expenses	**–**	6
Payable for acquisition of equity-linked notes	**–**	645
Deposits received	**804**	65
Others	**266**	329
	1,292	1,980

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

31. 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 US$ which was also the functional currency of the respective entities of the Group.

31. BORROWINGS (continued)

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 ("LIBOR") 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.

32. 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.

33. DEFERRED TAXATION

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

	Accelerated tax depreciation US$'000	Revaluation of leasehold land and building US$'000	Tax losses US$'000	Total US$'000
At 1 January 2016	2	375	(1)	376
Credited to other comprehensive income	–	(24)	–	(24)
Reversal upon transfer from property, plant and equipment to investment property	–	(351)	–	(351)
At 31 December 2016	2	–	(1)	1
Credited to profit and loss	(2)	–	1	(1)
At 31 December 2017	–	–	–	–

At the end of the reporting period, the Group had unused tax losses of US$3,454,000 (2016: US$3,055,000). For the year ended 31 December 2017, no deferred tax asset had been recognised in respect of such losses due to the unpredictability of future profit streams. For the year ended 31 December 2016, a deferred tax asset had been recognised in respect of US$5,000 of such losses, no deferred tax asset had been recognised in respect of the remaining US$3,050,000 of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

34. ACQUISITION OF SUBSIDIARIES

On 31 March 2016, the Group entered into an agreement with two independent third parties pursuant to which Peak Prospect Global Limited ("Peak Prospect Global"), a wholly-owned subsidiary of the Company, agreed to acquire 70% interest in Hope View International Limited (now known as Poly EZbuy Limited) (the "Target Company"), together with its subsidiaries (collectively referred to as the "Target Group"), for a cash consideration of HK$6,800,000 (equivalent to approximately US$877,000). The Target Group was principally engaged in the provision of logistics, custom clearance and auxiliary services and import and export of goods. Immediately after the completion of the acquisition, the Target Company became a subsidiary of the Company.

The directors of the Company considered that the acquisition could horizontally expand the transportation business of the Group.

34. ACQUISITION OF SUBSIDIARIES (continued)

The consolidated net assets of the Target Group at the date of acquisition were as follows:

	US$'000
Property, plant and equipment	1,307
Intangible assets	1,107
Other receivables and prepayments	304
Bank balances and cash	105
Other payables and accruals	(1,277)
	1,546
Cash consideration paid	877
Add: non-controlling interests	669
	1,546
Net cash outflow arising on acquisition of subsidiaries:	
Cash consideration paid	877
Less: bank balance and cash acquired	(105)
	772

The acquisition did not give rise to any recognition of goodwill as the directors of the Company were of the opinion that the consideration paid approximated to the fair value of the net identifiable assets acquired.

Acquisition-related costs amounting to US$81,000 had been excluded from the consideration transferred and had been recognised as an expense in the year ended 31 December 2016, included in the other expense line item in the consolidated statement of profit or loss and other comprehensive income.

Included in the loss for the year ended 31 December 2016 was loss of US$818,000 incurred by the Target Group. Revenue for the year ended 31 December 2016 included US$176,000 contributed by the Target Group.

Had the acquisition been completed on 1 January 2016, the revenue of the Group for the year would have been US$4,592,000, and loss for the year would have been US$16,169,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

34. ACQUISITION OF SUBSIDIARIES (continued)

In determining the 'pro-forma' revenue and loss of the Group had the Target Group been acquired at the beginning of the prior year, the directors of the Company have calculated depreciation of plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

During the year ended 31 December 2016, the Group had disposed of the Target Group and details are set out in note 35(c).

35. DISPOSAL OF SUBSIDIARIES

(a) On 26 June 2017, CM Overseas entered into a sale and purchase agreement with an independent third party to dispose of the entire shareholding interest in, and the shareholder's loan to, a former wholly-owned subsidiary (the "disposed company") of CM Overseas, at a cash consideration of US$1,500,000. At the time of the disposal, the major asset of the disposed company was an investment property located in Singapore, which was classified as asset classified as held-for-sale as at 31 December 2016. The gain on disposal of a subsidiary was US$51,000 and the disposal was completed on 26 June 2017.

The net assets of the disposed company at the date of disposal was as follows:

	US$'000
Investment property, classified as asset classified as held-for-sale	**1,449**
Cash consideration received	**1,500**
Net assets disposed of	**(1,449)**
Gain on disposal of a subsidiary	**51**
Cash inflow from disposal of a subsidiary:	
Cash consideration received	**1,500**

35. DISPOSAL OF SUBSIDIARIES (continued)

(b) On 5 October 2016, CM Overseas entered into two sale and purchase agreements with an independent third party to dispose of the entire shareholding interest in, and the shareholder's loan to, two former wholly-owned subsidiaries ("two disposed companies") of CM Overseas, at the cash consideration of US$629,000 and US$616,000 respectively, totalling US$1,245,000. At the time of the disposal, the major assets of the two disposed companies were two residential properties located in Singapore, which were classified as investment properties. The aggregated gain on disposal of these subsidiaries was US$18,000 and the disposal was completed on 6 October 2016.

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

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

35. DISPOSAL OF SUBSIDIARIES (continued)

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

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

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

36. OPERATING LEASES

The Group as lessor

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

	2017	2016
	US$'000	*US$'000*
Within one year	**178**	166

The Group as lessee

	2017	2016
	US$'000	*US$'000*
Minimum lease payments paid under operating leases for its office and recognised as an expense	**70**	35

37. CONTINGENT LIABILITY

At 31 December 2017, the Group had no significant contingent liability (31 December 2016: nil).

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged two vessels of aggregate carrying amount of US$19,500,000 to banks as security for the loan facilities granted to the Group.

39. RETIREMENT BENEFITS SCHEMES

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

40. RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than the aforesaid, details of the outstanding balance with joint venture at the end of the reporting period are set out in the Group's consolidated statement of financial position and in note 24. Details of transactions between the Group and other related parties are disclosed below.

40. RELATED PARTY DISCLOSURES (continued)

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

Related parties	Nature of transaction	2017 US$'000	2016 US$'000
Poly Investment & Finance Limited ("PIF") *(note)*	Rental expense	**70**	35
U Credit (HK) Limited ("U Credit") *(note)*	Interest expense	**5**	–

Note: Mr. Suen Cho Hung, Paul (a substantial shareholder of the Company) is the sole shareholder of PIF and has an approximately 9.9% indirect shareholding interest in U Credit. Mr. Sue Ka Lok is a director of the Company, PIF and U Credit.

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

(b) Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in note 13.

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 31 offset by cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

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

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2017	2016
	US$'000	*US$'000*
Financial assets		
Available-for-sale investments	**9,739**	79
Financial assets at FVTPL	**8,067**	645
Loans and receivables (including cash and cash equivalents)	**5,277**	8,368
Financial liability		
Amortised cost	**17,684**	20,444

(b) Financial risk management objectives and policies

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

(i) Foreign exchange risk

The Group's principal subsidiaries are operating in Hong Kong and their transactions are mostly denominated and settled in Hong Kong Dollar ("HK$") and US$. As HK$ is pegged to US$, the management thus considers the Group's foreign currency exposure is not significant. To the extent that the Group's revenue and expenditure are not naturally matched in the same currency and to the extent that there are timing differences between receipt and payment, the Group will be exposed to foreign currency exchange gains and losses arising from transactions in currencies other than its functional currency. As a result, the Group's results may be affected. Certain bank balances of the Group which are denominated in New Taiwan Dollar, Singapore Dollar and Renminbi are considered insignificant. The management will consider using foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

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

42. FINANCIAL INSTRUMENTS (continued)

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in notes 27 and 31 respectively. Time deposit at fixed rate exposes the Group to fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate borrowings as at 31 December 2017 and 2016. The analysis is prepared assuming the variable-rate borrowings outstanding at the end of the reporting period were outstanding for the whole reporting year. An 100 basis points increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/lower and all other variables were held, the Group's profit (2016: loss) for the year ended 31 December 2017 would decrease/increase by US$171,000 (2016: increase/decrease by US$198,000).

(iii) Other price risk

The Group is exposed to price risk arising from the investment in listed equity securities and debt securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments and debt securities quoted in the Hong Kong Stock Exchange or SGX-ST. In addition, the Group will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date. If the prices of the respective listed equity and debt securities had been 10% higher/lower, the Group's profit for the year ended 31 December 2017 would increase/decrease by US$807,000 and the Group's other comprehensive income for the year ended 31 December 2017 would increase/decrease by US$966,000.

42. FINANCIAL INSTRUMENTS (continued)

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

(iv) Credit risk

The directors generally grant credit only to customers with good credit ratings and also closely monitors overdue trade debts. The unsettled trade receivables are monitored on an ongoing basis and followed up by the finance department. The directors review the recoverable amount of each individual receivable regularly to ensure that follow up actions are taken to recover overdue debts and adequate impairment losses, if any, are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

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

(v) Liquidity risk

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

42. FINANCIAL INSTRUMENTS (continued)

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

(v) Liquidity risk (continued)

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

	Weighted average interest rate	On demand or 6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	> 5 years	Total undiscounted cash flows	Carrying amounts
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2017								
Trade payables	–	556	–	–	–	–	556	556
Other payable	–	20	–	–	–	–	20	20
Borrowings	3.70 – 4.56	3,134	1,669	8,256	5,491	–	18,550	17,108
		3,710	1,669	8,256	5,491	–	19,126	17,684
At 31 December 2016								
Other payable	–	645	–	–	–	–	645	645
Borrowings	3.23 – 3.97	6,572	1,682	3,243	7,302	2,812	21,611	19,799
		7,217	1,682	3,243	7,302	2,812	22,256	20,444

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

42. FINANCIAL INSTRUMENTS (continued)

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

(vi) Fair values

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

- The fair values of listed debt securities classified as AFS investments and listed equity securities classified as financial assets at FVTPL are determined with reference to quoted prices in active market.
- The fair values of unlisted debt securities classified as financial assets at FVTPL are determined with reference to quoted prices in over-the-counter market.
- The fair values of other financial assets and financial liability are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value of the Group's financial assets are measured at fair value on a recurring basis.

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2017 ***US$'000***	31 December 2016 *US$'000*				
AFS Investments						
Listed debt securities	**9,660**	–	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL						
Listed equity securities	**8,067**	–	Level 1	Quoted prices in an active market	N/A	N/A
Unlisted debt securities	**-**	645	Level 2	Quoted prices in an over-the-counter market	N/A	N/A

There were no transfers between level 1 and 2 during the year.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings
	US$'000
At 1 January 2017	19,799
New borrowing raised	774
Repayment of borrowings	(3,465)
At 31 December 2017	**17,108**

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

	2017	2016
	US$'000	*US$'000*
Non-current assets		
Interest in subsidiaries	**–**	–
Amounts due from subsidiaries	**52,263**	39,592
	52,263	39,592
Current assets		
Other receivables and prepayments	**43**	37
Cash and cash equivalents	**4**	903
	47	940
Total assets	**52,310**	40,532
Current liabilities		
Amounts due to subsidiaries	**31,742**	29,592
Other payables and accruals	**158**	204
	31,900	29,796
Capital and reserves		
Share capital	**27,443**	22,871
Deficit in reserves *(note)*	**(7,033)**	(12,135)
	20,410	10,736
Total liabilities and equity	**52,310**	40,532
Net current liabilities	**(31,853)**	(28,856)
Total assets less current liabilities	**20,410**	10,736

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

Note:

	Share premium US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2016	34,872	(29,620)	5,252
Loss and total comprehensive expense for the year	–	(17,387)	(17,387)
At 31 December 2016	34,872	(47,007)	(12,135)
Loss and total comprehensive expense for the year	**–**	**(2,533)**	**(2,533)**
Issue of shares	**7,948**	**–**	**7,948**
Transaction costs attributable to issue of shares	**(313)**	**–**	**(313)**
At 31 December 2017	**42,507**	**(49,540)**	**(7,033)**

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/registered capital held by the Company		Principal activities
			2017 %	2016 %	
Direct:					
Courage Marine Holdings (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	**100**	100	Investment holding
Peak Prospect Global	BVI	Ordinary	**100**	100	Investment holding

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45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiaries	Place of incorporation/ establishment	Class of shares/ registered capital held	Proportion of nominal value of issued share/registered capital held by the Company 2017 %	2016 %	Principal activities
Indirect:					
CMG Management Limited	Hong Kong	Ordinary	**100**	100	Merchandise trading, investment in securities and corporate bonds and provision of management services
Courage Marine (HK) Company Limited	Hong Kong	Ordinary	**100**	100	Investment holding and provision of administration services to group companies
Courage Marine Property Investment Limited	Hong Kong	Ordinary	**100**	100	Property holding and investment
Heroic Marine Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
Jade Management and Consultant (Shanghai) Co. Ltd. (吉來企業管理諮詢(上海)有限公司)	PRC	Registered	**100**	100	Provision of management and consulting services
Midas Shipping Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Provision of operating services to group companies
Zorina Navigation Corp.	Republic of Panama	Ordinary	**100**	100	Provision of marine transportation services
上海吉進企業管理諮詢有限公司	PRC	Registered	**100**	100	Provision of management and consulting services

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

None of the subsidiaries had issued any debt securities at the end of the year.

Five-Year Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
RESULTS					
Revenue	**9,897**	4,546	6,663	16,535	24,963
Profit (loss) before tax	**9,884**	(17,766)	(36,841)	(9,714)	(1,772)
Income tax credit (expense)	**1**	–	(2)	(10)	(3)
Profit (loss) for the year	**9,885**	(17,766)	(36,843)	(9,724)	(1,775)
Profit (loss) for the year attributable to:					
Owners of the Company	**9,885**	(17,381)	(36,843)	(9,724)	(1,775)
Non-controlling interests	**–**	(385)	–	–	–
	9,885	(17,766)	(36,843)	(9,724)	(1,775)

	At 31 December				
	2017	2016	2015	2014	2013
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS AND LIABILITIES					
Total assets	**56,713**	37,265	59,026	97,006	105,766
Total liabilities	**(18,956)**	(21,962)	(26,499)	(38,684)	(38,381)
Equity attributable to owners of the Company	**37,757**	15,303	32,527	58,322	67,385