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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board announces that on 26 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell the Sale Shares, for a consideration of RMB13,500,000 (equivalent to approximately US\$1,861,000), subject to fulfilment of the Conditions. Upon completion of the Disposal, the Group will cease to have any equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 26 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell all the issued shares in the Target Company, for a consideration of RMB13,500,000 (equivalent to approximately US\$1,861,000), subject to fulfilment of the Conditions.

The principal terms of the Agreement are summarised as follows:

Date: 26 September 2023

- Parties:**
- (i) Courage Marine (Holdings) Co., Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, as Vendor
 - (ii) Mr. Chang Hsiao-Yi (張曉翼), a Taiwanese merchant, as Purchaser
 - (iii) Courage Marine (HK) Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, as Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party but for the completeness of disclosure, he controls 58.3% of the equity interest in the JV and is its sole director.

Subject Matter: The subject matter of the Disposal is all the issued shares in the Target Company.

According to the consolidated management accounts of the Target Company for the eight months ended 31 August 2023, the unaudited consolidated net asset value of the Target Company as of 31 August 2023 amounted to approximately US\$3,733,000 (after adjusting for shareholder's loans due to the Group).

The table below sets out the unaudited consolidated financial results of the Target Company for the financial years ended 31 December 2022 and 2021:

	Financial Year	
	ended 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Approx.</i>	<i>Approx.</i>
Net (loss)/profit before taxation	(778)	68
Net (loss)/profit after taxation	(778)	68

Consideration: The consideration for the sale and purchase of the Sale Shares (the "**Consideration**") amounts to RMB13,500,000 (equivalent to approximately US\$1,861,000) which is to be paid as follows:

- (i) The Purchaser shall pay a deposit of RMB3,000,000 (equivalent to approximately US\$414,000) within 4 business days of the effective date of the Agreement (being the date on which the Agreement is executed by the parties thereto);
- (ii) The Purchaser shall pay the balance of the consideration, i.e. RMB10,500,000 (equivalent to approximately US\$1,447,000), within 10 business days after payment of the deposit as described in (i) above.

Under the Agreement, the Vendor is required to deliver to the Purchaser the Target Company free from liabilities. As such, the Group will waive all shareholder's loans due by the Target Company and its subsidiaries to the Group which amount to approximately US\$5,090,000 in aggregate as at the date of this announcement.

The Consideration underlying the Agreement has been negotiated between the Vendor and the Purchaser on an arm's length basis taking into account, among other things, the business valuation of the 100% equity interest in the Target Company as at 31 August 2023 of the amount of RMB12,704,000 (equivalent to approximately US\$1,751,000) performed by an independent professional valuer and the factors referred to in the section headed "Reasons for and Benefits of the Disposal" in this announcement.

Conditions and Completion: Completion of the Disposal takes place conditional upon (i) the board of directors of the Vendor approving the transfer of the Sale Shares; and (ii) the Purchaser having paid the Consideration in full pursuant to the terms of the Agreement.

Upon completion of the Disposal, the Group will cease to have any equity interest in the Target Company and the Target Company will no longer be accounted for as a subsidiary of the Company in its consolidated financial statements.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and, together with its subsidiaries, is principally engaged in the business of marine transportation, property holding and investment, investment holding and merchandise trading. The Vendor is principally engaged in investment holding of its interest in the JV.

The Target Company's principal asset is its indirect holding of the 41.7% equity interest in the JV, which in turn holds the PRC Property.

Since the Group's acquisition of the interest in the PRC Property in 2013 through the JV, the PRC Property has remained vacant and has not generated any operating income to the JV. In light of the sub-optimal performance of the PRC Property for more than 10 years, the management of the Group has entered into discussions with the other shareholder of the JV, i.e., the Purchaser, about plans to better utilise the PRC Property including disposal and/or leasing out of it. However, as a minority stakeholder, the discussions did not yield any fruitful result notwithstanding the efforts of the Group's management, and that a recent assessment of the condition of the PRC Property has revealed that it requires extensive renovations before it could be put up for leasing, which are estimated to cost over RMB4 million. In addition, the Group's management has also sought to divest from the JV via transferring its stake in the JV to third party buyers. While the Group has been seeking potential buyers, it has not been able to reach agreement with any of them apart from the Purchaser. The Group's management considers the main reason for not being able to secure a buyer other than the Purchaser is attributable to the Group's stake being a minority interest in the JV.

The Consideration was negotiated between the Vendor and the Purchaser on an arm's length basis taking into account mainly the business valuation of the 41.7% equity interest in the JV as at 31 August 2023 of approximately RMB12,704,000 (equivalent to approximately US\$1,751,000) performed by an independent professional valuer. The valuer has adopted a market approach in performing the valuation and the business valuation is determined based on (i) the 41.7% share of the net asset value of the JV as of 31 August 2023 of approximately RMB24,939,000, and applying (ii) an average price to book ratio of 0.566 derived from data of the relevant market peers using the Guideline Publicly-traded Comparable Method (which effectively discounted the book value of the net asset value of the JV to its market price using the average price to book ratio derived from market data), and (iii) a lack of marketability discount of 10% as ownership interest in the JV is an interest in a private company that is not readily marketable as compared to public companies, which resulted in a business valuation of the 41.7% equity interest in the JV of approximately RMB12,704,000 (equivalent to approximately US\$1,751,000). The determination of the business valuation is illustrated as follows:

		RMB
		<i>Approx.</i>
Share of net asset value of the JV		
as at 31 August 2023	41.7%	24,939,000
Price/book multiple based on market approach	0.566X	14,115,000
Discount for lack of marketability	-10%	<u>-1,411,000</u>
 Business valuation of the 41.7% equity interest in the JV		 <u><u>12,704,000</u></u>

As the 41.7% equity interest in the JV is the Target Company's only principal asset, the business valuation of the 100% equity interest in the Target Company is the same as the business valuation of the 41.7% equity interest in the JV which in turn equals to approximately RMB12,704,000 (equivalent to approximately US\$1,751,000), as determined by the independent professional valuer. Even though, the Consideration of approximately RMB13,500,000 (equivalent to approximately US\$1,861,000) represents a premium of about 6.3% over the business valuation of the Target Company as at 31 August 2023 which is approximately RMB12,704,000 (equivalent to approximately US\$1,751,000), it is the price which is agreeable by the Purchaser.

The Directors consider that the Disposal will save the Company from further incurring ongoing expenses and any future renovation expenses and be able to yield immediate cash proceeds which the Group may deploy for better return, and is therefore in the commercial interest of the Group (even though a loss on disposal is expected to be recorded as referred to in the below section) as compared to remaining invested in the JV, which for a prolonged period of time has not, and in the foreseeable future is not expected to, generate any revenue that will benefit the Group substantively.

Taking into account the foregoing, the Directors (including the independent non-executive Directors) consider the terms of the Agreement to be fair and reasonable, and that the Disposal is in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, it is estimated that the Group will record a loss on disposal of approximately US\$2,100,000 and such loss is calculated based on the difference between the net proceeds from the Disposal of approximately US\$1,803,000 and the unaudited consolidated net asset value of the Target Company as of 31 August 2023 of approximately US\$3,733,000 (after adjusting for shareholder's loans due to the Group) and the release of a translation reserve deficit of approximately US\$170,000. The actual loss as a result of the Disposal to be recorded by the Group may subject to change depending on the consolidated net asset value of the Target Company as at the date of Completion and is subject to any accounting adjustment and audit by the Company's auditors. As referred to in the above section, the Group acquired the interest in the PRC Property in 2013 through the JV, in connection with this transaction, the Group recognised an other reserve of approximately US\$1,531,000 which represented the excess of the fair value of the PRC Property transferred to the JV attributable to the Group over the carrying amount of a deferred consideration receivable under a debt settlement arrangement with the Purchaser, who was considered by the Company as an Independent Third Party by then, as stated in the note to the consolidated statement of changes in equity in the Company's 2022 Annual Report. The other reserve of approximately US\$1,531,000 will be released and transferred to retained profits upon completion of the Disposal, for illustration purpose only, should such release of other reserve be taken into account in determining the loss arising from the Disposal, the loss would be lesser and amount to approximately US\$569,000.

The net proceeds from the Disposal are estimated to be approximately RMB13,079,000 (approximately US\$1,803,000) after deducting professional fees and other expenses. The net proceeds are intended to be applied as working capital of the Group and, pending such deployment, are expected to be placed into interest-bearing bank accounts.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Agreement”	conditional share transfer agreement dated 26 September 2023 entered into between the Vendor, the Purchaser and the Target Company in relation to the Disposal
“Board”	Board of Directors
“Company”	Courage Investment Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are primarily listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1145) and secondarily listed on Singapore Exchange Securities Trading Limited (stock code: CIN)
“Completion”	completion of the Disposal
“Conditions”	conditions precedent to Completion pursuant to the Agreement as set out in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Disposal”	proposed disposal by the Vendor of all the issued shares in the Target Company to the Purchaser pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	a third party who is independent of the Company and its connected persons
“JV”	上海悦勇投資管理有限公司 (Shanghai Yueyong Investment Management Co. Ltd., a literal translation of its Chinese company name), a joint venture registered in the PRC which is indirectly controlled by the Target Company as to 41.7% and by the Purchaser as to 58.3%, respectively, as at the date of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	People’s Republic of China
“PRC Property”	the parcels of land (with approximate area of 9,213 sq.m.) and two industrial buildings constructed thereon (with approximate total gross floor area of 17,877 sq.m.) which are owned by the JV as at the date of this announcement
“Purchaser”	Mr. Chang Hsiao-Yi (張曉翼), a Taiwanese merchant
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100 issued ordinary shares in the Target Company, representing 100% of all the issued shares in the Target Company
“Shareholder(s)”	Shareholders of the Company
“Target Company”	Courage Marine (HK) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“US\$”	United States dollars, the lawful currency of the United States of America

“Vendor”	Courage Marine (Holdings) Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“sq.m.”	square metre
“%”	per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into US\$, and vice versa, at the exchange rate of US\$1=RMB7.2538.

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

Hong Kong, 26 September 2023

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