2021
ANNUAL REPORT

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)

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
"dwt"	dead weight tonnage
"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 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

Executive Directors
Mr. Sue Ka Lok *(Chairman)*
Ms. Wang Yu

Non-executive Director
Dr. Feng Xiaogang

Independent Non-executive Directors
Mr. Zhou Qijin
Mr. Pau Shiu Ming
Mr. Tsao Hoi Ho

AUDIT COMMITTEE
Mr. Tsao Hoi Ho *(Chairman)*
Mr. Zhou Qijin
Mr. Pau Shiu Ming

REMUNERATION COMMITTEE
Mr. Pau Shiu Ming *(Chairman)*
Mr. Zhou Qijin
Mr. Tsao Hoi Ho

NOMINATION COMMITTEE
Mr. Zhou Qijin *(Chairman)*
Mr. Pau Shiu Ming
Mr. Tsao Hoi Ho
Mr. Sue Ka Lok

CHIEF EXECUTIVE OFFICER
Mr. Yuen Chee Lap, Carl

COMPANY SECRETARY
Ms. Wang Yu

DEPUTY COMPANY SECRETARY
Ms. Lee Pih Peng

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
Room 2113, 21st Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS AND FINANCIER
Bank of Communications Co., Ltd.,
Hong Kong Branch
Hang Seng Bank Limited
Credit Suisse AG
SinoPac Capital International (HK) Limited

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

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 54
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.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

WEBSITE
www.courageinv.com

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 2021 ("FY2021").

RESULTS

During FY2021, the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading. Overall speaking, the market conditions of the marine transportation business have improved considerably during the year following the launch of vaccination campaigns globally to combat COVID-19, amidst the emergence of the coronavirus variants and the new wave of Omicron outbreaks in many regions. Following the launch of COVID-19 vaccination programs by many governments, there are signs that economic activities worldwide have started to regain momentum. The market conditions of the marine transportation business have become stable following the revival of economic activities of major economies including China, the US and Europe and the current market outlook of the business is positive. For FY2021, the Group reported an increase in revenue by 23% to US$9,738,000 (2020: US$7,920,000), which was driven by the increase in revenue of the marine transportation business, recorded a profit attributable to owners of the Company of US$10,488,000, which showing a turnaround from the loss of US$3,470,000 incurred in last year, and posted a basic earnings per share of US0.96 cent (2020: basic loss per share of US0.54 cent). The turnaround of the Group's results was mainly attributed to (i) the reversal of impairment loss on vessels of US$13,430,000 (2020: impairment loss of US$2,760,000), and (ii) the increase in profit contribution from the marine transportation business to US$3,938,000 (2020: US$1,716,000), though partly offset by (iii) an allowance for credit losses of US$5,360,000 (2020: nil) recognised on debt investments held by the Group at the year end.

PROSPECTS

Following the launch of vaccination campaigns by many governments to fight against COVID-19 on a global basis, there are signs that their economies have stabilised and are on the path towards full-reactivation, despite the emergence of the coronavirus variants and the new wave of Omicron outbreaks in many regions. China has achieved strong positive GDP growth in 2021 and there are signs that the economy is undergoing a sustainable and healthy growth. Hong Kong, being one of the major cities and gateways of China, is well positioned to benefit from the nation's sustainable economic growth and long-term economic development.

The BDI, which is closely correlated to market freight rate, reached the new 5-year high of over 5,600 points in October 2021 and market freight rate is currently hovering at relatively high levels. In view of the prevailing market conditions, the Group is prudently optimistic about the prospect of the marine transportation business in the medium to long term.

The Group has yet to acquire a second-hand Supramax vessel as the price of this vessel class has increased significantly during FY2021 and the market conditions of second-hand dry bulk vessels, particularly in terms of asking price, are volatile. Looking forward, the Group will continue with its plan of acquiring a second-hand dry bulk vessel, and may include the Panamax class carrier with greater carrying capacity than Supramax as its target vessel type, which will allow more options to the Group, when market conditions become clearer and stable. Moreover, the Group will continue to manage its businesses in a disciplined manner, as well as to explore potential investment and acquisition opportunities and business enhancement strategies which are expected to bring long-term benefits to the Group.

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, my fellow directors for their valuable services, and all staff members for their dedicated efforts during FY2021.

Sue Ka Lok
Chairman
Hong Kong, 22 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2021 ("FY2021"), the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading.

Overall speaking, the market conditions of the marine transportation business have improved considerably during the year following the launch of vaccination campaigns globally to combat COVID-19, amidst the emergence of the coronavirus variants and the new wave of Omicron outbreaks in many regions. Following the launch of COVID-19 vaccination programs by many governments, there are signs that economic activities worldwide have started to regain momentum. The market conditions of the marine transportation business have become stable following the revival of economies activities of major economies including China, the US and Europe and the current market outlook of the business is positive. For FY2021, the Group reported an increase in revenue by 23% to US$9,738,000 (2020: US$7,920,000), which was driven by the increase in revenue of the marine transportation business, and recorded a profit attributable to owners of the Company of US$10,488,000, which showing a turnaround from the loss of US$3,470,000 incurred in last year.

Marine transportation

For FY2021, the revenue of the Group's marine transportation business increased by 36% to US$8,976,000 (2020: US$6,598,000), and with its profit increased by 129% to US$3,938,000 (2020: US$1,716,000). The increases in revenue and profit of the operation were mainly attributed to the general improvement of market conditions of the marine chartering industry and the increase in charter rates of the Group's vessels during the year, which largely resulted from the increased demand for the Group's marine transportation services owing to the increased demand for commodities when many major economies including China, the US and Europe are moving towards their full economic recovery.

Following the launch of vaccination programs by many governments to fight against COVID-19 on a global basis, there are signs that economic activities worldwide have stabilised and started to regain momentum. The BDI, which is closely correlated to market freight rate, remained volatile during FY2021 by hitting its low of about 1,300 points in February 2021, reached its new 5-year high of over 5,600 points in October 2021, and was hovering between the 2,000 to 3,000 points level throughout a large part of the year, compared to the 600 to 1,200 points level in 2020. The current market outlook of the marine transportation business is positive following the revival of economic activities of major economies and market freight rate is currently hovering at relatively high levels. In view of the prevailing market conditions, the Group is prudently optimistic about the prospect of the marine transportation business in the medium to long term.

The carrying capacity of the Group's dry bulk fleet, which currently comprises three Supramax size vessels, is approximately 171,000 dwt. The Group has yet to acquire a second-hand Supramax vessel as the price of this vessel class has increased significantly during FY2021 and the market conditions of second-hand dry bulk vessels, particularly in terms of asking price, are volatile. The Group will continue with its plan of acquiring a second-hand dry bulk vessel, and may include the Panamax class carrier with greater carrying capacity (i.e. about 75,000 dwt) than Supramax as its target vessel type, which will allow more options to the Group, when market conditions become clearer and stable. The Group will inform shareholders of any update of the vessel acquisition as and when appropriate.

Property holding and investment

For FY2021, the property holding and investment business reported a revenue of US$181,000 (2020: US$186,000) that represented the rental income generated by the Group's investment property, being an office unit at Shun Tak Centre, Sheung Wan, Hong Kong. The property was vacant at the year end. In February 2022, the Group entered into a conditional provisional sale and purchase agreement with an independent third party to dispose of the property at a consideration of HK$68,300,000 (equivalent to US$8,756,000). As a result of the proposed disposal, the carrying value of the investment property was adjusted down to US$8,756,000, equivalent to the selling price, at the year end and a decrease in fair value of the property of US$539,000 (2020: US$1,167,000) was recognised, which effectively led to the loss incurred by the business for the year of US$313,000 (2020: US$1,003,000). The proposed disposal is subject to the approval of shareholders in a special general meeting to be held by the Company and the transaction has not been completed at the date of this annual report.

Investment holding

The Group's investment holding business contributed a revenue of US$581,000 (2020: US$813,000) and recorded a loss of US$4,843,000 (2020: profit of US$450,000) for FY2021. The revenue of the business comprised interest income from corporate bonds held by the Group and the loss incurred by the business was mainly due to the allowance for credit losses on debt instruments at fair value through other comprehensive income ("FVTOCI") of US$5,360,000 (2020: nil).

During FY2021, the credit ratings of some of the bonds held by the Group, which were issued by property companies based in the Mainland, were downgraded by the rating agencies as the credit risks of these bonds have increased significantly due to various reasons, including some of these bonds have defaulted in interest payments or the issuers of these bonds have defaulted in payments of their other bonds. As the Group expected the financial uncertainties of these bond issuers would ultimately affect the collection of contractual cash flows from their bonds, an allowance for credit losses on debt instruments at FVTOCI of US$5,360,000 (2020: nil), which mainly reflected the significant increase of credit risks of these bonds, was recognised during the year. The Group had engaged an independent qualified professional valuer to perform an impairment assessment on these debt instruments under the expected credit loss ("ECL") model. The measurement of ECL is a function of the probability of default and the loss given default (i.e. the magnitude of the loss if there is a default), and the assessment of the probability of default and loss given default is based on historical data and forward-looking information. The estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, and also with reference to the time value of money. In determining the ECL on the Group's debt instruments for the year, the management had work closely with the independent qualified professional valuer and taking into accounts factors including the downgrading of credit rating of some of the debt instruments by the rating agencies and the defaults of some of the bond issuers in their payments of interest and principal, and forward-looking information including the future macroeconomic conditions at places where the bond issuers are operating.

During the year, the Group continued to invest in listed equity securities and corporate bonds. The corporate bonds acquired by the Group were issued by property and aircraft leasing companies with a yield to maturity upon acquisition of these bonds ranging from approximately 4.68% to 12.33% per annum. For listed equity securities, the Group's investment strategy is to target for stocks with good value appreciation potential whether in short, medium or long term and/or good dividend yield. For corporate bonds, the Group's investment strategy is to target for bonds with good interest yield that commensurate with their default risk. For making investment decisions on securities or bonds of individual target company, references will usually be made to its announcements, news, latest financial information, dividend policy and business prospect.

At the year end, the Group's investments classified as "debt instruments at FVTOCI" comprised a current and non-current portion totalling US$6,545,000 (2020: US$10,407,000) which represented a portfolio of corporate bonds. The Group had not made any new investments in corporate bonds during the year. Moreover, as the Group disposed of a substantial part of its financial assets at fair value through profit or loss ("FVTPL") investments in last year, the Group's holding of financial assets at FVTPL at the year end was negligible.

For FY2021, a net decrease in fair value of the Group's debt instruments at FVTOCI of US$3,862,000 (2020: net increase of US$28,000) was recognised as other comprehensive expense primarily owing to the decrease of their market value.

A summary of the Group's major investments classified as debt instruments at FVTOCI, together with other information, is set out below:

Issuer/issuer group	Principal activities of the issuer/ issuer group	Approximate weighting to the market/fair value of the Group's debt instruments at FVTOCI portfolio %	Approximate weighting to the total assets of the Group at 31 December 2021 %	Yield to maturity upon acquisition %	Acquisition costs US$'000	*Acquisition costs during the year/ carrying amount at 1 January 2021 US$'000	Market/fair value at 31 December 2021 US$'000	Accumulated fair value gain (loss) recognised up to 31 December 2021 US$'000	Fair value gain (loss) recognised during the year ended 31 December 2021 US$'000
					A	B	C	D=C-A	E=C-B
China Evergrande Group	Property related business	8.8	0.8	8.22 – 8.75	3,401	2,938	573	(2,828)	(2,365)
Pacific Century Premium Developments Limited	Property related business	21.4	1.9	4.68	1,403	1,410	1,399	(4)	(11)
Logan Group Company Limited	Property related business	29.6	2.7	5.48	1,978	2,036	1,940	(38)	(96)
China Aircraft Leasing Group Holdings Limited	Aircraft leasing	15.1	1.4	5.09	983	912	990	7	78
KWG Group Holdings Limited	Property related business	12.3	1.1	5.37	1,029	1,019	805	(224)	(214)
Times China Holdings Limited	Property related business	4.6	0.4	6.72	400	420	302	(98)	(118)
Kaisa Group Holdings Ltd.	Property related business	3.2	0.3	11.68 – 11.75	799	842	212	(587)	(630)
Others	N/A	5.0	0.4	11.34 – 12.33	796	830	324	(472)	(506)
		100.0	9.0		10,789	10,407	6,545	(4,244)	(3,862)

* *The amount represented the costs of the securities acquired during the year ended 31 December 2021 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.*

Merchandise trading

During FY2021, mainly due to the prolonged continuation of the COVID-19 pandemic, there was no revenue (2020: US$323,000) and profit (2020: US$4,000) generated from the Group's merchandise trading business, which focusing on trading of electronic components. The business is in temporary halt and will resume when market conditions improve.

Share of result of a joint venture

For FY2021, the profit of a joint venture shared by the Group amounted to US$87,000 (2020: loss of US$45,000) which mainly related to the increase in fair value of an industrial property in Shanghai, China held under a joint venture, the property is vacant at present and is intended for leasing. At 31 December 2021, the carrying value of the investment in joint venture was US$5,167,000 (2020: US$4,944,000).

Management Discussion and Analysis

OVERALL RESULTS

The Group recorded a profit for the year attributable to owners of the Company of US$10,488,000 (2020: loss of US$3,470,000) and total comprehensive income attributable to owners of the Company of US$12,122,000 (2020: total comprehensive expense of US$3,133,000). The turnaround of the Group's results was mainly attributable to (i) the reversal of impairment loss on vessels of US$13,430,000 (2020: impairment loss of US$2,760,000), and (ii) the increase in profit contribution from the marine transportation business to US$3,938,000 (2020: US$1,716,000), though partly offset by (iii) an allowance for credit losses of US$5,360,000 (2020: nil) recognised on debt instruments at FVTOCI held by the Group at the year end.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

During FY2021, the Group financed its operation mainly by cash generated from operations, credit facilities provided by banks and other financial institution, as well as shareholders' funds. At 31 December 2021, the Group had current assets of US$13,122,000 (2020: US$11,740,000) and liquid assets comprising bank balances and cash of US$7,640,000 (2020: US$10,090,000 (including investment in listed equity securities)). The Group's current ratio, calculated based on current assets over current liabilities of US$5,374,000 (2020: US$7,448,000), was at a ratio of about 2.44 at the year end (2020: 1.58). The increase in current ratio was mainly due to debt instruments at FVTOCI with aggregate value of US$3,814,000 were reclassified as current assets as they would be matured within the next twelve months from the year end.

At 31 December 2021, the equity attributable to owners of the Company amounted to US$61,452,000 (2020: US$49,540,000), increased by US$11,912,000 compared to the prior year end that was mainly resulted from the profit earned by the Group during the current year.

At the year end, the Group's borrowings represented loans from a bank and a financial institution mainly applied for financing the holding of vessels. At 31 December 2021, the borrowings were denominated in United States dollars, bore interest at floating rates, and were secured by the three vessels owned by the Group. The following is an analysis of the Group's borrowings and maturity profile:

	At 31 December 2021	At 31 December 2020
	US$'000	*US$'000*
Secured loans	**9,786**	15,875
The carrying amounts of the loans are repayable*:		
On demand	**–**	2,821
Within a period not exceeding one year	**4,908**	3,268
Within a period of more than one year but not exceeding two years	**2,122**	4,908
Within a period of more than two years but not exceeding five years	**2,756**	4,878
	9,786	15,875

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

For FY2021, the Group's finance costs of US$447,000 represented mainly interests for the borrowings, finance costs decreased by 38% (2020: US$723,000) was mainly a result of the repayment of a bank revolving loan of US$2,821,000 in January 2021 and the decrease in interest rates charged for the floating-rate borrowings compared to the prior year.

The Group's gearing ratio, calculated on the basis of total borrowings of US$9,786,000 (2020: US$15,875,000) divided by total equity of US$61,452,000 (2020: US$49,540,000), was at a ratio of about 16% at the year end (2020: 32%).

With the amount of liquid assets on hand as well as the credit facilities granted by banks and other financial institution, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Use of proceeds from the Open Offer

In January 2021, the Company successfully raised US$9,148,000 before expenses by way of an open offer of 548,851,784 offer shares (with aggregate nominal value of US$548,851.784) at the subscription price of HK$0.13 per offer share (the closing price of the Company's shares was HK$0.193 on the day when the subscription price was fixed) on the basis of one offer share for every one share of the Company held on the record date (the "Open Offer"). The net proceeds from the Open Offer were US$8,621,000 (equivalent to a net subscription price of approximately HK$0.12 per offer share), of which a sum of US$2,821,000 was utilised as intended to repay a bank revolving loan to achieve immediate saving in finance costs, whilst the remainder of the net proceeds of US$5,800,000 was earmarked as working capital for the marine transportation business of the Group as explained in more details below.

In the Company's circular dated 30 October 2020 issued in relation to the Open Offer, it was originally intended that (i) approximately US$2,821,000 (approximately HK$22 million) of the net proceeds would be applied to repay the outstanding principal amount of a bank revolving loan, and (ii) the remainder of the net proceeds for the acquisition of a Supramax vessel if and when such acquisition materialises. However, if such acquisition would not materialise within 12 months from the completion of the Open Offer, the Company intended to apply approximately 50% of the remainder of the proceeds to its marine transportation business, approximately 40% to its investment holding business and approximately 10% for its merchandise trading business as working capital which would continually be used and replenished in the course of operations of such business segments on an ongoing basis. Based on the Board's evaluation at that time and depending on the vessel's specifications, the estimated capital requirement for a second-hand Supramax vessel ranged from US$7 million to US$12 million.

As mentioned in the business review of marine transportation business above, there has been a general improvement of market conditions of the marine chartering industry during the year as reflected in the rise of charter rates of the Group's vessel and the marking of the new 5-year high of BDI. Owing to the improved outlook of the industry, the price range of the second-hand Supramax vessels with varying specifications that are under consideration by the management has also increased to around US$10 million to US$18 million, about 40%-50% higher than the original estimate. As the asking price of second-hand vessels in the market exceed the management's original estimate considerably and the prevailing market conditions are volatile, the management has not been able to identify and acquire a suitable second-hand dry bulk vessel as originally planned. Having said that, it is still the intention of the Group to continue with its plan of acquiring a second-hand dry bulk vessel, and may include the Panamax class carrier with greater carrying capacity than Supramax as its target vessel type, which will allow more options to the Group, when market conditions become clearer and stable.

In respect of the use of net proceeds of US$8,621,000 from the Open Offer, as mentioned above, a sum of US$2,821,000 was utilised as intended to repay a bank revolving loan, whilst the remainder of the net proceeds of US$5,800,000 was earmarked as working capital for the marine transportation business of the Group and largely remained as cash at the year end. The net proceeds from the Open Offer were not applied as working capital for the Group's merchandise trading and investment holding businesses as the Group was not active in its merchandise trading and investment activities primarily owing to the adverse economic impact brought by the prolonged continuation of the COVID-19 pandemic. It is the intention of the Group to reutilise the remaining net proceeds of the Open Offer of US$5,800,000 if and when the acquisition of a second-hand dry bulk vessel materialises.

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 FY2021, 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 2021, three vessels with an aggregate carrying amount of US$42,279,000 (including dry-docking) were pledged to a bank and a financial institution as security for the loan facilities granted to the Group.

At 31 December 2020, three vessels with an aggregate carrying amount of US$30,202,000 (including dry-docking), an investment property with carrying amount of US$9,295,000 and debt instruments at FVTOCI with carrying amount of US$8,408,000 were pledged to banks and other financial institution as security for the loan facilities granted to the Group.

Contingent liabilities

At 31 December 2021, the Group had no significant contingent liability (2020: nil).

Capital commitments

At 31 December 2021, the Group had no significant capital commitment (2020: nil).

EVENT AFTER THE REPORTING PERIOD

On 9 February 2022, the Group entered into a conditional provisional sale and purchase agreement with an independent third party to dispose of the Group's investment property at a consideration of HK$68,300,000 (equivalent to US$8,756,000). The transaction has not been completed at the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2021, the Group had 16 (2020: 15) employees including directors of the Company. For FY2021, staff costs (including directors' emoluments) amounted to US$778,000 (2020: US$416,000). 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. During FY2021, the Group continued to engage a crew agency to provide crew services (about 44 crew members) for two of the Group's vessels, crew expenses for the year amounted to US$1,892,000 (2020: US$1,665,000).

RISK FACTORS

The Group has identified and is facing a number of significant risks during FY2021. Some of these risks are ongoing factors which the industry has to cope with in the medium to long term. Other risk factors are specific to the Group.

Economic Risk

The global outbreak of COVID-19 and the continuous trade disputes between China and the US were the major factors which resulted in the volatility of BDI during FY2021. The BDI, which has a close correlation to freight rate, was at its low and below 1,300 points in February 2021, reached its peak and over 5,600 points in October 2021, and was hovering between 2,000 to 3,000 points level throughout a large part of FY2021. 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 state 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 US, 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.

Market Risk

The Group's marine transportation business is operating in a rather volatile market. The business of dry bulk cargo carriers is subject to demand for chartering services and supply of vessels by cargo shippers in the region as well as the worldwide market. The Group is therefore facing 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 the increasing number of market participants.

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. Details of such risks and management policies are set out in note 36 to the consolidated financial statements.

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.

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 the prevailing competitive market conditions which may adversely affect the financial performance of the Group's marine transportation business.

Supply Chain Risk

The Group sources products from a number of 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.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the 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 good relationships with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2021, there were no significant disputes 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 control 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 are set out below:

EXECUTIVE DIRECTORS

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

Aged 56, rejoined the Company as Executive Director in November 2021 and was re-appointed as the Chairman of the Board in January 2022. Mr. Sue is a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr. Sue first joined the Company as Executive Director and the Chairman of the Board in October 2015, stepped down from the position as Chairman of the Board and re-designated as Non-executive Director in October 2017, re-appointed as the Chairman of the Board in February 2018, and subsequently resigned as Non-executive Director and the Chairman of the Board in January 2021.

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, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. 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 (stock code: 235), an executive director of EPI (Holdings) Limited (stock code: 689) and a non-executive director of Birmingham Sports Holdings Limited (stock code: 2309). All of the above-mentioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

Ms. Wang Yu ("Ms. Wang"), *Company Secretary*

Aged 46, joined the Group as Executive Director in October 2017, appointed as Joint Company Secretary in February 2019 and subsequently appointed as Company Secretary in March 2019. She is a director of various subsidiaries. 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 a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. She has experience in logistics industry, corporate administration and company secretarial practice.

NON-EXECUTIVE DIRECTOR

Dr. Feng Xiaogang ("Dr. Feng")

Aged 56, joined the Group as Executive Director and the Chairman of the Board in January 2021, and stepped down from the position as Chairman of the Board and re-designated as Non-executive Director in January 2022. Dr. Feng holds a Bachelor of Law degree from Tianjin Normal University, a Master of Business Administration degree from the University of Science and Technology Beijing and a Doctor of Philosophy degree in Management from Twintech International University College of Technology. Dr. Feng currently acts as an investment consultant for various companies in the PRC and overseas. Dr. Feng has extensive experience in management, investment and education.

During the period from 2001 to 2013, Dr. Feng was a senior management of Ambow Education Holding Ltd. ("Ambow Education"), a company listed on the New York Stock Exchange. During his tenure at Ambow Education, Dr. Feng was involved in various fund raising, and mergers and acquisitions projects involving educational institutions in the PRC. Prior to joining Ambow Education, Dr. Feng also worked in a government entity in the PRC and various international companies and was mainly responsible for investment and business management. Dr. Feng is an executive director of Differ Group Holding Company Limited (stock code: 6878). Dr. Feng was also an executive director of Tack Fiori International Group Limited (now known as Life Healthcare Group Limited) (stock code: 928) until 15 February 2016 when he was re-designated as a non-executive director and served until 31 October 2019. Both of the above-mentioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Qijin ("Mr. Zhou")

Aged 61, joined the Group as 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 and automobile sales and marketing in the PRC.

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

Aged 72, joined the Group as 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.

Mr. Tsao Hoi Ho ("Mr. Tsao")

Aged 57, joined the Group as Independent Non-executive Director in November 2019 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Tsao holds a Master of Business Administration degree from the University of Warwick in the United Kingdom. Mr. Tsao is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, an associate of The Chartered Governance Institute in the United Kingdom and an associate of the Australasian Institute of Banking and Finance. Mr. Tsao has over 20 years' extensive experience in auditing, corporate finance and company secretarial practice. Mr. Tsao is an independent non-executive director of Flying Financial Service Holdings Limited (stock code: 8030), a company listed on GEM of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. Yuen Chee Lap, Carl ("Mr. Yuen"), *Chief Executive Officer and Financial Controller*

Aged 48, joined the Company as Financial Manager in January 2004 and was appointed as Financial Controller in May 2006. Mr. Yuen has taken up the additional role as Chief Executive Officer since September 2019 and is responsible for the Group's overall operations. Mr. Yuen obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from the University of Houston, United States in 1997 and 1998 respectively. He is a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants. Mr. Yuen has rich experience in finance and accounting both in Hong Kong and the United States. He started his career in the United States when he joined a United States listed company in 2000 and served as its chief financial officer from 2000 to 2003. Mr. Yuen is an independent non-executive director of Qianhai Health Holdings Limited (stock code: 911), 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 2021.

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 39 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 the Group facing, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future developments in the Group's businesses, key relationships with employees, customers and suppliers, and the compliance with laws and regulations, 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 and the "Corporate Governance Report" set out on pages 22 to 31 of this annual report. These discussions form part of this directors' report. In addition, discussions on the Group's environmental policies and performance are contained in the "Environmental, Social and Governance Report" on pages 32 to 51 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57.

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2021 (2020: 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 120. 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 15 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

The Company has distributable reserve of US$34,010,000 (2020: US$36,810,000) at 31 December 2021 available for distribution to its shareholders.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 93.6% (2020: 89.3%) of the total revenue for the year and sales to the largest customer accounted for approximately 36.5% (2020: 57.4%). Purchases from the Group's five largest suppliers accounted for approximately 45.1% (2020: 50.6%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 38.1% (2020: 34.3%).

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 or suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Executive Directors:

Mr. Sue Ka Lok *(re-appointed on 30 November 2021)*
Dr. Feng Xiaogang *(appointed on 12 January 2021 and re-designated on 1 January 2022)*
Ms. Wang Yu
Ms. Sin Pui Ying *(resigned on 30 November 2021)*

Non-executive Directors:

Dr. Feng Xiaogang *(re-designated on 1 January 2022)*
Mr. Sue Ka Lok *(resigned on 12 January 2021)*

Independent Non-executive Directors:

Mr. Zhou Qijin
Mr. Pau Shiu Ming
Mr. Tsao Hoi Ho

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. Sue Ka Lok shall retire at the forthcoming annual general meeting of the Company (the "2022 AGM"), and being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2022 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 11 to the consolidated financial statements.

UPDATES ON DIRECTOR'S INFORMATION

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

– Mr. Sue Ka Lok was appointed as company secretary of China Strategic Holdings Limited (stock code: 235), a company listed on the Main Board of the Hong Kong Stock Exchange, with effect from 12 November 2021.

– Mr. Tsao Hoi Ho was appointed as independent non-executive director of Flying Financial Service Holdings Limited (stock code: 8030), a company listed on GEM of the Hong Kong Stock Exchange, with effect from 9 December 2021.

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 IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2021, 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 contained in the Hong Kong Listing Rules.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 30 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" 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

At 31 December 2021, 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 shares
Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	315,990,132 *(Note)*	28.79%
Brilliant Epic Asia Limited ("Brilliant Epic")	Interest of controlled corporation	315,990,132 *(Note)*	28.79%
Success United Development Limited ("Success United")	Beneficial owner	315,990,132 *(Note)*	28.79%

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 315,990,132 shares of the Company held by Success United under the SFO.

The interests of Mr. Suen, Brilliant Epic and Success United in 315,990,132 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 at 31 December 2021 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The related party disclosures in note 34 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 include provident fund scheme, medical insurance, subsidised training programme as well as discretionary bonus.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual 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 businesses 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 2021, 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 of the Company 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.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee and 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 2021 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2022 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Sue Ka Lok
Chairman

Hong Kong, 22 March 2022

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 had complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to 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 had complied with the required standards set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board formulates the 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 goals 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 operational and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's businesses, 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.

At 22 March 2022, the date of this annual report, the Board comprises six directors, two of which are Executive Directors, namely Mr. Sue Ka Lok (Chairman) and Ms. Wang Yu; one of which is Non-executive Director, namely Dr. Feng Xiaogang; and three are Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. Pau Shiu Ming and Mr. Tsao Hoi Ho. The directors are considered to have a balance of skills and experience appropriate for the requirements of the businesses 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 16 of this annual report.

Mr. Suen Cho Hung, Paul ("Mr. Suen"), the ultimate beneficial owner of the substantial shareholder of the Company, is the ultimate beneficial owner of the substantial shareholder of EPI (Holdings) Limited (stock code: 689) of which Mr. Sue Ka Lok is an executive director. Mr. Suen is the ultimate beneficial owner of the substantial shareholder of Birmingham Sports Holdings Limited (stock code: 2309) of which Mr. Sue Ka Lok is a non-executive director. Mr. Suen also indirectly holds approximately 8.24% of the issued shares in China Strategic Holdings Limited (stock code: 235) of which Mr. Sue Ka Lok is an executive director, the chief executive officer and the company secretary. Save as disclosed above, there are no other financial, business, family or other material/relevant relationships 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 an appropriate understanding of the businesses and operations of the Group 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, and 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.

The directors have participated in continuous professional development by attending seminars, in-house briefings and/or reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2021, all the directors including Mr. Sue Ka Lok (resigned on 12 January 2021 and re-appointed on 30 November 2021), Ms. Wang Yu, Dr. Feng Xiaogang (appointed on 12 January 2021), Ms. Sin Pui Ying (resigned on 30 November 2021), Mr. Zhou Qijin, Mr. Pau Shiu Ming and Mr. Tsao Hoi Ho had complied with Code Provision A.6.5 of the CG Code (renumbered as Code Provision C.1.4 since 1 January 2022) and had provided the Company with their respective training records pursuant to the CG Code.

During the year ended 31 December 2021, four regular Board meetings and two general meetings were held and the attendance of each director is set out below:

	Number of attendance	
	Board Meetings	**General Meetings**
Executive Directors/Non-executive Director		
Dr. Feng Xiaogang *(appointed on 12 January 2021)*	4/4	2/2
Mr. Sue Ka Lok *(resigned on 12 January 2021 and re-appointed on 30 November 2021)*	1/1	0/0
Ms. Wang Yu	4/4	2/2
Ms. Sin Pui Ying *(resigned on 30 November 2021)*	3/3	2/2
Independent Non-executive Directors		
Mr. Zhou Qijin	4/4	2/2
Mr. Pau Shiu Ming	4/4	2/2
Mr. Tsao Hoi Ho	4/4	2/2

Corporate Governance Report

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 management is 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.

The position of the Chairman of the Board is currently held by Mr. Sue Ka Lok and the position of the CEO is currently held by Mr. Yuen Chee Lap, Carl.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. At the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Pau Shiu Ming, Mr. Zhou Qijin and Mr. Tsao Hoi Ho. 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 three times during the year ended 31 December 2021 to assess the performance of the directors, and review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out below:

Members	**Number of attendance**
Mr. Pau Shiu Ming	3/3
Mr. Zhou Qijin	3/3
Mr. Tsao Hoi Ho	3/3

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. At the date of this annual report, the Nomination Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. Pau Shiu Ming and Mr. Tsao Hoi Ho; and one 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 four times during the year ended 31 December 2021 to review the board diversity policy (the "Board Diversity Policy") and the nomination policy (the "Nomination Policy") of the Company, the independence of independent non-executive directors, and the structure, size and composition of the Board; and to make recommendation to the Board on the appointment, re-designation and re-election of directors. The attendance of each member is set out below:

Members	**Number of attendance**
Mr. Zhou Qijin	4/4
Mr. Pau Shiu Ming	4/4
Mr. Tsao Hoi Ho	4/4
Dr. Feng Xiaogang *(appointed on 12 January 2021 and ceased to be a member on 1 Janauary 2022)*	3/4
Mr. Sue Ka Lok *(appointed as a member on 1 January 2022)*	0/0

Board Diversity Policy

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 of the Board. 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.

Nomination Policy

The Board has adopted the Nomination Policy setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the shareholders for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account, among other things, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria set out in the Hong Kong Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Hong Kong Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment and (ii) for standing for election at a general meeting as a director of the Company.

The Nomination Committee will review the Board Diversity Policy and the Nomination Policy from time to time to ensure that the policies 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 2021 is set out in the "Independent Auditor's Report" on pages 52 to 56 of this annual report.

For the year ended 31 December 2021, the remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services amounted to HK$1,150,000.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code.

At the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Tsao Hoi Ho, 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. Tsao Hoi Ho is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing the financial statements of the Company, reviewing the risk management and internal control systems of the Group and meeting with the auditor of the Company for audit matters. 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 three times during the year ended 31 December 2021 and the attendance of each member is set out below:

Members	**Number of attendance**
Mr. Tsao Hoi Ho	3/3
Mr. Zhou Qijin	3/3
Mr. Pau Shiu Ming	3/3

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 2020 and recommended the same 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 2021 and recommended the same 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 have significant impact on the consolidated financial statements of the Company 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 2020;

5. reviewed the effectiveness of the risk management and internal control systems 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 Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2021, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

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 set out 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 employees and directors of the Group; and

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibilities for evaluating and determining the Company's levels of risk tolerance, overseeing the management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis and reviewing their effectiveness.

The Group's risk management and internal control systems aim to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but 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. The Group does not have an internal audit function due to the size of the Group and consideration for cost effectiveness. Instead, such review is carried out with the assistance of Roma Risk Advisory Limited ("Roma"), 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 2021, the Group had reviewed the internal audit charter which defined the scope and objectives of the internal audit function and its reporting protocol. The Group had also conducted an annual risk assessment to identify, evaluate and manage the significant strategic risks, financial risks, operational risks and compliance risks of its major business segments. Based on the risk assessment results following a risk based methodology audit approach, an annual review by Roma was performed 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. For conducting the annual review, Roma had reviewed the relevant policies and procedures of the Group, conducted collaborative interviews and document inspections, and performed walkthrough tests and samples testing procedures on the Group's risk management and internal control systems. After the review, Roma had presented to the Board and the Audit Committee the Internal Control Review Report and Enterprise Risk Management Report which contained certain findings and relevant recommendations and suggestions for improvement on the Group's risk management and internal control systems. The review covered material controls, including financial, operational and compliance controls at entity and operational levels.

In connection with the controls on compliance aspect, the Company has established a policy on handling and dissemination of inside information that sets out the procedures in handling inside information in an accurate and secure manner so as 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 Roma and the external auditor, and the reviews performed by the management, the Audit Committee and the Board, the Audit Committee and the Board are not aware of any significant internal control and risk management weaknesses or inconsistencies with the Group's risk management and internal control policies, and 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 2021. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

COMPANY SECRETARY

Ms. Wang Yu was appointed as Company Secretary in March 2019. She has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2021. The biographical details of Ms. Wang Yu are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 16 of this annual report.

SHAREHOLDER RIGHTS

The annual general meeting ("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 auditor's report, the accounting policies and the auditor's independence.

Procedures for shareholders to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting pursuant to the Companies Act 1981 of Bermuda (the "Companies Act"), 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 Company 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.

The written requisition must:

- state the purposes of the special general meeting;
- be signed by all the requisitionists (may consist of one or several documents in like form each signed by one or more requisitionists); and
- be deposited at the Company's office in Hong Kong for the attention of the Company Secretary.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a special general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

(a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors: (i) the actual and expected financial performance of the Group, (ii) the retained earnings and distributable reserves of the Group, (iii) the expected working capital requirements and future expansion plans of the Group, (iv) the liquidity position of the Group and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the laws of Bermuda and the Company's Bye-laws.

INVESTOR RELATIONS

As a channel to further promote effective communication, the Group maintains a website at 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 2021.

Enquiries may be put to the Board through the Company Secretary at Room 2113, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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 shares is held by the public at 14 April 2022, being the latest practicable date before printing of this annual report.

Environmental, Social and Governance Report

OVERVIEW

The Board is pleased to present the Environmental, Social and Governance ("ESG") Report of the Group, which reviews the Group's ESG initiatives, plans, performance, as well as its sustainable development in respect of environmental protection, labour practices, business operations, supply chain management, and other issues. As a responsible corporate, the Group views ESG commitments as part of its social responsibilities and is committed to incorporating ESG considerations into its decision making process.

INTRODUCTION

The Group is principally engaged in the business of marine transportation, property holding and investment, investment holding and merchandise trading. The marine transportation business comprises vessel chartering activities, and the merchandise trading business focuses on trading of electronic components.

This Environmental, Social and Governance report (the "ESG Report") summarises the ESG initiatives, plans and performance of the Group in relation to environmental protection, labour practices, business operations, supply chain management, and other issues. The Group focuses on the expectation and concern of its stakeholders, and demonstrates its commitment to sustainable development.

The ESG Governance Structure

The Group conducts a top-down management approach in respect of ESG issues. The Board holds the overall responsibility for the Group's ESG strategy and reporting, as well as overseeing and managing its ESG-related issues. The Board regularly reviews and confirms the Group's ESG-related risks and opportunities, performance, goals and targets, progress over time, management approach and policies with the assistance of the Group's designated personnel from the business and functional departments. The Board also ensures the effectiveness of the ESG risk management and internal control mechanism.

The Group's designated personnel from the business and functional departments facilitate the Board's oversight of ESG-related issues. Their duties include overseeing and reviewing the Group's ESG-related policies, performance, management approach, and risk and opportunities, as well as reporting and recommending improvement on ESG-related matters to the Board. They also propose and recommend to the Board on the Group's ESG-related strategies, priorities, goals and targets. In addition, they prepare the ESG reports and present to the Board for approval.

Reporting Period

The ESG Report specifies the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2021 ("FY2021") as well as the comparative data for the year ended 31 December 2020 ("FY2020") where appropriate.

Environmental, Social and Governance Report

REPORTING SCOPE

The senior management of the Group has discussed and identified the reporting scope of ESG-related matters based on the materiality principle and after having considered the Group's core business and main revenue source. The ESG Report covers all of the Group's business activities (except for the merchandise trading activities as explained below) and the Group's business operation is mainly office-based. The ESG Report serves to provide details of the Group's ESG policies and initiatives in respect of its businesses. The Group's merchandise trading operation, which is included in the ESG Report for FY2020, is not covered in the ESG Report for FY2021 because the business was in temporary halt and not generating any revenue during FY2021.

The ESG key performance indicator ("KPI") data is gathered from the companies and subsidiaries that are under the Group's direct operational control. The KPIs are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosures when and where applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Hong Kong Listing Rules. Information relating to the Group's corporate governance practices is set out in the "Corporate Governance Report" on pages 22 to 31 of this annual report.

During the preparation of the ESG Report, the Group has applied the following reporting principles which are set out in the ESG Reporting Guide:

Materiality: Materiality assessment is conducted to diagnose material issues during FY2021, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues are reviewed and confirmed by the Board and senior management. Further details of "Materiality Assessment" are set out in the section below.

Quantitative: The standards and methodologies used in the calculation of relevant data in the ESG Report, as well as the applicable assumptions are disclosed. The KPIs are supplemented by explanatory notes to establish benchmarks where appropriate.

Balance: The ESG Report provides an unbiased picture of the Group's ESG-related matters by avoiding selection, omissions, or presentation formats that may inappropriately influence a decision or judgment by a reader.

Consistency: The approach adopted in preparing the ESG Report is substantially consistent with the one adopted in FY2020, and explanations are provided for data with changes in the scope of disclosure or calculation methodologies.

The ESG Report has undergone the internal review process of the Group's senior management and has been approved by the Board.

CONTACT US

The Group welcomes all questions, feedback and suggestions from stakeholders. You can provide valuable advice in respect of the ESG Report or our performance in sustainable development by writing to Room 2113, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong or by email to courage@courageinv.com.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. The Group maintains close communication with its key stakeholders, including but not limited to, government and regulatory authorities, shareholders and investors, employees, customers, suppliers, media and the public.

Stakeholders' expectations have been taken into consideration by utilising diversified engagement methods and communication channels as shown below:

Stakeholders	Communication Channels	Expectations
Government and regulatory authorities	• Routine reports • Written or electronic correspondences • Supervision on relevant laws and regulations	• Compliance with relevant laws and regulations • Stability in business operations
Shareholders and investors	• General meeting and other shareholders' meetings • Annual and interim reports • Announcements and circulars • Investor meetings • Company website	• Sustainable profitability • Shareholders' return • Corporate governance • Business compliance
Employees	• Training, seminars and briefing • Performance reviews • Intranet • Regular staff meetings • Electronic correspondences	• Remuneration, compensation and benefits • Comfortable working environment • Employee development and training
Customers	• Company service hotline and email • Face-to-face meetings	• High-quality products and services • Prompt response and customer satisfaction
Suppliers	• Suppliers' satisfactory assessment • On-site visits • Regular calls and meetings	• Fair and open procurement • Win-win cooperation • Compliance with relevant laws and regulations • Risk management
Media and the public	• ESG reports • Company website • Regular reports and announcements	• Transparency of financial and ESG issues disclosure • Compliance with relevant laws and regulations

The Group aims to actively listen to and collaborate with its stakeholders to ensure that their opinions can be voiced out through a proper communication channel. In the long run, the stakeholders' contribution will aid the Group in improving potentially overlooked ESG aspects.

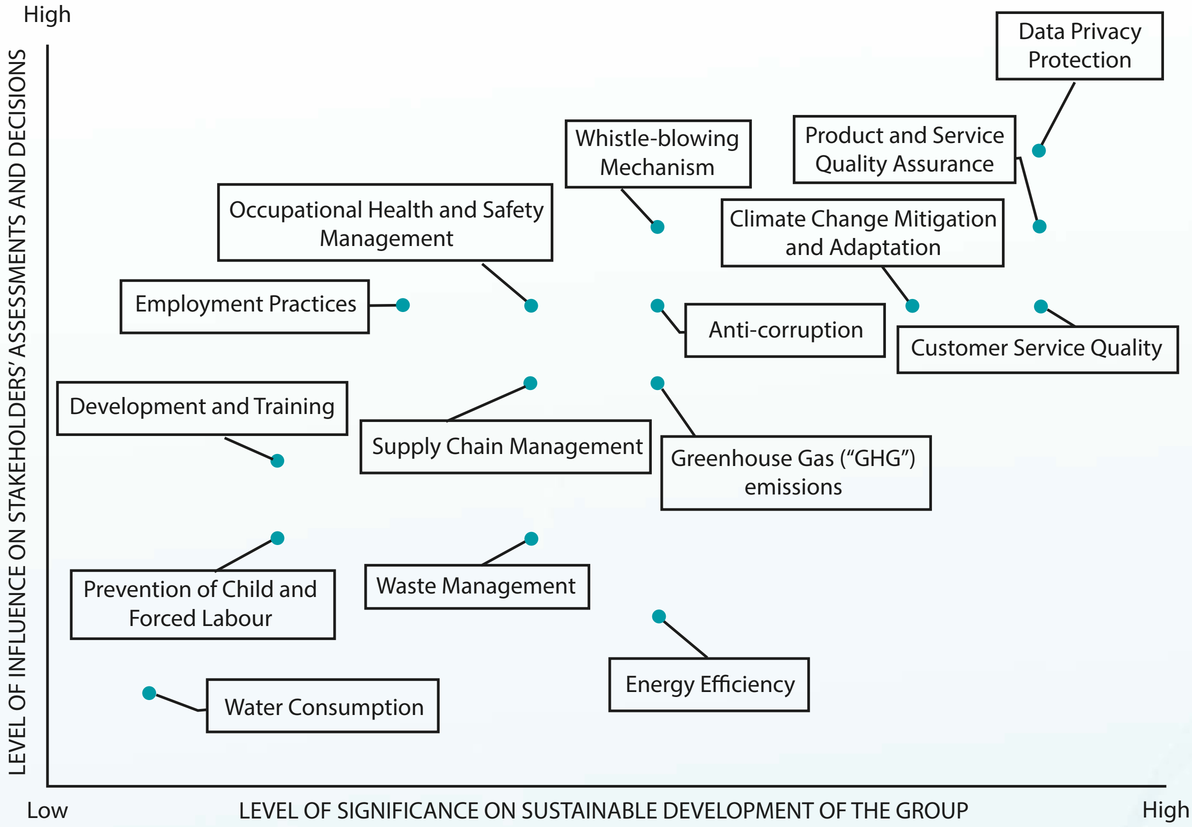
MATERIALITY ASSESSMENT

Materiality assessment is the process of identifying, refining and assessing ESG issues that could affect the Group's businesses and its stakeholders. The results of materiality assessment are used to formulate strategy, set targets and determine the focus of the ESG report. Materiality assessment enables the Group to analyse business risks and opportunities, which support the sustainable development of its businesses.

The Group values the feedback of stakeholders and their opinions on which ESG aspects they consider as material. With the assistance of the Group's management, a list of material ESG issues has been identified based on the Group's businesses, the ESG Reporting Guide and analysis of industry peers. To prioritise the identified material ESG issues, the Group conducted a materiality assessment survey during FY2021. Management and employees of different business units and departments were invited to evaluate the significance of the identified ESG issues to the stakeholders and the Group's businesses. Based on the results of the survey, the Group compiled the following materiality matrix. The results of the materiality assessment were reviewed by the Group's management and approved by the Board.

The below materiality matrix has summarised the Group's material ESG issues included in the ESG Report:

Materiality Matrix



The Group confirmed that it has established appropriate and effective management policies and internal control systems to address the material ESG issues, and to ensure that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

The Group is committed to mitigating the environmental impacts and incorporating sustainability into its business strategy. To enhance decarbonisation and address stakeholders' concern which is reflected by the identified material ESG issues, the Group has set environmental targets in regard to GHG emissions, waste management, energy consumption and water use. By doing so, the Group further demonstrates its commitment to environmental protection. The Group will regularly review the progress towards these targets and the effectiveness of its environmental protection measures, which will be mentioned in the below sections under Aspect A1 and A2.

A1. Emissions

The Group recognises the importance of operating business in a sustainable manner. As such, the Group continuously improves existing policies and incorporates new policies with the intention of mitigating potential direct and indirect negative environmental impacts arising from the Group's business operations.

During FY2021, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to, the Air Pollution Control Ordinance, the Waste Disposal Ordinance and the Water Pollution Control Ordinance of the laws of Hong Kong.

Air Emissions

As a Group engaged in the business of marine transportation, the three vessels owned by the Group were leased out on time charter basis virtually throughout the whole FY2021. The fuels used by the vessels were therefore not under direct control of the Group but the charterers, although the Group understood that the use of fuels by the charterers should in all material respects complied with the relevant environmental rules and regulations. The Group considers that the air emissions directly produced by the Group during FY2021 were immaterial.

GHG Emissions

The principal GHG emissions produced by the Group were from purchased electricity (Scope 2) and office paper disposal (Scope 3). During FY2021, the Group has set a target to reduce the total GHG emissions intensity by 10% by 2026, using FY2021 as the baseline year. To achieve the set target, the Group has adopted the following measures to reduce direct GHG emissions, indirect GHG emissions and other indirect GHG emissions.

Scope 1- Direct GHG Emissions

During FY2021, the three vessels owned by the Group were virtually leased out throughout the whole FY2021, and as the Group did not own any vehicles, the Group's operations did not produce any direct GHG emissions.

Scope 2 – Indirect GHG Emissions

Electricity consumption accounted for the indirect GHG emissions produced by the Group. The Group has implemented measures to reduce energy consumption, the measures are set out in the section headed "Use of Resources" under Aspect A2 below.

Scope 3 – Other Indirect GHG Emissions

Paper waste disposal by employees accounted for the other indirect GHG emissions. Measures implemented to reduce paper waste disposal are set out in the section headed "Use of Resources" under Aspect A2 below.

During FY2021, the Group's total GHG emissions intensity decreased by 50.94% from approximately 0.53 tCO_2e per employee in FY2020 to approximately 0.26 tCO_2e per employee in FY2021. This was mainly due to the decreases in electricity used and office paper disposal as a result of the increase of employees' awareness in reducing GHG emissions through implementation of various environmental measures.

Summary of GHG emissions performance:

Indicator[1]	Unit[2]	FY2021	FY2020
Scope 2 – Indirect GHG Emissions			
• Purchased electricity	tCO_2e	3.59	7.37
Scope 3 – Other Indirect GHG Emissions			
• Paper waste disposed at landfills	tCO_2e	0.51	0.61
Total GHG emissions	tCO_2e	4.10	7.98
Total GHG emissions Intensity[3]	tCO_2e/employee	0.26	0.53

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5) and the Sustainability Report 2021 published by HK Electric.

2. tCO_2e is defined as tonne of carbon dioxide equivalent.

3. At 31 December 2021, the Group had 16 (31 December 2020: 15) employees including directors of the Company. This data is used for calculating intensity data per employee in this ESG Report.

Waste Management

Hazardous Waste Management

Owing to the Group's business nature, no material hazardous waste had been produced by the Group during FY2021.

Non-hazardous Waste Management

Most of the non-hazardous waste produced by the Group was office paper. Although its operations do not generate a significant amount of non-hazardous waste, the Group endeavours to further reduce the waste produced by implementing "green office" initiatives. During FY2021, the Group has set a target to provide waste separation bins for collection of recyclables including waste paper, plastic and glass in the Group's office from 2022 onwards. In addition, the Group will continue to perform waste reduction measures as listed below which aim to achieve waste reduction from sources. The green measures include but not limited to the following:

- print electronic correspondences only when necessary;
- re-use single-sided office paper;
- encourage double-sided printing or photocopying;
- procure paper with Forest Stewardship Council Recycled Label; and
- recycle outdated office supplies and electronic equipment after their life cycle.

During FY2021, the Group's total non-hazardous waste intensity decreased by about 12.50% from approximately 0.008 tonne per employee in FY2020 to approximately 0.007 tonne per employee in FY2021. This was mainly due to effective paper-saving measures and the increased awareness of employees in waste reduction.

Summary of non-hazardous waste discharge performance:

Category	**Unit**	**FY2021**	**FY2020**
Office paper	Tonne	0.107	0.127
Total non-hazardous waste	Tonne	0.107	0.127
Total non-hazardous waste intensity	Tonne/employee	0.007	0.008

Sewage Discharges into Water and Land

Owing to the Group's business nature, the Group's business activities do not consume a significant volume of water during its daily operations, therefore it does not generate a material portion of sewage. As wastewater of the Group will be discharged into a sewage pipe network that connected to a regional water purification plant, the water consumed by the Group is considered as sewage discharged. Further details of water consumption are set out in the section headed "Water Consumption" under Aspect A2 below.

A2. Use of Resources

The Group upholds and promotes effective use of resources and is committed to optimising their use across business operations. The Group keeps track of the ESG-related KPIs through its internal monitoring programme on procurement and use of resources and establish relevant policies and procedures in resources management.

Energy Efficiency

During FY2021, the energy consumed by the Group was mainly electricity used for daily operations, which was an indirect energy consumption. As all of the Group's vessels were leased out virtually throughout the whole FY2021, the Group had no direct energy consumption during the year. Nevertheless, to promote energy conservation and enhance energy efficiency in business operation, the Group has set a target to change all office lightings to LED bulbs by 2026. The Group also adopts the following energy-saving measures:

- post eye-catching stickers on energy conservation as a reminder to employees;
- switch off unnecessary lightings and electrical appliances when not in use;
- purchase energy-efficient equipment to replace retired equipment;
- set all computer screens and printers to standby mode after a certain period; and
- participate in energy-saving campaigns, including the Earth Hour lights-out campaign.

Anomaly in electricity consumption will be investigated for finding out the root cause and preventative measures will be taken.

During FY2021, the Group's total energy consumption intensity decreased by approximately 47.86% from approximately 606.80 kWh per employee in FY2020 to approximately 316.38 kWh per employee in FY2021. This can be explained by the effective measures in energy-saving and increased awareness of the employees. The Group will continue to enhance its energy conservation measures aiming to further reduce energy consumption.

Summary of energy consumption performance:

Type of energy	Unit	FY2021	FY2020
Electricity	kWh	5,062.00	9,102.00
Total energy consumption	kWh	5,062.00	9,102.00
Total energy consumption intensity	kWh/employee	316.38	606.80

Water Consumption

Owing to the Group's business nature, the usage of water only confined to water used by employees in the office. Water consumption data was not available since water usage was covered in the office building management fees. The target for water efficiency is also not presented as water consumption data is not available.

Although the water consumption of the Group is insignificant, the Group is dedicated to promoting the importance of water conservation to its employees. Apart from posting eye-catching stickers to promote water conservation, the Group also regularly inspects water taps to prevent leakage and encourages employees to cherish water usage such as reducing unnecessary water consumption in washrooms and pantry.

The Group did not encounter any problem in sourcing water that was fit for its purpose and was not aware of any abnormal water usage during FY2021.

Use of Packaging Material

Owing to the Group's business nature, the use of packaging material is not considered as a material ESG aspect of the Group.

A3. **The Environment and Natural Resources**

Although the core business of the Group has remote impact on the environment and natural resources, the Group realises its responsibility in minimising any negative environmental impacts from its business operations as an ongoing commitment to good corporate social responsibility. The Group regularly assesses the environmental risks of its businesses, and adopts preventive measures to reduce the risks and ensures compliance with the relevant laws and regulations.

Indoor Air Quality

To ensure that the Group's work environment is pleasant, indoor air quality in its workplace is regularly monitored. During FY2021, the indoor air quality of the Group's office has been satisfactory. To improve indoor air quality, air purifying equipment is used in office when considered appropriate and the air conditioning system is cleaned periodically. These measures maintained the indoor air quality at a satisfactory level by filtering out pollutants, contaminants and dust particles.

The Group believes that running a environmentally sustainable business model could greatly lower operational risk and in turn generates a more stable return to the Group and its shareholders. The Group is endeavoured to achieving this goal in the long term.

A4. **Climate Change Mitigation and Adaptation**

The Group recognises the importance of identification of significant climate-related issues and mitigation of the related risks, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities. The Group has an established risk management policy in identifying and mitigating different risks including climate-related risks. During FY2021, the Group has conducted a climate change assessment to identify and mitigate the potential risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical Risks

The increase in frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by causing floods, damaging the power grid and communication infrastructures, hindering and injuring its employees and seafarers who are hired through crew agency when they are at work or in commute. These could result in temporary, permanent or partial halt of the Group's business operations, which exposes the Group to risks associated with non-performance and delayed performance.

Besides, the extreme weather conditions may cause damage of the Group's vessels, resulting in substantial maintenance/repair/replacement costs. Other forms of risks caused by extreme weather conditions such as the risk of detention, sinking, collision and other marine disasters could also significantly hinder the operations of the Group's marine transportation business. Any damage on the vessels may bring environmental pollution, including but not limited to fuel leakage and disposal of vessel debris. In certain circumstances, severe weather conditions could cause loss or damage to cargo and property which would adversely affect the Group's financial performance and would require much resources for remedies if any accidents occurred.

To better manage the above mentioned physical risks, the Group has evaluated the possible extreme weather events that could influence the Group's business operations and has included the relevant risks in the Group's risk management system. Moreover, the Group has formulated a crisis response plan to reduce the negative impacts brought by extreme weather events to the Group. When extreme weather events occurred or possibly happened, the senior management will react according to the plan and timely communicate with employees about the work arrangement to ensure staff safety and operation continuity. The Group will also from time to time review its response plan which sets out appropriate solutions for employees to follow, so the employees will know how to response if any of the essential work arrangement becomes unavailable due to extreme weather events.

Transition Risks

Policy and Legal Risks

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. From a listed company's perspective, the Group acknowledges the increasing requirements of climate-related information disclosures. In addition, climate change may lead to higher emissions standards and regulations on vessels. Failure to meet the compliance requirements for climate change may lead to damage in corporate reputation as well as exposure to higher risks of claims and lawsuits. The Group expects the related capital investment and compliance costs will increase accordingly.

In response to policy and legal risks as well as reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change and ensure the senior management is aware of the changes in policies or legislation so as to avoid unnecessary costs or non-compliance fines incurred and to reduce reputation risks resulting from delayed responses. The Group has also included the above-mentioned transition risks in its risk management system, which will be reviewed regularly.

Market Risk

Under the advocation of "Net Zero", which refers to an ambition to achieve net zero GHG emission, and the global vision of decarbonisation, there are increasing number of investors who advocate for combating climate change. If the Group fails to implement effective measures to manage climate risks, investors may disinvest. To cope with the potential risk of disinvestment, the Group intends to maintain a high transparency in ESG reporting and its related activities which establish trust and confidence between the Group and investors. The Group also sets targets for and is endeavoured to making commitment to ESG related issues. The Group also reviews the progress in its ESG-related matters to ensure the Group's development is aligned with the global trend.

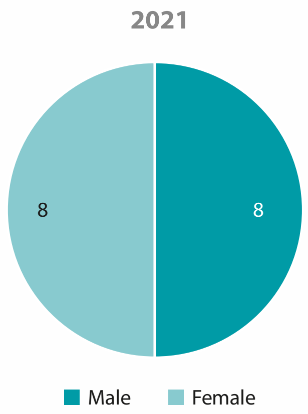
B. SOCIAL

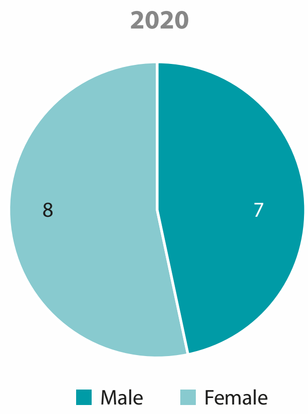
B1. Employment Practices

Human resources are the foundation of the Group. The Group recognises that sustainable growth of the Group relies on good recruitment and retention practices.

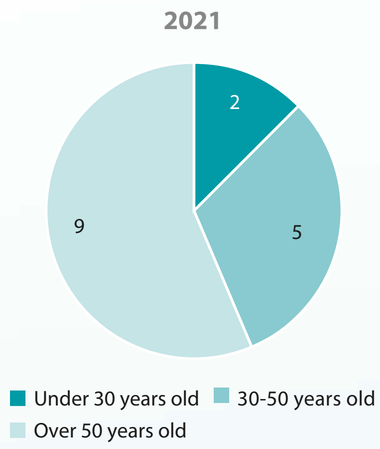
At 31 December 2021, the Group had 16 (31 December 2020: 15) full-time employees in total. Seafarers and other crew ashore and aboard are employed and managed by crew agency and are therefore not included as the Group's workforce. The demographics of the Group's workforce are as follow:

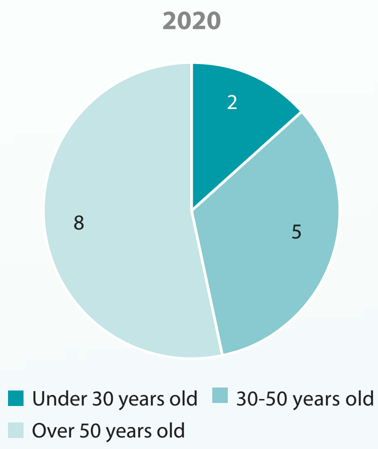
(i) Total Workforce by Gender



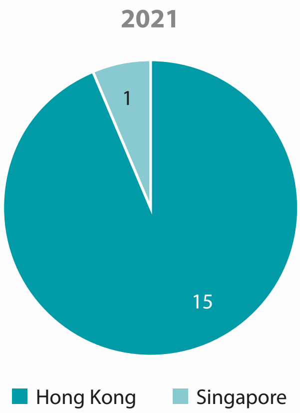


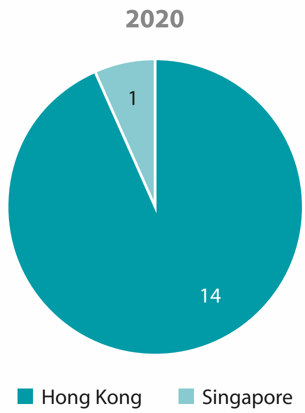
(ii) Total Workforce by Age Group



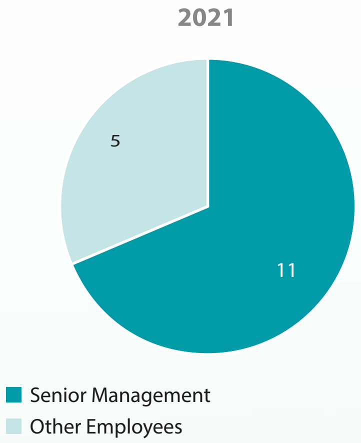


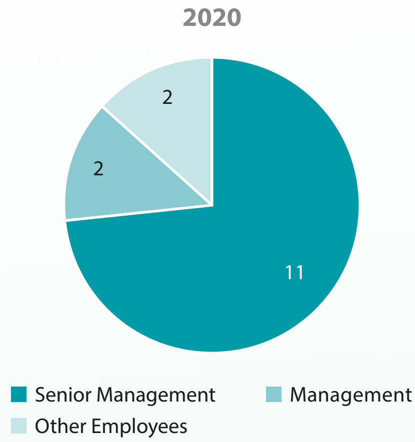
(iii) Total Workforce by Geographical Region





(iv) Total Workforce by Employment Category





During FY2021, the total number of employees leaving employment was 1 (2020: 1), and the total employee turnover rate[4] was approximately 6.25% (2020: 6.67%).

The overall employee turnover rate by gender, age group and geographical region are as follows:

	Turnover Rate[5]	
	FY2021	FY2020
By Gender		
Male	–	–
Female	12.50%	12.50%
By Age Group		
Under 30 Years Old	–	–
30 – 50 Years Old	20.00%	20.00%
Above 50 Years Old	–	–
By Geographical Region		
Hong Kong	6.67%	7.14%
Singapore	–	–

Notes:

4. The total employee turnover rate is calculated by dividing the number of employees leaving employment during FY2021 by the number of employees at the end of FY2021.

5. The turnover rate by category is calculated by dividing the number of employees in the specified category leaving employment during FY2021 by the number of employees in the specified category at the end of FY2021.

During FY2021, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance, the Sex Discrimination Ordinance and the Employees' Compensation Ordinance of the laws of Hong Kong.

Relevant employment policies are formally documented in the Employee Handbook, Code of Conduct and Ethics, and Management for Crew Employment/Manning. The policies cover topics such as recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc. The Group periodically reviews its current employment practices and policies to ensure continuous improvement of its employment standards and competitiveness against companies of similar industries.

Recruitment, Promotion and Remuneration

Talent acquisition is vital to the sustainable development of the Group's businesses. Employees are recruited via a robust, transparent and non-discriminatory recruitment process based on their merits and their potential to fulfil the Group's current and future needs.

Remuneration and promotion are based on job-related skills, qualifications and performance. The Group conducts annual performance and salary review to determine salary adjustments and/or promotion opportunities.

The Group also ensures that seafarers hired to work on the Group's vessels bear relevant qualifications that meet the requirements of the International Safety Management ("ISM") Code.

Working Hours and Rest Periods

To facilitate employees' "work-life balance", the Group has formulated policies in determining the working hours and rest periods for employees following local employment laws. The Group adopts a five-day workweek, and its employees are entitled to basic leaves such as sick leave, annual leave, vaccination leave, maternity leave, paternity leave and marriage leave.

Compensation and Dismissal

All employees are covered under the Employees' Compensation Ordinance of the laws of Hong Kong upon joining the Group. The statute provides protection to employees who sustain personal injury by accident or disease arising out of the course of employment. Unreasonable dismissal under any circumstances is strictly prohibited, whilst dismissal would be based on reasonable and lawful grounds supported by internal policies of the Group.

Equal Opportunities, Diversity and Anti-discrimination

Sustainable growth of the Group relies on the diversity of talents. The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. Furthermore, the Group is dedicated to providing equal opportunities in all aspects of employment and protecting its employees from discrimination, physical or verbal harassment based on their gender, age, religion, disability, ethnicity, political stance, marital status etc. The Group also strives to ensure that complaints, afflictions and concerns, including whistleblowing, are dealt with promptly and confidentially. The Group has zero tolerance for sexual harassment or abuse in the workplace in any form.

Other Benefits and Welfare

The Group understands that good benefits and welfare encourage staff retention and foster a sense of belonging, as such, the Group seeks to provide additional remuneration and benefits to employees where possible. Remuneration packages for employees usually include variable bonuses, annual leave, vaccination leave, maternity leave, paternity leave, marriage leave and bereavement leave. Save for the aforementioned entitlement to various leaves, employees are also entitled to benefits such as medical insurance and other clinical benefits. Other allowances are also available to employees which include travel allowance and education sponsorship.

B2. Health and Safety

Occupational Health and Safety Management

During FY2021, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance of the laws of Hong Kong. There were no reported cases of work-related fatalities or work days lost due to work injury during FY2021. In the past three years, the Group had no work-related fatalities cases.

Providing employees with a safe and healthy work environment is of utmost importance to the Group. Therefore, the Group has set out comprehensive policies to safeguard the interest and well-being of all employees. Health and safety measures that are applicable to an office-based business operation is limited, nevertheless, the Group is committed to safeguarding the well-being of all employees. In the office, fire extinguishers are strategically placed, fire exits are free from obstructions and first aid boxes can be found around the premises. Relevant safety policies are reviewed annually, or soon after an incident arises, to make sure the said policies continue to be of relevance.

For the marine transportation operation, the Group has established a sound safety management system with a comprehensive Safety Management Manual and Shipboard Emergency Plan to assist its crews and ashore staff in dealing with unexpected incidents and the subsequent approach in minimising damages, losses or hazardous outputs. The Group understands that the potential impact of an incident on the marine transportation operation would be greater than that on an office-based operation. Therefore, the Group convenes a safety management system review meeting at least once every year to review the effectiveness of the safety management system, and reviews whether the latest ISM code has been properly dealt with. Relevant training sessions will be provided to staff where necessary.

Response to COVID-19 and the variant viruses

In response to the COVID-19 pandemic, the Group has taken measures to enhance health and safety precautions in the office to ensure the well-being of the employees, as well as the Group's internal safety and business continuity. In addition to increasing the frequency of cleaning and disinfection in the office areas, staff is recommended to wear surgical masks in the office, take temperature checks before entering the Group's premises, and uphold good personal hygiene practices. The Group has also issued a detailed guideline to its employees to advise on responsive actions when there are infections among its employees and their family members.

B3. Development and Training

Training and continuous development are indispensable to the Group's employees in keeping abreast of the ever-changing trend in the industry. As such, the Group takes a proactive approach to provide employees with opportunities to advance their careers by encouraging them to apply for internal and external training courses to refresh prior knowledge and acquire new knowledge.

Regular training and drills are carried out to familiarise employees and vessels crews with the Group's policies and any newly updated guidelines. Trainings range from proper shipboard operation, correct emergency procedures to awareness of marine pollution prevention. The Group believes that proper training lowers the risk of avoidable incidents and ensures compliance with the provisions set out by the International Maritime Organisation. Contents of internal training sessions are regularly updated to be in line with the industry standard and the Group's business nature so to provide maximum benefits to employees.

During FY2021, 75.00%[6] of the Group's employees were trained and an average of 24.75 training hours[7] per employee was recorded. The percentage of trained employees, breakdown of trained employees and the average training hours per employee, by gender and employment category are as follows:

	Percentage of trained employees[8] (%)	Breakdown of trained employees[9] (%)	Average training hours per employee[10] (hours)
By Gender			
Male	87.50	58.33	33.00
Female	62.50	41.67	16.50
By Employment Category			
Senior Management	100.00	91.67	34.18
Other Employees	20.00	8.33	4.00

Notes:

6. The percentage of trained employees is calculated by dividing the total number of trained employees during FY2021 by the total number of employees at the end of FY2021.

7. The average training hours per employee is calculated by dividing the total number of training hours during FY2021 by the total number of employees at the end of FY2021.

8. The percentage of trained employees by category is calculated by dividing the number of trained employees in the specified category during FY2021 by the total number of employees in the specified category at the end of FY2021.

9. The breakdown of trained employees by category is calculated by dividing the number of trained employees in the specified category during FY2021 by the total number of trained employees at the end of FY2021.

10. The average training hours by category is calculated by dividing the number of training hours for employees in the specified category during FY2021 by the total number of employees in the specified category at the end of FY2021.

B4. Labour Standards

Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited as defined by laws and regulations. The Group does not employ children before they reach the legal age to work as defined by the Labour Department in Hong Kong. The Group guarantees that no employee would be forced or persuaded to work in the Group against their will, experienced any form of threatening and abuse, or subject to any type of coercion or punishment in workplaces.

Personal data is collected during the recruitment process to assist the selection of suitable candidates and the verification of the candidates' personal data. The human resources department will ensure that the identity documents are carefully checked and the selected candidate has reached the legal age to work in Hong Kong.

During FY2021, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of the laws of Hong Kong.

B5. Suppy Chain Management

The Group selects suppliers based on their technical submission, prevailing market price, delivery time and reputation. The Group strives not to over-rely on a specific supplier in order to prevent jeopardising its own provision of services. An annual performance evaluation is performed to assess the suppliers' quality of products and services. Contracts with suppliers or sub-contractors may be de-activated or terminated if the expectation of the Company is not met. Any discrimination against certain vendors without reasonable grounds and any types of business bribery are strictly prohibited. In addition, a Ship Supply Procedures Manual is in place to ensure the quality and safety when purchasing ship supplies.

The Group follows the rules and regulations set down by the International Maritime Organisation and the ship classification societies to manage the environmental and social risks in relation to its marine transportation operation. In addition, the Group undertakes onsite inspections regularly to monitor the suppliers' or subcontractors' business procedures to reduce its social and environmental risks along the supply chain. Any non-compliance with the relevant environmental and social rules and regulations discovered during the onsite inspection on a supplier or subcontractor will be promptly reported to the Group's management. Corrective action plan will be carried out by the management to remediate the identified risk in a timely manner.

The Group encourages its business partners and suppliers to consider the risks posed on their operations from climate change and to mitigate the related environmental impacts on them during supplier management meetings and events. Suppliers with ISO 14001: Environmental Management (EMS) certificate will be prioritised in the Group's supplier engagement process.

Fair and Open Tendering

The Group has developed a tendering procedure to engage suppliers in a fair and competitive manner, under which the senior management is responsible for all the decision making during the tendering process. The Group strictly prohibits differentiation or discrimination on certain suppliers, and it monitors and prevents all kinds of business bribery in a serious manner. Employees or personnel having any direct or indirect interests associated with the suppliers would not be involved in any business negotiation process with the suppliers.

During FY2021, the Group has six major suppliers and half of them are covered by the supplier engagement practices mentioned above. The distribution of suppliers by geographical region is as follow:

By geographical region	Number of major suppliers
Hong Kong	2
PRC	2
Singapore	2

B6. Product Responsibility

Health and Safety

The Group's mission is to provide the best products and services to its customers. Therefore, the Group has systems and controls in place to monitor the status and progress of all its business activities carrying out by different levels of staff, so as to ensure high quality products and services are delivered to its customers.

During FY2021, the Group was not aware of any incidents of non-compliance with laws and regulations in relation to privacy issues, and any compensation regarding health and safety, advertisement and labelling for products and services provided that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance, the Trade Descriptions Ordinance and the Food Safety Ordinance of the laws of Hong Kong and the Food and Drugs (Composition and Labelling) (Amendment) (No. 2) Regulation 2014.

Product and Service Quality Assurance

The Group understands the necessity to further safeguard the health and safety matters of its marine transportation business. In addition to strict compliance with the ISM code, the Group has established a number of policies to stipulate the responsibilities of each officer on board of the vessels. In particular, the Group has a well-established shipboard emergency alert mechanism, under which a Safety Committee and an Emergency Response Team have been set up to investigate and handle any shipboard hazardous occurrences or emergency incidents.

There was no product sold or shipped subjected to recall for safety and health reasons during FY2021.

Data Privacy Protection

The Group respects the values and rights of customers' information and strictly enforces the standards of its customers' information security management systems. In addition, the Group has provisions regarding data privacy in its Code of Conduct and Ethics. Employees are trained to respect the confidentiality of customers' information. Any leakage of confidential information to third parties is strictly prohibited. The Group has also implemented firewall, anti-virus and anti-spam measures for its information technology ("IT") systems to safeguard customer confidential information and such measures are routinely upgraded.

Customer Service Quality

The Group welcomes feedbacks from customers as it is the key to enhancing the Group's services. The Group has set up the procedures for handling feedbacks or complaints, any feedbacks or compliants will be recorded in details and appropriate follow-up actions will be taken. Should a feedback or complaint bears significant weight to the improvement of the Group's services, the feedback or complaint will be considered as a case study to prevent future recurrence. During FY2021, the Group did not receive any product or service-related complaints.

Advertising and Labelling

Owing to the Group's business nature, the Group has an insignificant amount of business dealing on advertising and labelling matters.

Protection of Intellectual Property ("IP") Rights

IP rights is not considered a material ESG aspect of the Group owing to its business nature. Nevertheless, the Group has established relevant guidelines to govern the IT management within the Group. In addition, the IT department is responsible for obtaining proper licenses for the software, hardware and information used in the Group's daily business operations. Duplication or downloading of information, software and images from the internet must be approved by the relevant department head. Furthermore, the Group closely monitors the infringement actions in the market and prevent the arising of any infringement behaviour among the employees. The Group regularly monitors its employees to ensure that IP rights are not being infringed upon.

B7. Anti-Corruption and Whistle-Blowing

Anti-corruption

Solid corporate governance and risk management are essential to the Group's long-term development and sustainable growth. The Group endeavours to continuously improve its corporate rules and regulations and ensure strict compliance with local laws and regulations. The Group values and upholds integrity, honesty and fairness in how the Group conducts business. The Group emphatically asserts its zero-tolerance stance regarding any behaviours that not only violate local laws and regulations but also severely damage the Group's reputation.

During FY2021, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance of the laws of Hong Kong. There was also no legal cases regarding any forms of corruption practices brought against the Group or its employees.

The Group affirms its zero-tolerance policy regarding corruption, fraud and all other behaviours that severely violate professionalism and work ethics. The Code of Conduct and Ethics (the "Code") and Conflict of Interest and Transactions with Interested Persons Policy have been formulated by the Group to prevent misconduct and to promote ethical and honest business behaviour. The Group's employees are required to familiarise themselves with the Code. Moreover, board members and all staff are required to declare their interests, gifts or hospitality received in connection with their role within the Group.

To ensure that all employees can perform their duties with high ethical standards and professionalism, the Group has arranged internal and external anti-corruption and corporate governance training and encouraged employees to actively learn about the latest development and future trends of global anti-money laundering. During FY2021, the Group's directors and employees had received a total of 10 hours and 8 hours of anti-corruption training respectively.

Whistle-blowing Mechanism

The Group has established a Whistle Blowing Procedure which sets out the reporting and investigative procedures to facilitate the reporting of any fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality, reprisal and potential retaliation. A corporate email address has been set up for access to the Chairman of the Audit Committee and all independent non-executive directors for whistle-blowing purposes. For any report received, the Audit Committee will consult with the Chairman of the Board and independent non-executive directors for any preventive measures to be put in place to prevent future breaches of a similar nature from taking place. The Audit Committee will co-ordinate with the relevant department(s) to implement such preventive measures and regularly review the efficacy of the said measures. The Group provides assurance to the whistle-blower reporting in good faith against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

B8. Community Investment

Community Participation

The Group realises the importance of giving back to the society, and is committed to supporting the community by various means of social participation and contribution as part of its strategic development. As a responsible corporation, the Group has established relevant guidelines on community investment to encourage its employees to engage in community services and voluntary activities. Since the Group's core business of marine transportation will result in unavoidable carbon emissions and other environmental footprint when its vessels are chartered for use, the Group has identified environmental concerns as its focus area of community investment, particularly in the area of marine conservation.

During FY2021, the Group has devoted significant resources to maintain its business operations amidst the pandemic including various supports to its staff and vessel crews and suspended all its philanthropic activities. The Group will focus more on social participation and community investment when the pandemic eases.

Deloitte. 德勤

TO THE SHAREHOLDERS OF COURAGE INVESTMENT GROUP LIMITED
勇利投資集團有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Courage Investment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 118, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

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KEY AUDIT MATTERS

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 judgement required in the assessment of reversal of impairment loss. The carrying value of vessels was US$42,000,000 as at 31 December 2021. As disclosed in note 4 to the consolidated financial statements, the management determines the recoverable amount of the 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 impairment loss or reversal of impairment loss should be recognised. At 31 December 2021, the recoverable amount of the vessels was determined based on the valuation carried out by an independent qualified professional valuer using market approach based on the direct comparison method by making reference to the recent sale transactions of similar vessels with similar age and condition. A reversal of impairment loss of US$13,430,000 was recognised as set out in note 15 to the consolidated financial statements.	Our procedures in relation to the assessment of reversal of impairment loss on vessels included: • Assessing the methodologies used by the management for the impairment assessment; • Obtaining the valuation reports from the independent qualified professional valuer on the vessels to evaluate the relevance of key data inputs underpinning the valuation, including the recent transactions of vessels of similar age and condition from open sources; • 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 the management's key assumptions used in the value in use calculation based on available market data of the vessel chartering industry.

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, actions taken to eliminate threats or safeguards applied.

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 Lam Shu Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Revenue			
Marine transportation income		**8,976**	6,598
Trading income		**–**	323
Interest income		**581**	782
Dividend income		**–**	31
Property rental income		**181**	186
Total revenue	*5*	**9,738**	7,920
Cost of goods sold and direct expenses		**(4,925)**	(5,195)
Other income		**82**	46
Other gains and losses, net	*7*	**(594)**	(1,521)
Administrative expenses		**(1,523)**	(1,193)
Impairment loss reversed (recognised) on vessels	*15*	**13,430**	(2,760)
Allowance for credit losses on debt instruments at fair value through other comprehensive income	*19*	**(5,360)**	–
Share of result of a joint venture		**87**	(45)
Finance costs	*8*	**(447)**	(723)
Profit (loss) before tax	*9*	**10,488**	(3,471)
Income tax credit	*10*	**–**	1
Profit (loss) for the year attributable to owners of the Company		**10,488**	(3,470)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of the foreign operation of a joint venture		**136**	309
Net (decrease) increase in fair value of debt instruments at fair value through other comprehensive income		**(3,862)**	28
Allowance for credit losses on debt instruments at fair value through other comprehensive income		**5,360**	–
Other comprehensive income for the year, net of income tax		**1,634**	337
Total comprehensive income (expense) for the year attributable to owners of the Company		**12,122**	(3,133)
Basic earnings (loss) per share attributable to owners of the Company (US cent)	*13*	**0.96**	(0.54)

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment	15	**42,345**	30,280
Deposit paid for acquisition of property, plant and equipment		**195**	–
Right-of-use asset	16	**135**	260
Investment property	17	**8,756**	9,295
Interest in a joint venture	18	**5,167**	4,944
Debt instruments at fair value through other comprehensive income	19	**2,731**	10,407
		59,329	55,186
Current assets			
Trade receivables	20	**–**	94
Other receivables and prepayments	21	**999**	887
Amount due from a joint venture	22	**669**	669
Debt instruments at fair value through other comprehensive income	19	**3,814**	–
Financial assets at fair value through profit or loss	23	**–**	58
Bank balances and cash	24	**7,640**	10,032
		13,122	11,740
Total assets		**72,451**	66,926
Current liabilities			
Deposits received, other payables and accruals	25	**311**	1,182
Contract liabilities	26	**15**	41
Borrowings – due within one year	27	**4,908**	6,089
Lease liabilities	28	**140**	136
		5,374	7,448
Net current assets		**7,748**	4,292
Total assets less current liabilities		**67,077**	59,478

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Capital and reserves			
Share capital	29	**1,098**	549
Reserves		**60,354**	48,991
Total equity		**61,452**	49,540
Non-current liabilities			
Borrowings – due more than one year	27	**4,878**	9,786
Deposit received	25	**735**	–
Lease liabilities	28	**12**	152
		5,625	9,938
Total liabilities and equity		**72,451**	66,926

The consolidated financial statements on pages 57 to 118 have been approved and authorised for issue by the Board of Directors on 22 March 2022 and are signed on its behalf by:

Sue Ka Lok
DIRECTOR

Wang Yu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Other reserve US$'000 (Note)	Exchange reserve US$'000	(Accumulated losses) retained profits US$'000	Total US$'000
At 1 January 2020	32,931	42,449	–	(410)	1,531	(58)	(32,601)	43,842
Loss for the year	–	–	–	–	–	–	(3,470)	(3,470)
Exchange difference arising on translation of financial statements of the foreign operation of a joint venture	–	–	–	–	–	309	–	309
Net increase in fair value of debt instruments at fair value through other comprehensive income	–	–	–	28	–	–	–	28
Total comprehensive income (expense) for the year	–	–	–	28	–	309	(3,470)	(3,133)
Capital reorganisation *(note 29)*	(32,382)	(42,449)	74,831	–	–	–	–	–
Contributed surplus set off against accumulated losses *(note 29(v))*	–	–	(33,802)	–	–	–	33,802	–
Subscription monies received from the Open Offer (as defined in *note 29*)	–	–	–	–	8,831	–	–	8,831
At 31 December 2020	549	–	41,029	(382)	10,362	251	(2,269)	49,540

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Other reserve US$'000 (Note)	Exchange reserve US$'000	(Accumulated losses) retained profits US$'000	Total US$'000
Profit for the year	-	-	-	-	-	-	10,488	10,488
Exchange difference arising on translation of financial statements of the foreign operation of a joint venture	-	-	-	-	-	136	-	136
Net decrease in fair value of debt instruments at fair value through other comprehensive income	-	-	-	(3,862)	-	-	-	(3,862)
Allowance for credit losses on debt instruments at fair value through other comprehensive income	-	-	-	5,360	-	-	-	5,360
Total comprehensive income for the year	-	-	-	1,498	-	136	10,488	12,122
Issue of shares under the Open Offer *(note 29)*	549	8,599	-	-	(8,831)	-	-	317
Transaction costs attributable to issue of shares *(note 29)*	-	(527)	-	-	-	-	-	(527)
At 31 December 2021	1,098	8,072	41,029	1,116	1,531	387	8,219	61,452

Note: At 31 December 2021, other reserve of US$1,531,000 represented excess of the fair value of a property interest transferred to the joint venture of the Group attributable to the Group over the carrying amount of a deferred consideration receivable, which was settled by an independent third party in the prior year.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 *US$'000*	2020 *US$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**10,488**	(3,471)
Adjustments for:		
Dividend income from financial assets at fair value through profit or loss	**–**	(31)
Interest income	**(588)**	(786)
Interest expenses	**447**	723
Net decrease in fair value of financial assets at fair value through profit or loss	**58**	29
Decrease in fair value of an investment property	**539**	1,167
Depreciation of property, plant and equipment	**1,371**	1,500
Depreciation of right-of-use asset	**125**	125
Impairment loss (reversed) recognised on vessels	**(13,430)**	2,760
Allowance for credit losses on debt instruments at fair value through other comprehensive income	**5,360**	–
Share of result of a joint venture	**(87)**	45
Operating cash flows before movements in working capital	**4,283**	2,061
Decrease in trade receivables	**94**	71
Increase in other receivables and prepayments	**(162)**	(4)
Decrease in financial assets at fair value through profit or loss	**–**	1,774
Decrease in deposits received, other payables and accruals	**(127)**	(526)
Decrease in contract liabilities	**(26)**	(61)
Net cash from operations	**4,062**	3,315
Interest income received	**638**	698
Interest expenses paid	**(450)**	(687)
Dividend income received from financial assets at fair value through profit or loss	**–**	31
NET CASH FROM OPERATING ACTIVITIES	**4,250**	3,357

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 US$'000	2020 US$'000
INVESTING ACTIVITIES		
Release of time deposit	**–**	500
Purchase of property, plant and equipment	**(6)**	(831)
Deposit paid for acquisition of property, plant and equipment	**(195)**	–
Purchase of debt instruments at fair value through other comprehensive income	**–**	(401)
NET CASH USED IN INVESTING ACTIVITIES	**(201)**	(732)
FINANCING ACTIVITIES		
Transaction costs attributable to issue of shares	**(527)**	–
Subscription monies received from the Open Offer	**317**	8,831
Repayment of borrowings	**(6,089)**	(3,268)
Repayment of lease liabilities	**(142)**	(107)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(6,441)**	5,456
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,392)**	8,081
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**10,032**	1,951
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**7,640**	10,032

1. GENERAL INFORMATION

Courage Investment Group Limited (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 Room 2113, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is primarily listed on the Main Board of the Hong Kong Stock Exchange and secondarily listed on the Main Board of 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 or as indicated.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a joint venture are set out in notes 39 and 18 respectively.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (continued)

At 1 January 2021, the Group has borrowings amounted to US$15,875,000 of which interest rates are indexed to Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR"), that will or may be subject to interest rate benchmark reform. None of the relevant contracts has been transitioned to the relevant replacement rates during the current year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost. Additional disclosures regarding the effect of interest rate benchmark reform on the Group's financial instruments and risk management strategy are set out in note 36.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and an investment property that are measured at fair values at the end of each reporting period, 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 accounted for in accordance with IFRS 16 Leases ("IFRS 16"), 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 ("IAS 36").

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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. The financial statements of joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, 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 is not allocated to any asset, including goodwill, that 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Borrowing costs

All 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 before tax because 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 differences 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 is 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

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.

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 exchange reserve.

Property, plant and equipment

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

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 lives), after allowing for residual values estimated by the directors of the Company, using the straight-line method. The residual value of vessels is estimated at the product of its lightweight tonnage and estimated scrap rate.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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, 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. Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are 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 disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is included in the profit or loss in the period in which the property is derecognised.

Impairment on property, plant and equipment and right-of-use asset

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss recognised in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment and right-of-use asset (continued)

The recoverable amount of property, plant and equipment and right-of-use asset are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Right-of-use asset

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease components and are accounted for by applying other applicable standard.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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, and such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 or 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

(ii) *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset which are included in the "other gains and losses, net" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including debt instruments at FVTOCI, trade and other receivables, amount due from a joint venture and bank balances), which are subject to impairment assessment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment (continued)

(i) *Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, the Group considers an event occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment (continued)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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.

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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. 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 judgments, 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.

The followings 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 indications of impairment or indication of impairment reversals 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, which is subject to estimates. The aggregate carrying amount of the Group's vessels at the end of the reporting period was US$42,000,000 (2020: US$29,363,000). By comparing the recoverable amount of the vessels with their respective carrying amounts, impairment loss on vessels amounted to US$13,430,000 was reversed (2020: impairment loss on vessels of US$2,760,000 was recognised) in profit or loss.

Allowance for credit losses on debt instruments at FVTOCI

The allowance for credit losses is sensitive to changes in estimates. As the credit ratings of some of the bonds held by Group was downgraded by rating agencies during the year ended 31 December 2021, the Group expects that the financial uncertainty of the bond issuers would affect the collection of contractual cash flows. As such, allowance for credit losses on debt instruments at FVTOCI of US$5,360,000 (2020: nil) was recognised in profit or loss. The information about the ECL on the Group's debt instruments at FVTOCI are disclosed in note 36.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

2021

	Marine transportation US$'000	Property holding and investment US$'000	Investment holding US$'000	Merchandise trading US$'000	Total US$'000
Types of goods and services:					
Marine transportation	7,364	–	–	–	7,364
Revenue from contracts with customers	7,364	–	–	–	7,364
Leases	1,612	181	–	–	1,793
Interest income from debt instruments at FVTOCI	–	–	581	–	581
Total revenue	8,976	181	581	–	9,738

2020

	Marine transportation US$'000	Property holding and investment US$'000	Investment holding US$'000	Merchandise trading US$'000	Total US$'000
Types of goods and services:					
Marine transportation	5,884	–	–	–	5,884
Merchandise trading	–	–	–	323	323
Revenue from contracts with customers	5,884	–	–	323	6,207
Leases	714	186	–	–	900
Interest income from debt instruments at FVTOCI	–	–	782	–	782
Dividend income from financial assets at FVTPL	–	–	31	–	31
Total revenue	6,598	186	813	323	7,920

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

Marine transportation income (revenue recognised over time)

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

If upfront payments are received for the services to be provided, such receipts are recognised as contract liabilities until the services have been performed for the customers.

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

The Group sells merchandise to retailers in Hong Kong. Revenue is recognised when the title of the good has been transferred. The normal credit term is 0 to 60 days upon delivery, except for certain contracts that require upfront payment of the transaction price in full. A contract liability is recognised upon payment received for sales in which revenue has yet been recognised. There was no merchandise trading income generated during the current year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All merchandise trading transactions and marine transportation services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Leases

	2021	2020
	US$'000	*US$'000*
Operating lease income – vessel with fixed payment	**1,612**	714
Operating lease income – investment property with fixed payment	**181**	186
	1,793	900

6. 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 and chief executive 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 organises the Group based on different operating activities.

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
2. Property holding and investment
3. Investment holding
4. Merchandise trading

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. Allowance for credit losses on debt instruments at FVTOCI is included in the result of investment holding segment.

Segment revenue and results

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

	Marine transportation		Property holding and investment		Investment holding		Merchandise trading		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Segment revenue	**8,976**	6,598	**181**	186	**581**	813	**–**	323	**9,738**	7,920
Segment results	**3,938**	1,716	**(313)**	(1,003)	**(4,843)**	450	**–**	4	**(1,218)**	1,167
Unallocated:										
Corporate income									**13**	43
Corporate expenses									**(1,377)**	(1,153)
Impairment loss reversed (recognised) on vessels									**13,430**	(2,760)
Share of result of a joint venture									**87**	(45)
Finance costs									**(447)**	(723)
Profit (loss) before tax									**10,488**	(3,471)

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	Marine transportation		Property holding and investment		Investment holding		Merchandise trading		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Segment assets	**44,283**	30,646	**14,610**	14,952	**7,434**	11,759	**91**	98	**66,418**	57,455
Unallocated corporate assets									**6,033**	9,471
Total assets									**72,451**	66,926
Segment liabilities	**10,644**	14,012	**-**	81	**-**	-	**-**	-	**10,644**	14,093
Unallocated corporate liabilities									**355**	3,293
Total liabilities									**10,999**	17,386

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use asset, other receivables and prepayments and bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, borrowings and lease liabilities.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are principally 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 relating to such business 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 (other than marine transportation business) is presented based on the location of the operations. Information about the Group's non-current assets (other than marine transportation business) is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**762**	1,322	**8,957**	9,633
People's Republic of China (the "PRC") (excluding Hong Kong)	**–**	–	**5,167**	4,944
	762	1,322	**14,124**	14,577

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

Information about major customers/sources

Revenue arising from customers/sources individually contributing over 10% of the total revenue of the Group are related to marine transportation segment and are disclosed as follows:

	2021	2020
	US$'000	*US$'000*
Customer/source A	**3,550**	1,182
Customer/source B	**2,871**	N/A
Customer/source C	**1,654**	N/A
Customer/source D	**N/A**	4,547

7. OTHER GAINS AND LOSSES, NET

	2021 US$'000	2020 US$'000
Decrease in fair value of an investment property	**(539)**	(1,167)
Net decrease in fair value of financial assets at FVTPL	**(58)**	(29)
Realised loss on disposal of financial assets at FVTPL	**–**	(326)
Net foreign exchange gain	**3**	1
	(594)	(1,521)

8. FINANCE COSTS

	2021 US$'000	2020 US$'000
Interest expenses from borrowings	**441**	713
Interest on lease liabilities	**6**	10
	447	723

9. PROFIT (LOSS) BEFORE TAX

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

	2021 US$'000	2020 US$'000
Auditor's remuneration		
– Audit service	**147**	147
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	**760**	405
– Contributions to retirement benefits scheme	**18**	11
Total employee benefits expenses	**778**	416
Cost of inventories recognised as expenses	**–**	319
Marine crew expenses	**1,892**	1,665
Depreciation of property, plant and equipment	**1,371**	1,500
Depreciation of right-of-use asset	**125**	125
Interest income from banks	**(7)**	(4)

10. INCOME TAX CREDIT

There was no assessable profit for the year ended 31 December 2021 arising in Hong Kong. In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

The amount of US$1,000 for the year ended 31 December 2020 represented the over provision of Hong Kong Profits Tax in the prior year.

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

	2021	2020
	US$'000	*US$'000*
Profit (loss) before tax	**10,488**	(3,471)
Tax at the applicable income tax rate of 16.5% *(note)*	**(1,731)**	573
Tax effect of income not taxable for tax purpose	**3,715**	1,046
Tax effect of expenses not deductible for tax purpose	**(1,884)**	(1,535)
Tax effect of tax losses not recognised	**(100)**	(84)
Over provision in prior year	**–**	1
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.

At the end of the reporting period, the Group had unused tax losses of US$5,918,000 (2020: US$5,296,000). No deferred tax asset had been recognised in respect of such losses due to the unpredictability of future profit streams.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2020: seven) directors or chief executive were as follows:

2021

	Directors' fees *US$'000*	Basic salaries and allowance *US$'000*	Contributions to retirement benefits scheme *US$'000*	Total *US$'000*
Executive Directors/Chief Executive				
Mr. Sue Ka Lok (re-appointed on 30 November 2021)	–	13	–	13
Dr. Feng Xiaogang (appointed on 12 January 2021 and re-designated as Non-executive Director on 1 January 2022)	–	162	2	164
Mr. Yuen Chee Lap, Carl	–	117	2	119
Ms. Wang Yu	–	33	2	35
Ms. Sin Pui Ying (resigned on 30 November 2021)	–	54	2	56
	–	379	8	387
Non-executive Director				
Mr. Sue Ka Lok (resigned on 12 January 2021 and re-appointed as Executive Director on 30 November 2021)	2	–	–	2
Independent Non-executive Directors				
Mr. Zhou Qijin	19	–	–	19
Mr. Pau Shiu Ming	19	–	–	19
Mr. Tsao Hoi Ho	19	–	–	19
	57	–	–	57
Total	59	379	8	446

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

2020

	Directors' fees	Basic salaries and allowance	Contributions to retirement benefits scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Executive Directors/Chief Executive				
Mr. Yuen Chee Lap, Carl	–	117	2	119
Ms. Wang Yu	–	33	2	35
Ms. Sin Pui Ying (appointed on 25 September 2020 and resigned on 30 November 2021)	–	13	1	14
	–	163	5	168
Non-executive Director				
Mr. Sue Ka Lok (resigned on 12 January 2021 and re-appointed as Executive Director on 30 November 2021)	46	–	–	46
Independent Non-executive Directors				
Mr. Zhou Qijin	19	–	–	19
Mr. Pau Shiu Ming	19	–	–	19
Mr. Tsao Hoi Ho	19	–	–	19
	57	–	–	57
Total	103	163	5	271

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

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.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2020: three) were directors or a former director or chief executive officer of the Company whose emoluments are included in note 11 above. The emoluments of the remaining one (2020: two) individual was as follows:

	2021	2020
	US$'000	*US$'000*
Salaries and allowance	**47**	72
Contributions to retirement benefits scheme	**2**	3
	49	75

The emoluments of the remaining one (2020: two) highest paid individual (other than the directors or a former director or chief executive officer) was within the band of nil to HK$1,000,000.

No emolument 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.

13. 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:

	2021	2020
	US$'000	*US$'000*
Profit (loss)		
Profit (loss) for the year attributable to owners of the Company	**10,488**	(3,470)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year	**1,092,753**	645,999

The weighted average number of ordinary shares for the years ended 31 December 2021 and 2020 for the purpose of calculating the basic earnings (loss) per share had been adjusted to account for the effect of the bonus element of the Open Offer of the Company (note 29) which became effective on 5 January 2021.

For the years ended 31 December 2021 and 2020, no diluted earnings (loss) per share is presented as there were no dilutive potential ordinary shares outstanding during both years.

14. DIVIDEND

During the year ended 31 December 2021, no dividend was paid, declared or proposed (2020: nil), nor has any dividend been proposed by the directors of the Company since the end of reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Vessels	Dry-docking	Furniture, fixtures and equipment	Leasehold improvement	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST					
At 1 January 2020	64,098	1,142	27	132	65,399
Additions	–	748	12	71	831
At 31 December 2020	64,098	1,890	39	203	66,230
Additions	–	–	2	4	6
Written off	–	–	(21)	(131)	(152)
At 31 December 2021	**64,098**	**1,890**	**20**	**76**	**66,084**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2020	31,052	479	27	132	31,690
Depreciation	923	572	1	4	1,500
Impairment loss recognised in profit or loss	2,760	–	–	–	2,760
At 31 December 2020	34,735	1,051	28	136	35,950
Depreciation	793	560	3	15	1,371
Written off	–	–	(21)	(131)	(152)
Impairment loss reversed in profit or loss	(13,430)	–	–	–	(13,430)
At 31 December 2021	**22,098**	**1,611**	**10**	**20**	**23,739**
CARRYING VALUES					
At 31 December 2021	**42,000**	**279**	**10**	**56**	**42,345**
At 31 December 2020	29,363	839	11	67	30,280

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Vessels	Shorter of 30 years or the estimated remaining useful life of the second-hand vessels
Dry-docking	2.5 to 5 years
Furniture, fixtures and equipment	5 years
Leasehold improvement	5 years

During the year, the Group experienced an improvement in market conditions of the marine transportation business following a significant increase in global freight rates, which is also demonstrated by the increase in Baltic Dry Index as compared with last year, that contributed to the increase in revenue of the vessels of the Group. In light of these considerations, the directors of the Company conducted a review of the recoverable amount of the Group's vessels whereby an impairment loss on a vessel recognised in prior years is reversed when the recoverable amount of a vessel, which in turn is the higher of its value in use and its fair value less costs of disposal, exceeds its carrying value.

The fair value of the Group's vessels were determined based on the valuation carried out by JP Asset Consultancy Limited, an independent qualified professional valuer not connected to the Group, and the market approach was principally adopted for the valuation as there was a known used market for used vessels. The fair value of the vessels were primarily determined based on the direct comparison method by making reference to the recent sale transactions of similar vessels with similar age and condition (Level 2 hierarchy).

At 31 December 2021, the fair value less costs of disposal of two vessels of the Group were determined with reference to prevailing market conditions (including second-hand prices and freight rate of similar vessels) and amounted to US$31,971,000 (2020: US$19,036,000) in aggregate, which is higher than their respective value in use and carrying amount before impairment reversal. Accordingly, an impairment loss on vessels of US$13,430,000 was reversed in profit or loss during the year (2020: an impairment loss on vessels of US$2,760,000 was recognised).

Details of the pledge of property, plant and equipment are set out in note 32.

16. RIGHT-OF-USE ASSET

	2021	2020
	US$'000	*US$'000*
At 31 December		
Carrying amount	**135**	260
For the year ended 31 December		
Depreciation	**125**	125
Expense relating to short-term leases	**–**	104
Total cash outflow for leases	**142**	211
Additions to right-of-use asset	**–**	385

Lease contract is entered into for fixed term of three years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. INVESTMENT PROPERTY

	US$'000
FAIR VALUE	
At 1 January 2020	10,462
Decrease in fair value recognised in profit or loss	(1,167)
At 31 December 2020	9,295
Decrease in fair value recognised in profit or loss	(539)
At 31 December 2021	**8,756**

The Group's property interest held to earn rental income or for capital appreciation purposes represented an office unit in Hong Kong and was measured using the fair value model and was classified and accounted for as investment property.

17. INVESTMENT PROPERTY (continued)

A conditional provisional sale and purchase agreement was entered into subsequent to the end of the reporting period (note 40), and the fair value of the Group's investment property at 31 December 2021 has been determined by taking into account the agreed consideration set out in the sale and purchase agreement. The fair value of the Group's investment property at 31 December 2020 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 the direct comparison approach by making reference to the recent transactions of properties in similar location and condition under the then prevailing market conditions, for which the market unit rate ranged from HK$26,000 to HK$32,000 per square feet. A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa. In estimating the fair value of the property, the highest and best use of the property was its current use. The investment property was 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$181,000 (2020: US$186,000) for the current year. No material direct operating expenses were incurred for the investment property.

18. INTEREST IN A JOINT VENTURE

	2021	2020
	US$'000	*US$'000*
Cost of investment in a joint venture	**5,330**	5,330
Share of post-acquisition loss and other comprehensive expenses	**(163)**	(386)
	5,167	4,944

Name of entity	**Place of establishment/ operation**	**Proportion of ownership interest and voting rights held by the Group**		**Principal activity**
		2021	2020	
		%	%	
Shanghai Yueyong Investment Management Company Limited (literally translated from its Chinese name 上海悦勇投資管理有限公司)	The PRC	**41.7**	41.7	Property investment

18. INTEREST IN A JOINT VENTURE (continued)

The summarised financial information of the Group's interest in a joint venture prepared in accordance with accounting policies of the Group is set out below:

	2021 US$'000	2020 US$'000
Current assets, representing cash and cash equivalents	**1**	1
Non-current assets	**13,563**	12,989
Current liabilities, representing financial liabilities	**1,172**	1,134

The above amounts of assets and liabilities include the following:

	2021 US$'000	2020 US$'000
Profit (loss) for the year	**210**	(108)
Other comprehensive income for the year	**326**	741

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

	2021 US$'000	2020 US$'000
Net assets of the joint venture	**12,392**	11,856
Proportion of the Group's ownership interest in the joint venture, same as the carrying amount of the Group's interest in the joint venture	**5,167**	4,944

19. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	US$'000	US$'000
Listed debt securities	**6,545**	10,407
Analysed for reporting purpose as:		
Current assets	**3,814**	–
Non-current assets	**2,731**	10,407
	6,545	10,407

These debt instruments are listed on the Hong Kong Stock Exchange or SGX-ST. At 31 December 2021, these debt instruments are unsecured, carry coupon from 4.7% to 11.95% per annum and mature in 2022 to 2025.

During the year ended 31 December 2021, allowance for credit losses on debt instruments at FVTOCI of US$5,360,000 (2020: nil) was recognised in profit or loss with corresponding adjustment to other comprehensive income. Details of impairment assessment are set out in note 36.

20. TRADE RECEIVABLES

	2021	2020
	US$'000	US$'000
Trade receivables		
– Aged within 60 days based on invoice date	**–**	94

The credit period for customers of time charter are 0 day to 30 days (2020: 0 day to 30 days). The Group normally allows credit period for customers of merchandise trading ranging from 0 day to 60 days (2020: 0 day to 60 days). At 31 December 2020, none of the Group's trade receivables balance were past due as at the reporting date.

21. OTHER RECEIVABLES AND PREPAYMENTS

	2021 US$'000	2020 US$'000
Other receivables	**723**	642
Prepayments and other deposits for operating expenses	**276**	245
	999	887

Details of impairment assessment on other receivables for the year ended 31 December 2021 are set out in note 36.

22. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, interest-free and repayable on demand. Details of impairment assessment on the amount due are set out in note 36.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 US$'000	2020 US$'000
Held for trading, at fair value:		
Equity securities listed in Hong Kong	**–**	58

24. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates. The carrying amounts of these assets approximate to their fair values.

At 31 December 2021 and 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks were insignificant and accordingly, no allowance for credit loss was provided.

25. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2021	2020
	US$'000	*US$'000*
Accrued expenses	**309**	301
Deposits received from lessees of vessel and tenant	**735**	789
Other payables	**2**	92
	1,046	1,182
Presented as:		
Non-current	**735**	–
Current	**311**	1,182
	1,046	1,182

26. CONTRACT LIABILITIES

	2021	2020
	US$'000	*US$'000*
Marine transportation income to be recognised in next year	**15**	41

27. BORROWINGS

	2021 US$'000	2020 US$'000
Secured loans	**9,786**	15,875
The carrying amounts of the loans are repayable*:		
On demand	**–**	2,821
Within a period not exceeding one year	**4,908**	3,268
Within a period of more than one year but not exceeding two years	**2,122**	4,908
Within a period of more than two years but not exceeding five years	**2,756**	4,878
Total	**9,786**	15,875
Less: Amounts due within one year shown under current liabilities	**(4,908)**	(6,089)
Amounts shown under non-current liabilities	**4,878**	9,786
Effective interest rate (%) per annum	**1.21 – 4.13**	1.10 – 5.79

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

The Group's borrowings were denominated in United States dollars (2020: United States dollars or Hong Kong dollars) which were also the functional currencies of the respective entities of the Group.

At 31 December 2021, the loans were carrying interest at LIBOR (2020: LIBOR or HIBOR) plus certain basis points. The outstanding loans at 31 December 2021 were repayable within one to three years (2020: repayable within one to four years).

The borrowings at 31 December 2021 were secured by the followings:

(i) corporate guarantee from the Company;

(ii) first preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp. and Polyworld Marine Corp., named MV Zorina, MV Heroic and MV Polyworld respectively; and

(iii) assignment of insurance proceeds in respect of vessels MV Zorina, MV Heroic and MV Polyworld.

27. BORROWINGS (continued)

The borrowings at 31 December 2020 were secured by the followings:

(i) corporate guarantee from the Company;

(ii) first preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp. and Polyworld Marine Corp., named MV Zorina, MV Heroic and MV Polyworld respectively;

(iii) assignment of insurance proceeds in respect of vessels MV Zorina, MV Heroic and MV Polyworld;

(iv) first mortgage over the investment property held by the Group; and

(v) pledge of certain debt instruments at FVTOCI held by the Group.

28. LEASE LIABILITIES

	2021	2020
	US$'000	*US$'000*
Lease liabilities are repayable:		
Within a period not exceeding one year	**140**	136
Within a period of more than one year but not exceeding two years	**12**	140
Within a period of more than two years but not exceeding five years	**–**	12
Total	**152**	288
Less: Amounts due for settlement within one year shown under current liabilities	**(140)**	(136)
Amounts due for settlement after one year shown under non-current liabilities	**12**	152

29. SHARE CAPITAL

	Number of shares *'000*	Amount *US$'000*
Authorised:		
At 1 January 2020 (US$0.06 per share)	3,000,000	180,000
Share subdivision *(note (ii))*	177,000,000	–
At 31 December 2020 and 31 December 2021 (US$0.001 per share)	**180,000,000**	**180,000**
Issued and fully paid:		
At 1 January 2020 (US$0.06 per share)	548,852	32,931
Capital reduction *(note (i))*	–	(32,382)
At 31 December 2020 (US$0.001 per share)	548,852	549
Issue of shares under the Open Offer	548,852	549
At 31 December 2021 (US$0.001 per share)	**1,097,704**	**1,098**

At 31 December 2021, all issued ordinary shares have a par value of US$0.001 each (2020: US$0.001 each), carry one vote per share and carry rights to dividends as and when declared by the Company.

Notes:

The Company completed a capital reorganisation by way of capital reduction, share premium account reduction and share subdivision (the "Capital Reorganisation") which became effective on 20 November 2020. The Capital Reorganisation involved the following:

(i) the reduction of issued share capital of the Company whereby the par value of each issued share of the Company ("Share(s)") reduced from US$0.06 to US$0.001 by cancelling US$0.059 of the paid-up capital on each issued Share (the "Capital Reduction");

(ii) immediately following the Capital Reduction, the subdivision of each unissued Share of US$0.06 in the authorised share capital of the Company into 60 Shares of US$0.001 each (the "Share Subdivision") so that immediately following the Capital Reduction and the Share Subdivision, the authorised share capital of the Company became US$180,000,000 divided into 180,000,000,000 Shares of US$0.001 each;

(iii) the reduction of the entire amount standing to the credit of the share premium account of the Company (the "Share Premium Account Reduction");

(iv) the transfer of the credits arising from the Capital Reduction and the Share Premium Account Reduction to the contributed surplus account of the Company; and

(v) the application of the amount standing to the credit of the contributed surplus account of the Company arising from the Capital Reduction and the Share Premium Account Reduction to set off the accumulated losses of the Company as permitted by the laws of Bermuda and the Bye-laws of the Company and to authorise the directors of the Company to utilise any remaining credit balance in the contributed surplus account of the Company in such manner as may be determined by the directors in accordance with the Bye-laws of the Company and all applicable laws.

29. SHARE CAPITAL (continued)

Upon the Capital Reorganisation became effective, the Company proposed an open offer of 548,851,784 offer shares at the subscription price of HK$0.13 per offer share on the basis of one offer share for every one share held on the record date (the "Open Offer").

In December 2020, the Company received subscription monies of approximately HK$68,883,000 (equivalent to approximately US$8,831,000) in relation to the Open Offer, the underwriting agreement dated 24 July 2020 entered into between the Company and the underwriter was not terminated and the Open Offer had become unconditional. At 31 December 2020, the subscription monies were presented as equity of the Company and included in other reserve.

The Open Offer was completed in January 2021 and the Company raised proceeds of US$9,148,000 before expenses, of which a sum of US$8,831,000 was received in December 2020 and the remaining sum of US$317,000 was received in January 2021, the transaction costs attributable to the issue of shares amounted to US$527,000. The new shares rank pari passu with the existing shares.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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 comprising (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.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

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.

At the special general meeting of the Company held on 20 October 2021, the shareholders of the Company approved the refreshment of mandate limit in respect of the grant of options to subscribe for shares of the Company under the Share Option Scheme (the "Scheme Mandate Limit Refreshment"). Accordingly, the total number of shares of the Company available for issue under the Share Option Scheme was 109,770,356 shares as refreshed, representing approximately 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit Refreshment.

No share options have been granted under the Share Option Scheme since its adoption. The total number of shares of the Company available for issue under the Share Option Scheme is 109,770,356 shares representing approximately 10% of the issued shares of the Company as at the date of this annual report.

31. OPERATING LEASES

The Group as lessor

At the end of the reporting period, the Group had contracted with a tenant/charterer for the following future undiscounted lease payments:

	2021 ***US$'000***	2020 *US$'000*
Within one year	**1,672**	274
In the second year	**2,084**	114
	3,756	388

32. PLEDGE OF ASSETS

At 31 December 2021, three vessels with an aggregate carrying amount of US$42,279,000 (including dry-docking) were pledged to a bank and a financial institution as security for the loan facilities granted to the Group.

At 31 December 2020, three vessels with an aggregate carrying amount of US$30,202,000 (including dry-docking), an investment property with carrying amount of US$9,295,000 and debt instruments at FVTOCI with carrying amount of US$8,408,000 were pledged to banks and other financial institution as security for the loan facilities granted to the Group.

33. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. 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. The Group's contributions to the Mandatory Provident Fund Scheme for its employees are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the Mandatory Provident Fund Scheme that may be used by the Group to reduce the existing level of contributions.

34. RELATED PARTY DISCLOSURES

Details of transactions between the Group and the related parties are disclosed below:

(a) During the year ended 31 December 2020, the Group paid lease expenses of US$104,000 to Poly Investment & Finance Limited, a related company that was controlled by Mr. Suen Cho Hung, Paul (a substantial shareholder of the Company). There was no such transaction during the current year.

(b) Remuneration of key management personnel

During the year ended 31 December 2021, the remuneration of the Group's key management personnel comprising directors and chief executive officer is disclosed in note 11.

35. CAPITAL RISK MANAGEMENT

The Group manages its 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 27, 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 covenants imposed in the loan agreements.

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

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2021 ***US$'000***	2020 *US$'000*
Financial assets		
Debt instruments at FVTOCI	**6,545**	10,407
Financial assets at FVTPL	**–**	58
Financial assets at amortised cost	**9,027**	11,435
Financial liabilities		
Amortised cost	**10,523**	16,756

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, amount due from a joint venture, debt instruments at FVTOCI, financial assets at FVTPL, bank balances, deposits received, other payables and borrowings. Details of the financial instruments are disclosed in the 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.

Currency risk

The Group's principal subsidiaries are operating in Hong Kong and their transactions are mostly denominated and settled in 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 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.

Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to bank balances and borrowings at the end of the reporting period which carry variable interest rates, as disclosed in notes 24 and 27 respectively. 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 liabilities are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of LIBOR and HIBOR 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 variable-rate borrowings at 31 December 2021 and 2020. 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 for the year ended 31 December 2021 would decrease/increase by US$98,000 (2020: loss increase/decrease by US$159,000).

36. FINANCIAL INSTRUMENTS (continued)

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

Interest rate risk (continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of LIBOR with alternative nearly risk-free rates. The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after 30 June 2023 for all the US dollar settings.

Risks arising from the interest rate benchmark reform arising from the transition

Interest rate related risks
For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into. There are fundamental differences between Interbank Offered Rates (the "IBORs") and the various alternative benchmark rates. IBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk
The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk
The Group has not reached an agreement to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), and there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Progress towards implementation of alternative benchmark interest rates

Subsequent to 31 December 2021, borrowings of US$2,786,000 have been repaid in full. The remaining borrowings of US$7,000,000 are linked to LIBOR and have not been transitioned to alternative interest rate, but the relevant loan agreements include fallback clauses to change the basis for determining the interest cash flows which is to be separately agreed by the Group and the lenders. The management closely monitors the interest environment and will start the negotiation with the lenders in appropriate timing in the forthcoming year.

36. FINANCIAL INSTRUMENTS (continued)

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

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 listed equity securities 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 2021 would remain unchanged (2020: loss for the year would decrease/increase by approximately US$6,000) and the Group's other comprehensive income for the year ended 31 December 2021 would increase/decrease by approximately US$655,000 (2020: US$1,041,000).

Credit risk and impairment assessment

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group 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. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Amount due from a joint venture

The Group regularly monitors the business performance of the joint venture. The Group's credit risks in this balance is mitigated through the value of the assets held by the joint venture and the power to jointly control the relevant activities of the joint venture. The management believes that there are no significant increase in credit risk of this amount since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group's assessment of ECL for the amount due from a joint venture is insignificant and thus no loss allowance is recognised.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI

All the Group's debt instruments at FVTOCI are bond investments listed on Hong Kong Stock Exchange or SGX-ST which were acquired in previous years. The issuers of these bond investments are mainly property developer companies based in the PRC. Other issuers are respective member of a group engaged in aircraft leasing in the PRC and a group with property portfolios across Asia Pacific. Since these bond investments are listed and external credit ratings are available, the Group maximises the use of these ratings in the determination of the probability of default, whenever applicable, and the ECL amount of these bond investments.

For the year ended 31 December 2021, on the basis of the prevailing market conditions in respect of property developers in the PRC, the credit ratings of some of these bonds were downgraded by rating agencies and the credit risk of the related bond investments have increased significantly since initial recognition and therefore lifetime ECL is provided. Some of these bond investments have defaulted in interest payments during the year or the bond issuers have defaulted in payments for their other listed bonds, the related bond investments are therefore regarded as credit-impaired. The Group estimates the probability of default and the loss given default of these bond investments with reference to relevant default study publication issued by reputable rating agencies. The probability of default for the not credit-impaired bonds ranged from 27% to 45%. The applicable loss given default for the not credit-impaired and the credit-impaired bonds ranged from 44% to 90%. The Group has also applied a higher adjustment factor in relation to forward-looking information of these bonds issued by the PRC property developer companies to reflect the higher loss rate due to the financial uncertainties of these bond issuers. The calculation of ECL amount also reflects the time value of money. The Group will closely monitor the property market in the PRC and the bond price of these investments and will formulate appropriate exit strategy accordingly. Subsequent to 31 December 2021, certain debt instruments with a total principal amount of US$2,400,000 matured and have been redeemed in full.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or externally	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts 2021 US$'000	Gross carrying amounts 2020 US$'000
Debt instruments at FVTOCI						
Investments in listed bonds *(note i)*	*19*	B1 – Ba2	N/A	12m ECL	**2,435**	10,944
		Ca-C	N/A	Lifetime ECL (not credit-impaired)	**3,859**	–
		Default	N/A	Lifetime ECL (credit-impaired)	**4,600**	–
					10,894	10,944
Financial assets at amortised cost						
Amount due from a joint venture	*22*	N/A	*(Note ii)*	12m ECL	**669**	669
Bank balances	*24*	Aa2 – A2	N/A	12m ECL	**7,635**	10,030
Other receivables	*21*	N/A	*(Note ii)*	12m ECL	**629**	498
Trade receivables – contracts with customers	*20*	N/A	*(Note iii)*	Lifetime ECL (not credit-impaired)	**–**	94

Notes:

i. The Group considers the gross principal amounts and the related contractual interests of the debt instruments for the purpose of ECL assessment. At 31 December 2021, the gross principal amount of these debt instruments amounted to US$10,800,000 (2020: US$10,800,000).

ii. For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

iii. For trade receivables, the Group has applied the simplified approach to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables individually.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The following table shows the reconciliation of allowance for credit losses that has been recognised for debt instruments at FVTOCI:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2020 and 31 December 2020	–	–	–	–
– Credit losses recognised	26	1,380	3,954	5,360
At 31 December 2021	**26**	**1,380**	**3,954**	**5,360**

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 also monitors the utilisation of borrowings and ensures compliance with loan covenants. The management therefore considers that the Group's liquidity risk has been reduced.

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 table 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.

36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted average interest rate	On demand or 6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amounts
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2021							
Other payables	**–**	**737**	**–**	**–**	**–**	**737**	**737**
Borrowings	**3.75**	**4,005**	**1,178**	**2,290**	**2,796**	**10,269**	**9,786**
Lease liabilities	**2.86**	**73**	**72**	**12**	**–**	**157**	**152**
		4,815	**1,250**	**2,302**	**2,796**	**11,163**	**10,675**
At 31 December 2020							
Other payables	–	–	881	–	–	881	881
Borrowings	3.85	4,727	1,874	5,223	5,114	16,938	15,875
Lease liabilities	2.86	75	74	144	11	304	288
		4,802	2,829	5,367	5,125	18,123	17,044

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

Fair values

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

- The fair values of listed debt securities classified as debt instruments at FVTOCI and listed equity securities classified as financial assets at FVTPL are categorised as Level 1 fair value measurement and determined with reference to quoted prices in active markets; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company 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.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities *US$'000*	Borrowings *US$'000*
At 1 January 2020	–	19,143
New lease entered	385	–
Interest expenses	10	–
Repayment	(107)	(3,268)
At 31 December 2020	288	15,875
Interest expenses	6	–
Repayment	(142)	(6,089)
At 31 December 2021	**152**	**9,786**

38. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	2021 *US$'000*	2020 *US$'000*
Non-current assets		
Interests in subsidiaries	–	–
Amounts due from subsidiaries	**69,496**	69,224
	69,496	69,224
Current assets		
Other receivables and prepayments	**25**	167
Bank balances and cash	**5,809**	8,854
	5,834	9,021
Total assets	**75,330**	78,245
Current liabilities		
Amounts due to subsidiaries	**31,984**	31,916
Other payables and accruals	**166**	139
	32,150	32,055
Net current liabilities	**(26,316)**	(23,034)
Total assets less current liabilities	**43,180**	46,190
Capital and reserves		
Share capital *(note 29)*	**1,098**	549
Reserves *(note)*	**42,082**	45,641
	43,180	46,190
Total liabilities and equity	**75,330**	78,245

38. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (continued)

Note:

	Share premium *US$'000*	Contributed surplus *US$'000*	Other reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*
At 1 January 2020	42,449	–	–	(33,802)	8,647
Loss and total comprehensive expense for the year	–	–	–	(4,219)	(4,219)
Capital reorganisation *(note 29)*	(42,449)	74,831	–	–	32,382
Contribution surplus set off against accumulated losses *(note 29 (v))*	–	(33,802)	–	33,802	–
Subscription monies received from the Open Offer *(note 29)*	–	–	8,831	–	8,831
At 31 December 2020	–	41,029	8,831	(4,219)	45,641
Loss and total comprehensive expense for the year	–	–	–	(2,800)	(2,800)
Issue of shares under the Open Offer *(note 29)*	8,599	–	(8,831)	–	(232)
Transaction costs attributable to issue of shares *(note 29)*	(527)	–	–	–	(527)
At 31 December 2021	**8,072**	**41,029**	**–**	**(7,019)**	**42,082**

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Class of shares held	Issued capital	Proportion of nominal value of issued capital held by the Company 2021 %	2020 %	Principal activities
Direct:						
Courage Marine Holdings (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	US$10,000	**100**	100	Investment holding
Peak Prospect Global Limited	BVI	Ordinary	US$1	**100**	100	Investment holding

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

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

Name of subsidiaries	Place of incorporation/ establishment	Class of shares held	Issued capital	Proportion of nominal value of issued capital held by the Company 2021 %	2020 %	Principal activities
Indirect:						
CMG Management Limited	Hong Kong	Ordinary	HK$1	**100**	100	Merchandise trading, investment in equity and debt securities and provision of management services
Courage Marine Group Limited	Hong Kong	Ordinary	HK$1	**100**	100	Provision of marine transportation services
Courage Marine Property Investment Limited	Hong Kong	Ordinary	HK$10,000	**100**	100	Property holding and investment
Heroic Marine Corp.	Republic of Panama	Ordinary	US$200	**100**	100	Provision of marine transportation services
Polyworld Marine Corp.	Republic of Panama	Ordinary	US$10,000	**100**	100	Provision of marine transportation services
Zorina Navigation Corp.	Republic of Panama	Ordinary	US$10,000	**100**	100	Provision of marine transportation 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 as at the end of the year.

40. EVENT AFTER THE REPORTING PERIOD

On 9 February 2022, the Group entered into a conditional provisional sale and purchase agreement with an independent third party to dispose of the Group's investment property at a consideration of HK$68,300,000 (equivalent to US$8,756,000). The transaction has not been completed at the date of this annual report.

Particulars of Investment Property

Particulars of investment property held by the Group as at 31 December 2021 are as follows:

Location	Lease expiry	Existing use	Effective percentage held
Unit No. 1801 on 18th Floor of West Tower, Shun Tak Centre, Nos. 168 – 200 Connaught Road, Central, Hong Kong	2055	Office	100%

Five-Year Financial Summary

	Year ended 31 December				
	2021	2020	2019	2018	2017
	US$'000	US$'000	*US$'000*	*US$'000*	*US$'000*
RESULTS					
Revenue	**9,738**	7,920	14,708	12,191	9,897
Profit (loss) before tax	**10,488**	(3,471)	180	1,252	9,884
Income tax credit (expense)	**–**	1	–	(1)	1
Profit (loss) for the year	**10,488**	(3,470)	180	1,251	9,885

	At 31 December				
	2021	2020	2019	2018	2017
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS AND LIABILITIES					
Total assets	**72,451**	66,926	64,770	59,118	56,713
Total liabilities	**(10,999)**	(17,386)	(20,928)	(16,034)	(18,956)
Equity attributable to owners of the Company	**61,452**	49,540	43,842	43,084	37,757