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

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: CIN)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**” or the “**Director(s)**”) of Courage Investment Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue			
Marine transportation income		12,079	8,976
Interest income		293	581
Property rental income		–	181
Total revenue	4	12,372	9,738
Direct expenses		(7,000)	(4,925)
Other income		661	82
Other gains and losses, net	6	(272)	(594)
Administrative expenses		(1,335)	(1,523)
Impairment loss (recognised) reversed on vessels	12	(797)	13,430
Allowance for credit losses on debt instruments at fair value through other comprehensive income, net	14	(1,402)	(5,360)
Share of result of a joint venture		(758)	87
Finance costs	7	(346)	(447)

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit before tax	8	1,123	10,488
Income tax expense	9	<u>—</u>	<u>—</u>
Profit for the year attributable to owners of the Company		<u>1,123</u>	<u>10,488</u>
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of financial statements of the foreign operation of a joint venture		(394)	136
Net decrease in fair value of debt instruments at fair value through other comprehensive income		(2,439)	(3,862)
Reclassification upon redemption of debt instruments at fair value through other comprehensive income		(6)	—
Allowance for credit losses on debt instruments at fair value through other comprehensive income, net	14	<u>1,402</u>	<u>5,360</u>
Other comprehensive (expense) income for the year, net of income tax		<u>(1,437)</u>	<u>1,634</u>
Total comprehensive (expense) income for the year attributable to owners of the Company		<u>(314)</u>	<u>12,122</u>
Basic earnings per share attributable to owners of the Company (US cent)	10	<u>0.10</u>	<u>0.96</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 US\$'000	2021 US\$'000
Non-current assets			
Property, plant and equipment	12	42,760	42,345
Deposit paid for acquisition of property, plant and equipment		–	195
Right-of-use asset		11	135
Investment property	13	–	8,756
Interest in a joint venture		4,015	5,167
Debt instruments at fair value through other comprehensive income	14	<u>1,392</u>	<u>2,731</u>
		<u>48,178</u>	<u>59,329</u>
Current assets			
Other receivables and prepayments	15	1,525	999
Amount due from a joint venture		669	669
Debt instruments at fair value through other comprehensive income	14	264	3,814
Bank deposits		13,618	–
Cash and cash equivalents		<u>2,201</u>	<u>7,640</u>
		<u>18,277</u>	<u>13,122</u>
Total assets		<u><u>66,455</u></u>	<u><u>72,451</u></u>

	<i>Notes</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current liabilities			
Deposits received, other payables and accruals	<i>16</i>	1,591	311
Contract liabilities		101	15
Borrowings – due within one year	<i>17</i>	2,122	4,908
Lease liabilities		12	140
		<u>3,826</u>	<u>5,374</u>
Net current assets		<u>14,451</u>	<u>7,748</u>
Total assets less current liabilities		<u>62,629</u>	<u>67,077</u>
Capital and reserves			
Share capital		1,098	1,098
Reserves		60,040	60,354
Total equity		<u>61,138</u>	<u>61,452</u>
Non-current liabilities			
Borrowings – due more than one year	<i>17</i>	756	4,878
Deposit received	<i>16</i>	735	735
Lease liabilities		–	12
		<u>1,491</u>	<u>5,625</u>
Total liabilities and equity		<u>66,455</u>	<u>72,451</u>

Notes:

1. General information

The Company (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 1501, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The consolidated financial statements are presented in United States dollars (“**US\$**”), which is the functional currency of the Company, and all values are rounded to the nearest thousand (US\$’000) where appropriate or as indicated.

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 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

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 the consolidated financial statements.

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ 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 Group's consolidated financial statements in the foreseeable future.

3. Basis of preparation of consolidated financial statements

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 (the "Hong Kong Listing Rules") and the disclosure requirements by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and an investment property that are measured at fair values at the end of each reporting period.

4. Revenue

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:

2022

	Marine transportation <i>US\$'000</i>	Investment holding <i>US\$'000</i>	Property holding and investment <i>US\$'000</i>	Total <i>US\$'000</i>
Type of services:				
Marine transportation	10,449	–	–	10,449
Revenue from contracts with customers	10,449	–	–	10,449
Leases	1,630	–	–	1,630
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)	–	293	–	293
Total revenue	12,079	293	–	12,372

2021

	Marine transportation <i>US\$'000</i>	Investment holding <i>US\$'000</i>	Property holding and investment <i>US\$'000</i>	Total <i>US\$'000</i>
Type of 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	581	181	9,738

5. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the executive directors 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.

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

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

Segment results represent the profit/loss from each segment without allocation of corporate income, corporate expenses, impairment loss recognised/reversed on vessels, share of result of a joint venture and finance costs. Net 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		Investment holding		Property holding and investment		Merchandise trading		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue	<u>12,079</u>	<u>8,976</u>	<u>293</u>	<u>581</u>	<u>-</u>	<u>181</u>	<u>-</u>	<u>-</u>	<u>12,372</u>	<u>9,738</u>
Segment results	<u>5,436</u>	<u>3,938</u>	<u>(1,104)</u>	<u>(4,843)</u>	<u>(196)</u>	<u>(313)</u>	<u>(91)</u>	<u>-</u>	<u>4,045</u>	<u>(1,218)</u>
Unallocated:										
Corporate income									289	13
Corporate expenses									(1,310)	(1,377)
Impairment loss (recognised)										
reversed on vessels									(797)	13,430
Share of result of a joint venture									(758)	87
Finance costs									<u>(346)</u>	<u>(447)</u>
Profit before tax									<u>1,123</u>	<u>10,488</u>

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 derive 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 geographical 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	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Hong Kong	293	762	61	8,957
People's Republic of China (excluding Hong Kong)	—	—	4,015	5,167
	<u>293</u>	<u>762</u>	<u>4,076</u>	<u>14,124</u>

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

Information about major customers

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

	2022 US\$'000	2021 US\$'000
Customer A	5,360	N/A ^{Note}
Customer B	3,040	3,550
Customer C	1,983	2,871
Customer D	<u>1,630</u>	<u>1,654</u>

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. Other gains and losses, net

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Loss on disposal of an investment property	(183)	–
Decrease in fair value of an investment property	–	(539)
Reclassification upon redemption of debt instruments at FVTOCI	6	–
Net decrease in fair value of financial assets at fair value through profit or loss	–	(58)
Allowance for credit losses on other receivables	(91)	–
Net foreign exchange (loss) gain	(4)	3
	<u>(272)</u>	<u>(594)</u>

7. Finance costs

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Interest expenses from borrowings	344	441
Interest on lease liabilities	2	6
	<u>346</u>	<u>447</u>

8. Profit before tax

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Auditor's remuneration		
– Audit service	147	147
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	681	760
– Contributions to retirement benefits scheme	22	18
Total employee benefits expenses	<u>703</u>	<u>778</u>
Marine crew expenses	2,679	1,892
Depreciation of property, plant and equipment	2,168	1,371
Depreciation of right-of-use asset	124	125
Interest income from banks	(242)	(7)

9. Income tax expense

There was no assessable profit arising in Hong Kong for the years ended 31 December 2022 and 2021. In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

10. Earnings per share

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>1,123</u>	<u>10,488</u>
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year	<u>1,097,704</u>	<u>1,092,753</u>

For the years ended 31 December 2022 and 2021, no diluted earnings per share is presented as there were no dilutive potential ordinary shares outstanding during both years.

11. Dividend

During the year ended 31 December 2022, no dividend was paid, declared or proposed (2021: nil), nor has any dividend been proposed by the directors of the Company since the end of reporting period.

12. Property, plant and equipment

During the year, the Baltic Dry Index (“**BDI**”) remained volatile compared with that of the prior year. Hence, the directors of the Company conducted a review of the recoverable amount of the Group’s vessels whereby an impairment loss on a vessel is recognised when the carrying amount of a vessel exceeds its recoverable amount, which in turn is the higher of its value in use and its fair value less costs of disposal.

The fair value of the Group's vessels were determined based on the valuation carried out by JP Assets 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 fair value hierarchy).

At 31 December 2022, 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\$30,225,000 (2021: US\$31,971,000) in aggregate, which is higher than their respective value in use. As the recoverable amounts of these vessels were lower than their individual carrying amount before impairment, an impairment loss on vessels of US\$797,000 was recognised in profit or loss during the year (2021: an impairment loss on vessels of US\$13,430,000 was reversed as the recoverable amounts of the vessels were higher than their individual carrying amount before impairment).

13. Investment property

	<i>US\$'000</i>
FAIR VALUE	
At 1 January 2021	9,295
Decrease in fair value recognised in profit or loss	<u>(539)</u>
At 31 December 2021	8,756
Disposal	<u>(8,756)</u>
At 31 December 2022	<u><u>–</u></u>

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 classified and accounted for as investment property.

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 was completed on 6 June 2022. Upon completion of the disposal, a loss on disposal of US\$183,000 representing the direct expenses related to the disposal was recognised in profit or loss for the year ended 31 December 2022.

At 31 December 2021, the fair value of the Group's investment property at the reporting date had been determined by taking into account the agreed consideration set out in the conditional provisional sale and purchase agreement. The investment property was at Level 2 fair value hierarchy and there were no transfers into or out of Level 2 fair value hierarchy during the year ended 31 December 2021.

No rental income was generated during the current year (2021: rental income of US\$181,000 was generated under operating lease) from the Group's investment property. No material direct operating expenses were incurred for the investment property for the year ended 31 December 2021.

14. Debt instruments at fair value through other comprehensive income

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Listed debt securities	<u>1,656</u>	<u>6,545</u>
Analysed for reporting purpose as:		
Current assets	264	3,814
Non-current assets	<u>1,392</u>	<u>2,731</u>
	<u>1,656</u>	<u>6,545</u>

These debt instruments are listed on either the Hong Kong Stock Exchange or SGX-ST. At 31 December 2022, these debt instruments carried coupon from 5.25% to 11.95% (2021: 4.7% to 11.95%) per annum and would mature in 2023 to 2025 (2021: 2022 to 2025).

For the year ended 31 December 2022, the net allowance for credit losses on debt instruments at FVTOCI of US\$1,402,000 (2021: US\$5,360,000) was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

15. Other receivables and prepayments

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Other receivables	472	613
Reimbursement asset from an insurance company (<i>note 16</i>)	821	-
Account balance with brokers	10	110
Prepayments and other deposits for operating expenses	<u>222</u>	<u>276</u>
	<u>1,525</u>	<u>999</u>

16. Deposits received, other payables and accruals

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Accrued expenses and other payables for operations	770	311
Deposits received from lessee of vessel	735	735
Provision (<i>note</i>)	821	–
	<u>2,326</u>	<u>1,046</u>
Presented as:		
Non-current	735	735
Current	1,591	311
	<u>2,326</u>	<u>1,046</u>

Note: During the year, one of the Group’s vessels was involved in a collision with another vessel owned by an independent third party that occurred in the seas of Singapore (the “**Collision Event**”). The owner of the other vessel has filed a claim against the loss caused by the negligence of the Group. The directors of the Company have made the best estimate of the claim to be approximately US\$821,000 after consultation with the lawyers. The claim can be fully covered by an insurance policy took out by the Group and thus a corresponding amount is recognised as a reimbursement asset (*note* 15). The directors of the Company expect that the Collision Event is to be settled within twelve months after the end of the reporting period.

17. Borrowings

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Secured loans	<u>2,878</u>	<u>9,786</u>
The carrying amounts of the loans are repayable*:		
Within a period not exceeding one year	2,122	4,908
Within a period of more than one year but not exceeding two years	756	2,122
Within a period of more than two years but not exceeding five years	–	2,756
Total	2,878	9,786
Less: Amounts due within one year shown under current liabilities	<u>(2,122)</u>	<u>(4,908)</u>
Amounts shown under non-current liabilities	<u>756</u>	<u>4,878</u>
Effective interest rate (%) per annum	<u>2.95 - 7.17</u>	<u>1.21 - 4.13</u>

* *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 (2021: United States dollars) which were also the functional currencies of the respective entities of the Group.

At 31 December 2022, the loans were carrying interest at London Interbank Offered Rate (“LIBOR”) (2021: LIBOR) plus certain basis points. The outstanding loans at 31 December 2022 were repayable within one to two years (2021: within one to three years).

The borrowings at 31 December 2022 were secured by the followings:

- (i) corporate guarantee from the Company;
- (ii) first preferred mortgage over the vessels held by Heroic Marine Corp. and Polyworld Marine Corp., named MV Heroic and MV Polyworld respectively; and
- (iii) assignment of insurance proceeds in respect of vessels MV Heroic and MV Polyworld.

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.

18. Pledge of assets

At 31 December 2022, two vessels (2021: three vessels) with an aggregate carrying amount of US\$27,404,000 (2021: US\$42,279,000) (including dry-docking) were pledged to a financial institution (2021: a bank and a financial institution) as security for the loan facilities granted to the Group.

19. Event after the reporting period

Subsequent to the end of the reporting period, in connection with the claim made by the owner of the other vessel referred to in note 16, the Group has paid a security deposit of US\$1,006,000 to the Supreme Court of Singapore pending settlement of the Collision Event. The security deposit is to be refunded upon the closure of the Collision Event. The directors of the Company considered that the Collision Event has no significant impact to the Group’s operations and the Group’s vessel involved, which sustained minor damages in the event, is in normal operation.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2022 (2021: nil).

BUSINESS REVIEW

During the year ended 31 December 2022 (“**FY2022**”), the Group continued to principally engage in the business of marine transportation, investment holding, property holding and investment, and merchandise trading.

Overall speaking, the market conditions of the Group’s marine transportation business had improved considerably during the year primarily due to the revival of economic activities worldwide following the easing of the pandemic, amid the market uncertainties brought by the Russia-Ukraine war, the intermittent disruptions to the global supply chain owing to congestions of some main ports including the ones in China, and the rising inflation and interest rates resulted in slower economic growth in some major economies in the latter part of the year.

For FY2022, the Group reported an increase in revenue by 27% to US\$12,372,000 (2021: US\$9,738,000), driven by the increase in revenue of the marine transportation business, and recorded a profit attributable to owners of the Company of US\$1,123,000 (2021: US\$10,488,000).

Marine transportation

For FY2022, the revenue of the Group’s marine transportation business increased by 35% to US\$12,079,000 (2021: US\$8,976,000), and with its profit increased by 38% to US\$5,436,000 (2021: US\$3,938,000). The increases in revenue and profit of the operation were mainly attributed to the improved market conditions of the marine chartering industry and the general increase in charter rates of the Group’s vessels during the year. There has been a revival of economic activities worldwide following the easing of the COVID pandemic, including the full re-activation of major economies including China, the US and Europe, notwithstanding the market uncertainties brought by the Russia-Ukraine war, the intermittent disruptions to the global supply chain owing to congestions of some main ports including the ones in China, and the fast rising inflation and interest rate hikes in some countries including the US which hindered their economic growth.

Following the success of many governments in containing the social impact of the pandemic, and the relaxation of anti-COVID measures in many countries, there has been a full revival of economic activities worldwide and global trade has regained momentum. The BDI, which is closely correlated to market freight rate, remained volatile during FY2022 by reaching its peak of over 3,300 points in May 2022, hitting its low of about 1,000 points in August 2022, and was hovering between the 1,500 to 2,500 points level for much of the year, compared to the 2,000 to 3,000 points level in 2021. The current market outlook of the marine transportation business remains positive following the revival of economic activities worldwide. In view of the prevailing market conditions, the Group is prudently optimistic about the prospects 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 dead weight tonnage ("dwt"). The Group has yet to acquire a second-hand Supramax vessel as the price of this vessel type has increased significantly since 2021, however, there are signs recently that the second-hand dry bulk vessel market is softening compared to its peak in around mid-2022 and some buying opportunities have emerged. The Group has not yet identified a suitable target vessel as of the date of this announcement. Nevertheless, the Group will continue with its plan of acquiring a second-hand dry bulk vessel, and may include the Panamax size 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. The Group will inform shareholders of any update of the vessel acquisition as and when appropriate.

At 31 December 2022, with reference to the then prevailing market conditions (including second-hand prices of similar vessels in terms of country of build, tonnage and age and market freight rate), an impairment loss on vessels amounted to US\$797,000 (2021: reversal of impairment loss of US\$13,430,000) was recognised in FY2022, which partly offset the Group's profitable results for the year.

Investment holding

The Group's investment holding business contributed a revenue of US\$293,000 (2021: US\$581,000) and recorded a loss of US\$1,104,000 (2021: US\$4,843,000) for FY2022. The revenue of the business represented interest income from corporate bonds and the loss incurred was mainly due to the recognition of net allowance for credit losses on debt instruments (i.e. corporate bonds) at FVTOCI of US\$1,402,000 (2021: US\$5,360,000). The recognition of the credit losses was primarily a result of the further deterioration of the financial position of the issuers of the corporate bonds held by the Group during FY2022. These bond issuers are all property companies based in the Mainland and their credit ratings have been withdrawn or downgraded by the credit rating agencies, and some of the bonds held by the Group are in default status due to non-payments of interest and/or principal.

As the Group expected the uncertainties of the financial position of these bond issuers would ultimately affect the collection of contractual cash flows from their bonds, a net allowance for credit losses on debt instruments at FVTOCI of US\$1,402,000 (2021: US\$5,360,000), 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 losses ("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 worked closely with the independent qualified professional valuer and taken into account factors including the withdrawal or downgrading of credit rating of the bond issuers by the credit rating agencies, the defaults of the bond issuers in their payments of interest and/or principal, and forward-looking information including the future macroeconomic conditions affecting the operations of the bond issuers.

During the year, the Group continued to invest in listed corporate bonds. The corporate bonds held by the Group at the year end were issued by seven property companies with a yield to maturity upon acquisition of these bonds ranging from approximately 5.37% to 12.33% per annum. The Group's investment strategy of corporate bonds is to target for bonds with good interest yield that commensurate with their default risk. For making investment decisions on bonds of individual target company, references will usually be made to its announcements, news, latest financial information, dividend policy and business prospects.

At the year end, the Group's investments classified as debt instruments at FVTOCI comprised current and non-current portions of US\$264,000 (2021: US\$3,814,000) and US\$1,392,000 (2021: US\$2,731,000) respectively, totalling US\$1,656,000 (2021: US\$6,545,000) and representing a portfolio of corporate bonds. The Group had not made any new investments in corporate bonds during the year. During FY2022, principal of certain debt instruments totalling US\$2,450,000 were redeemed.

For FY2022, a net decrease in fair value of the Group's debt instruments at FVTOCI of US\$2,439,000 (2021: US\$3,862,000) was recognised as other comprehensive expense primarily owing to the decrease in their market values.

Property holding and investment

In 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 was approved by the Company's shareholders in a special general meeting held on 28 April 2022 and was completed on 6 June 2022. Upon completion of the disposal, a loss on disposal of US\$183,000 representing the direct expenses related to the disposal was recognised, which largely accounted for the loss incurred by the business for the year of US\$196,000 (2021: US\$313,000). During FY2022, the Group's property holding and investment business had no revenue (2021: US\$181,000) as the investment property, being an office unit at Shun Tak Centre, Sheung Wan, Hong Kong, was vacant during the year before it was disposed of. The Group is not holding any investment property at present and will look for acquisition opportunities of investment properties with good rental yield and/or high appreciation potential.

Merchandise trading

During FY2022, mainly owing to the effect of the prolonged continuation of the COVID pandemic, the Group's merchandise trading business, which focusing on trading of electronic components, remained in temporary halt and no revenue (2021: nil) was generated. The loss incurred by the business of US\$91,000 (2021: nil) represented the allowance for credit losses recognised for other receivables of the business. The Group intends to resume the business when market conditions improve.

Share of result of a joint venture

For FY2022, the loss of the joint venture shared by the Group amounted to US\$758,000 (2021: profit of US\$87,000) and was mainly related to the decrease in fair value of an industrial property in Shanghai, China held under the joint venture, the property is vacant at present and is intended for leasing. At 31 December 2022, the carrying value of the Group's investment in the joint venture was US\$4,015,000 (2021: US\$5,167,000) and the major asset held by it is the aforementioned industrial property.

OVERALL RESULTS

For FY2022, the Group recorded a profit attributable to owners of the Company of US\$1,123,000 (2021: US\$10,488,000) and a total comprehensive expense attributable to owners of the Company of US\$314,000 (2021: total comprehensive income of US\$12,122,000). The decrease in the Group's profit was mainly attributed to the recognition of impairment loss on vessels of US\$797,000 (2021: reversal of impairment loss of US\$13,430,000), though partly offset by (i) the increase in profit contribution from the Group's marine transportation operation to US\$5,436,000 (2021: US\$3,938,000); and (ii) the decrease in net allowance for credit losses on debt instruments at FVTOCI to US\$1,402,000 (2021: US\$5,360,000).

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

During FY2022, the Group financed its operation mainly by cash generated from operations, credit facilities provided by a financial institution as well as shareholders' funds. At 31 December 2022, the Group had current assets of US\$18,277,000 (2021: US\$13,122,000) and liquid assets comprising bank deposits and cash and cash equivalents totalling US\$15,819,000 (2021: US\$7,640,000). The Group's current ratio, calculated based on current assets over current liabilities of US\$3,826,000 (2021: US\$5,374,000), was at a strong ratio of about 4.78 at the year end (2021: 2.44). The significant increase in current ratio was mainly attributed to the net proceeds received from the disposal of an investment property with carrying value of US\$8,756,000 during the year, which in turn led to the increase in bank balances.

At 31 December 2022, the equity attributable to owners of the Company amounted to US\$61,138,000 (2021: US\$61,452,000), decreased by US\$314,000 compared with the prior year end and was mainly a result of the net decrease in fair value of debt instruments at FVTOCI of US\$2,439,000 (2021: US\$3,862,000), after offsetting the profit earned by the Group of US\$1,123,000 (2021: US\$10,488,000) during the year.

At the year end, the Group's borrowings represented loans from a financial institution mainly applied for financing the holdings of vessels. The borrowings comprised a non-current portion of US\$756,000 (2021: US\$4,878,000) and a current portion of US\$2,122,000 (2021: US\$4,908,000), totalling US\$2,878,000 (2021: US\$9,786,000). During the year, the Group made an early loan repayment of US\$2,000,000 in light of the fast rising interest rate. At 31 December 2022, the borrowings were denominated in United States dollars, bore interests at floating rates, and were secured by two vessels owned by the Group. The following is an analysis of the Group's borrowings and maturity profile:

	At 31 December 2022 US\$'000	At 31 December 2021 US\$'000
Secured loans	<u>2,878</u>	<u>9,786</u>
The carrying amounts of the loans are repayable*:		
Within a period not exceeding one year	2,122	4,908
Within a period of more than one year but not exceeding two years	756	2,122
Within a period of more than two years but not exceeding five years	<u>–</u>	<u>2,756</u>
	<u>2,878</u>	<u>9,786</u>

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

For FY2022, the Group's finance costs of US\$346,000 (2021: US\$447,000) represented mainly interests for the borrowings, finance costs decreased by 23% was mainly a result that the Group had fully repaid a bank loan of US\$2,786,000 in March 2022.

The Group's gearing ratio, calculated on the basis of total borrowings of US\$2,878,000 (2021: US\$9,786,000) divided by total equity of US\$61,138,000 (2021: US\$61,452,000), was at a low ratio of about 5% (2021: 16%) at the year end.

With the amount of liquid assets on hand as well as the credit facilities granted by a 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 Group's marine transportation business. As opposed to the original intention 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% to its merchandise trading business as working capital, 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 pandemic. The Company has therefore earmarked the remaining net proceeds of US\$5,800,000 as working capital for the Group's marine transportation business before any acquisition of a vessel is proceeded with. Such working capital would be continually be used and replenished in the course of operation on an ongoing basis.

Owing to the revival of economic activities worldwide following the easing of the COVID pandemic, the outlook of the marine transportation industry has improved and remained positive, the price range of the second-hand Supramax vessels with varying specifications that are under consideration by the management has increased to around US\$13 million to US\$16 million, about 50% higher than the management's original estimate of US\$7 million to US\$12 million back in 2021, but lower than the peak of the second-hand dry bulk vessel market in around mid-2022. There are signs recently that the second-hand dry bulk vessel market is softening and some buying opportunities have emerged. The management is in the course of evaluating certain vessel buying opportunities and it is still the Group's intention to reutilise the remaining net proceeds of the Open Offer of US\$5,800,000 to acquire a second-hand dry bulk vessel, and may include the Panamax size 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. The management will continue to closely monitor the market conditions and will inform shareholders of any update of the vessel acquisition as and when appropriate.

PROSPECTS

With the full relaxation of anti-COVID measures in many countries and global trading activities are returning to their normality, the Group is prudently optimistic about the prospects of the marine transportation business in the medium to long term, amidst the Russia-Ukraine war and the fast rising inflation and interest rates in some major economies including the US are bringing uncertainties to the market.

The Group has yet to acquire a second-hand Supramax vessel as the price of this vessel class has increased significantly since 2021, however, there are signs recently that the second-hand dry bulk vessel market is softening compared to its peak in around mid-2022 and some buying opportunities have emerged. Looking forward, the Group will continue with its plan of acquiring a second-hand dry bulk vessel, and may include the Panamax size 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. The Group will inform shareholders of any update of the vessel acquisition as and when appropriate. 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.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules for the year ended 31 December 2022.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company and are duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Directors on 24 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Sue Ka Lok (Chairman) and Ms. Wang Yu; and three Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. Pau Shiu Ming and Mr. Tsao Hoi Ho.