ANNUAL REPORT 2018

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

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

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Sue Ka Lok *(Chairman)*

Executive Directors

Ms. Wang Yu
Ms. Wan Jia

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Wang Yu

TRADING OF SHARES

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

SINGAPORE BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.courageinv.com

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 2018 ("FY2018").

RESULTS

During FY2018, the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading.

The Group achieved a profit attributable to owners of the Company of US$1,251,000 (2017: US$9,885,000) and posted a basic earnings per share of US0.25 cent (2017: US2.18 cents) for FY2018. The Group's revenue also increased by 23% reaching US$12,191,000 (2017: US$9,897,000) that mainly due to the increase in revenue of the marine transportation business. In November 2018, the Group announced to acquire a Supramax dry bulk carrier with carrying capacity of approximately 57,000 dead weight tonnage, the acquisition was approved by shareholders in a special general meeting held in February 2019 and the transaction was completed accordingly. The carrying capacity of the Group's dry bulk fleet has increased due to the acquisition of the vessel and this is in line with the Group's corporate development strategy to expand the scale of its marine transportation business.

In spite of the increase of the Group's revenue, a decrease in the Group's profit was recorded that mainly due to the unrealised loss on listed equity securities held by the Group amounting to US$3,870,000, this is in contrast with the comparable unrealised gain of US$2,489,000 recorded in last year. The three other business segments of the Group, namely marine transportation, property holding and investment and merchandise trading businesses all delivered profitable results for FY2018 which amounted to US$2,752,000 (2017: US$3,761,000) in aggregate.

PROSPECTS

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

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

Looking forward, the management will keep up their efforts in managing the businesses of the Group and will continue to seize investment/business opportunities with attractive returns aiming to create value to our shareholders. Particular emphasis will be placed on investment/business opportunities linking with the "One Belt, One Road" and "Greater Bay Area" initiatives strongly supported by the Chinese Government, which are beneficial to the long-term economic prospects of Hong Kong.

APPRECIATION

The Group has achieved satisfactory performance for FY2018. 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 great efforts and dedicated work during FY2018.

Sue Ka Lok
Chairman
Hong Kong, 22 March 2019

BUSINESS REVIEW

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

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

Marine transportation

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

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

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

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

Property holding and investment

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

Investment holding

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

During the year, the Group continued to invest in listed equity securities and corporate bonds. The corporate bonds acquired by the Group were issued by property and aircraft leasing companies listed on the Hong Kong Stock Exchange with yield to maturity upon acquisition of these bonds ranging from approximately 4.68% to 14.41% per annum. For listed equity securities, the Group's investment strategy is to target for stocks with good value appreciation potential whether in short, medium or long term and/or good dividend yield. For corporate bonds, the Group is to target for bonds with good interest yield and low default risk. For making investment decision on securities or bonds of individual target company, references will usually be made to its announcements, news, latest financial information, dividend policy and business prospect.

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

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

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

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

Table A

Company name/ principal activities	Approximate weighting to the market/ fair value of the Group's financial assets at FVTPL portfolio %	Approximate weighting to the total assets of the Group as at 31 December 2018 %	% of shareholding interest %	Acquisition costs *US$'000*	*Acquisition costs during the year/ carrying amount as at 1 January 2018 *US$'000*	Market/fair value as at 31 December 2018 *US$'000*	Accumulated unrealised loss recognised up to 31 December 2018 *US$'000*	Unrealised loss recognised during the year ended 31 December 2018 *US$'000*	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C	D = C - A	E = C - B		
Larry Jewelry International Company Limited (stock code: 8351) Jewelry and pharmaceutical business	8.8%	0.4%	1.25%	1,400	2,866	228	(1,172)	(2,638)	For the nine months ended 30 September 2018, revenue decreased by 9% to HK$287,408,000 and loss for the period attributable to owners of the investee company decreased by 62% to HK$57,302,000 as compared to the same period in 2017.	For its jewelry business, the investee company will explore opportunities to broaden the geographic base of customers to markets outside Hong Kong and Singapore and increase its visibility across South East Asian countries. For the pharmaceutical business, the investee company shall review its sales network and customer focus and to introduce more locally made products to suit the needs of domestic market.
Get Nice Holdings Limited (stock code: 64) Broking and securities margin financing, money lending, corporate finance and investments	74.6%	3.3%	0.62%	2,013	2,323	1,936	(77)	(387)	For the six months ended 30 September 2018, revenue increased by 9% to HK$280,567,000 and profit for the period attributable to owners of the investee company decreased by 20% to HK$110,075,000 as compared to the same period in 2017.	The investee company will keep seeking quality and upscale investment properties in both Asia and Europe, and also investment in securities with good potential, to enhance its investment portfolio with a view to provide a source of steady rental income and investment gains in the future.

Company name/ principal activities	Approximate weighting to the market/ fair value of the Group's financial assets at FVTPL portfolio %	Approximate weighting to the total assets of the Group as at 31 December 2018 %	% of shareholding interest %	Acquisition costs US$'000	*Acquisition costs during the year/ carrying amount as at 1 January 2018 US$'000	Market/fair value as at 31 December 2018 US$'000	Accumulated unrealised loss recognised up to 31 December 2018 US$'000	Unrealised loss recognised during the year ended 31 December 2018 US$'000	#Investee company's financial performance	#Future prospects of the investee company
				A	B	C	D = C - A	E = C - B		
South Shore Holdings Limited (stock code: 577) Hospitality, entertainment and construction	9.8%	0.4%	0.59%	835	835	255	(580)	(580)	For the six months ended 30 September 2018, revenue increased by 44% to HK$4,436 million and loss for the period attributable to owners of the investee company increased by over 18 times to HK$442 million as compared to the same period in 2017.	For its hotel development business, the investee company is operating an exclusive luxury hotel and entertainment complex on a site of some 65,000 square feet located on the Cotai Strip of Macau (the "Hotel"). The Hotel opened on 31 August 2018. The Hotel had been accepting private events during September 2018. The investee company had also been conducting training exercises to maximize the service levels of the operational team. For its engineering business, on 28 June 2017, the investee company agreed to sell its indirect interests of 51.76% in Paul Y. Engineering Group for a consideration of HK$300 million. Such disposal was approved by the investee company's shareholders in a special general meeting held on 8 May 2018. The completion of the disposal is subject to the fulfilment of certain conditions.
Others	6.8%	0.3%	N/A	512	442	177	(335)	(265)	N/A	N/A
	100.0%	4.4%		4,760	6,466	2,596	(2,164)	(3,870)		

* The amount represented the costs of the securities acquired during the year ended 31 December 2018 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Extracted from published financial information or announcements of the investee companies.

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

Table B

Issuer	Principal activities of issuer	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 as at 31 December 2018 %	Yield to maturity upon acquisition %	Acquisition costs US$'000	Acquisition costs during the year/ carrying amount as at 1 January 2018 US$'000	Redemption during the year ended 31 December 2018 US$'000	Market/ fair value as at 31 December 2018 US$'000	Accumulated fair value loss recognised up to 31 December 2018 US$'000	Fair value loss recognised during the year ended 31 December 2018 US$'000
					A	B	C	D	E = D - (A+C)	F = D - (B+C)
China Evergrande Group	Property related business	33.8%	5.1%	8.22 – 8.75	3,401	3,548	–	2,988	(413)	(560)
Pacific Century Premium Developments Limited	Property related business	21.9%	3.3%	4.68	2,006	2,036	–	1,931	(75)	(105)
Logan Property Holdings Company Limited	Property related business	19.5%	2.9%	5.48	1,978	1,899	–	1,721	(257)	(178)
China Aircraft Leasing Group Holdings Limited	Airline leasing	9.7%	1.4%	5.09	983	976	–	855	(128)	(121)
Others	N/A	15.1%	2.3%	5.37 – 14.41	1,705	1,677	(200)	1,334	(171)	(143)
		100.0%	15.0%		10,073	10,136	(200)	8,829	(1,044)	(1,107)

Merchandise trading

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

Share of result of a joint venture

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

OVERALL RESULTS

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

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

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

At the year end, the Group's borrowings represented loans from banks for financing the acquisition of vessels. The bank borrowings were denominated in United States dollars, bore interest at floating rates, and secured by the relevant vessels. The following is an analysis of the Group's bank borrowings and maturity profile:

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

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

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

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

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

Acquisition of a vessel

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

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

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

Use of proceeds from shares placement

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

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

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 FY2018, 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 2018, the two vessels held by the Group, namely MV Zorina and MV Heroic, with carrying amount totalling US$23,459,000 (including dry-docking) (2017: US$19,500,000) were pledged to banks to secure loan facilities granted to the Group.

Contingent liabilities

At 31 December 2018, the Group had no significant contingent liability (2017: nil).

Capital commitments

At 31 December 2018, the Group had a maximum capital commitment of US$10,412,000 being balance of the unpaid consideration for acquisition of the entire issued share capital of and the shareholder's loan to Polyworld (2017: nil).

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2018, the Group had 14 (2017: 14) employees including directors of the Company. For FY2018, staff costs (including directors' emoluments) amounted to US$560,000 (2017: US$620,000). 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 FY2018, the Group continued to engage a crew agency to provide crew services (about 22 crew) for one of the Group's vessels, crew expenses for the year amounting to US$620,000 (2017: US$884,000).

RISK FACTORS

The Group has identified and is facing a number of significant risks during FY2018. Some of these risks are ongoing factors which the industry has to cope with in medium to long-term. Other risk factors are specific to the Group.

1. **Economic Risk**

   The BDI fluctuated considerably during FY2018 although there are strong signs indicating recovery of demand for commodities in the Greater China Region. The BDI, which has a close correlation to freight rate, was at its low and below 1,000 points in April 2018, reached its peak and over 1,700 points in July 2018, and was hovering between 1,200 to 1,400 points level throughout a large part of FY2018, this is in sharp contrast to its five-year peak of about 2,330 points in December 2013. The movement of BDI is outside of the Group's control and would have a material effect on the financial performance of the Group's marine transportation business.

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

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

2. **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 and supply of vessels by cargo shippers in the region as well as the worldwide market. On one hand, the industry had suffered from oversupply of vessels in the past years, and on the other hand, cargo volumes had decreased considerably in the past years, although there are strong signs indicating a recovery of demand for commodities in the Greater China Region in recent times. The Group is therefore exposed to multiple impacts especially due to the intense competition among shippers.

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

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

3. **Financial Risk**

   The Group is exposed to financial risks relating to foreign currency, interest rate, price of securities, credit and liquidity in its ordinary course of business. For details of such risks and management policies, please refer to note 44 to the consolidated financial statements.

4. **Environment Risk**

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

5. **Customer Risk**

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

6. **Supply Chain Risk**

   The Group sources products from a number of 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 THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2018, there were no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management as at 16 April 2019, the latest practicable date before printing of this annual report, are set out below:

NON-EXECUTIVE DIRECTOR

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

Aged 53, joined the Group as an Executive Director and the Chairman of the Board in October 2015. Mr. Sue stepped down from the position as the Chairman of the Board and was re-designated as a Non-executive Director in October 2017, and has been re-appointed as the Chairman of the Board in February 2018. Mr. Sue is a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute and a fellow and Chartered Governance Professional of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. 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 ("EPI") (stock code: 689), PT International Development Corporation Limited (stock code: 372) and PYI Corporation Limited (stock code: 498) and a non-executive director of Birmingham Sports Holdings Limited ("Birmingham Sports") (stock code: 2309). All the above companies are listed on the Main Board of the Hong Kong Stock Exchange.

EXECUTIVE DIRECTORS

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

Aged 43, joined the Group as an Executive Director in October 2017 and has been appointed as the Company Secretary of the Company in February 2019. She is a director of various subsidiaries of the Company. Ms. Wang holds a Bachelor's degree in Arts from the University of Science and Technology of China, Master of Business Administration degree from the University of Birmingham in the United Kingdom, Master of Corporate Governance degree and Master of Professional Accounting degree from The Hong Kong Polytechnic University. Ms. Wang is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has experience in logistics industry, corporate administration and company secretarial practice.

Ms. Wan Jia ("Ms. Wan")

Aged 37, joined the Group as an Executive Director in January 2018. Ms. Wan holds a Bachelor's degree in Engineering specialised in computer science and technology from Shenyang Artillery Academy of Chinese People's Liberation Army (literal translation of its Chinese name 中國人民解放軍瀋陽炮兵學院) in the PRC. She has extensive experience in trading and internet related business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Qijin ("Mr. Zhou")

Aged 58, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Zhou holds a Bachelor's degree in law from the Southwest University of Political Science and Law, the PRC. He has extensive experience in property investments, large scale outdoor advertising and promotion business as well as automobile sales and marketing in the PRC.

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

Aged 47, joined the Group as an Independent Non-executive Director in October 2015 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. To holds a Bachelor of Commerce Accounting degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, a certified practising accountant of the CPA Australia and an associate of The Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, initial public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited.

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

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

Aged 69, joined the Group as an Independent Non-executive Director in April 2018 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Pau holds a Bachelor of Social Sciences degree from the University of Hong Kong. Mr. Pau had held senior roles in various international banks and has extensive experience in the banking and finance industry.

SENIOR MANAGEMENT

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

Aged 47, joined the Group as a Project Manager in May 2016 and was appointed as an Executive Director and the Chief Executive Officer in October 2017. Mr. Zhang resigned as Executive Director in February 2019 whilst he would continue his role as the Chief Executive Officer of the Company. Mr. Zhang holds a Bachelor's degree in Engineering specialised in mechanical and electronic engineering from Baotou Steel and Iron Institute (now known as Inner Mongolia University of Science and Technology) and a Master of Business Administration degree from the University of South Australia. He has extensive experience in marine vessel chartering and trading of steel and commodities.

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

Aged 45, is the Group's financial controller and is in charge of the Group's finance and accounting matters. Mr. Yuen obtained a Bachelor of Business Administration degree and a Master of Business Administration degree from University of Houston, United States in 1997 and 1998 respectively. Mr. Yuen has rich experience in finance and accounting both in Hong Kong and the United States. He started his career in the United States. He joined Greensmart Corp., a United States listed company in 2000 and served as chief financial officer from 2000 to 2003. Mr. Yuen then joined the Company as the financial manager since January 2004 and has been appointed as the Financial Controller since May 2006.

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

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 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding. The principal activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 16 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44.

FINAL DIVIDEND

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2018 (2017: 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 17 to the consolidated financial statements.

INVESTMENT PROPERTY

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVE OF THE COMPANY

The Company had accumulated losses of US$51,285,000 as at 31 December 2018 (2017: US$49,540,000) and had no reserve available for distribution to its shareholders.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, sales to the Group's five largest customers accounted for approximately 61.0% of the total revenue for the year and sales to the largest customer accounted for approximately 15.4%. Purchase from the Group's five largest suppliers accounted for approximately 86.1% of the total purchases for the year and purchases from the largest supplier accounted for approximately 28.5%.

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 16 April 2019, being the latest practicable date prior to the printing of this annual report were:

Non-Executive Director:

Mr. Sue Ka Lok

Executive Directors:

Ms. Wang Yu
Ms. Wan Jia *(appointed on 12 January 2018)*
Mr. Lai Ming Wai *(resigned on 28 February 2018)*
Mr. Zhang Liang *(resigned on 28 February 2019)*

Independent Non-executive Directors:

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

In accordance with Bye-law 86 of the Bye-laws, each Director shall retire at least once every three years. Mr. Sue Ka Lok and Mr. To Yan Ming, Edmond will retire by rotation at the forthcoming annual general meeting of the Company (the "2019 AGM") and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2019 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' remunerations are set out in note 13 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS AND SHORT POSITIONS, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, 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 34 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

As at 31 December 2018, the following interests of more than 5% of the total number of issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	87,270,066 *(Note)*	15.90%
Brilliant Epic Asia Limited ("Brilliant Epic")	Interests of controlled corporation	87,270,066 *(Note)*	15.90%
Success United Development Limited ("Success United")	Beneficial owner	87,270,066 *(Note)*	15.90%

Note:

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

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

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2018 as required pursuant to section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The related party disclosures as disclosed in note 42 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Hong Kong Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

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

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 business of the Group.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2018, neither the Company, nor any of its subsidiaries had 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.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee before they have been 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 2018 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the 2019 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 2019

Corporate Governance Report

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

CORPORATE GOVERNANCE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

BOARD OF DIRECTORS

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

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

As at 22 March 2019, the date of this annual report, the Board comprises six directors, one of which is Non-executive Director, Mr. Sue Ka Lok (Chairman), two are Executive Directors, namely Ms. Wang Yu and Ms. Wan Jia and three are Independent Non-executive Directors, namely Mr. Zhou Qijin, Mr. To Yan Ming, Edmond and Mr. Pau Shiu Ming. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules.

The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Hong Kong Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management"on pages 17 to 19 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 controlling shareholder of Birmingham Sports Holdings Limited of which Mr. Sue Ka Lok ("Mr. Sue") is a non-executive director and Mr. To Yan Ming, Edmond ("Mr. To") is an independent non-executive director. Mr. Suen is the ultimate beneficial owner of the substantial shareholder of EPI (Holdings) Limited of which Mr. Sue is an executive director and Mr. To is an independent non-executive director. Mr. Suen is the ultimate beneficial owner of the substantial shareholder of PT International Development Corporation Limited of which Mr. Sue is an executive director. Mr. Suen also indirectly holds 9.89% of the issued share capital in China Strategic Holdings Limited of which Mr. Sue is an executive director and the chief executive officer.

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

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

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

During the year ended 31 December 2018, four regular Board meetings and one general meeting were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	**General Meeting**
Non-executive Director		
Mr. Sue Ka Lok	4/4	1/1
Executive Directors		
Ms. Wang Yu	4/4	1/1
Ms. Wan Jia *(appointed on 12 January 2018)*	4/4	0/1
Mr. Lai Ming Wai *(resigned on 28 February 2018)*	0/4	0/1
Mr. Zhang Liang *(resigned on 28 February 2019)*	4/4	1/1
Independent Non-executive Directors		
Mr. Zhou Qijin	4/4	1/1
Mr. To Yan Ming, Edmond	4/4	0/1
Mr. Pau Shiu Ming *(appointed on 13 April 2018)*	3/4	1/1
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	0/4	0/1

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 CEO is currently held by Mr. Zhang Liang.

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. As 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. To Yan Ming, Edmond and Mr. Pau Shiu Ming is the Chairman of the Remuneration Committee.

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

The Remuneration Committee met one time during the year ended 31 December 2018 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Pau Shiu Ming *(appointed on 13 April 2018)*	0/1
Mr. Zhou Qijin	1/1
Mr. To Yan Ming, Edmond	1/1
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	0/1

NOMINATION COMMITTEE

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

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

The Nomination Committee met two times during the year ended 31 December 2018 to review the board diversity policy of the Company (the "Board Diversity Policy"), to review the structure, size and composition of the Board; and to review and make recommendation to the Board on the appointment of directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Zhou Qijin	2/2
Mr. To Yan Ming, Edmond	2/2
Mr. Pau Shiu Ming *(appointed on 13 April 2018)*	0/2
Mr. Sue Ka Lok	2/2
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	0/2

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy in March 2014. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances. The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31 December 2018 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2018 is set out in the "Independent Auditor's Report" on pages 38 to 43 of this annual report.

For the year ended 31 December 2018, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK$1,300,000. During the year, HK$200,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services.

AUDIT COMMITTEE

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

The Audit Committee met two times during the year ended 31 December 2018 and the attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. To Yan Ming, Edmond	2/2
Mr. Zhou Qijin	2/2
Mr. Pau Shiu Ming *(appointed on 13 April 2018)*	1/2
Mr. Ngiam Zee Moey *(resigned on 15 January 2018)*	0/2

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

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2017 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2018 and recommended to the Board for approval;

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

4. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2017;

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2018, 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 below:

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

During the year ended 31 December 2018, the Group has reviewed an internal audit charter which defined the scope and duties and responsibilities of the internal audit function and its reporting protocol. The Group has also conducted an annual risk assessment which identified respective strategic risks, operational risks, financial risks and compliance risks of its major business segments. Based on the risk assessment results following a risk based methodology audit approach, a continuous three-year audit plan was updated which prioritised the risks identified into annual audit projects. An annual review was performed according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems. The review also covered material controls, including financial, operational and compliance controls at entity and operational levels.

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

Based on the risk management and internal control systems established and maintained by the Group, the work performed by the outsourced internal auditor and the external auditor, and reviews performed by the management, respective Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group has maintained adequate and effective risk management and internal control systems addressing strategic, financial, operational and compliance risks for the year ended 31 December 2018.

COMPANY SECRETARY

Mr. Hon Kwok Ping Lawrence ("Mr. Hon") and Lee Pih Peng ("Ms. Lee") were the joint Company Secretaries of the Company until 28 February 2019 and 4 March 2019 respectively. Each of Mr. Hon and Ms. Lee has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2018. Ms. Wang Yu ("Ms. Wang") has been appointed as the Company Secretary with effect from 28 February 2019. The biographical details of Ms. Wang are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 of this annual report.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

A printed copy of the Bye-laws has been published on the websites of the Company and the Hong Kong Stock Exchange. There had been no changes in the Company's constitutional documents during the year ended 31 December 2018.

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

Environmental, Social and Governance Report

GENERAL

The Directors are pleased to present the Environmental, Social and Governance Report for the year ended 31 December 2018 in compliance with the applicable code provision of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Hong Kong Listing Rules.

OVERVIEW

The Board endorses an initiative to pursue a clear environment, social and governance management approach that is closely aligned with the Group's overall business strategy. The Group is committed to the long term sustainability of the environment, employment and labour practices, operating practices and communities in its businesses.

The Group believes that it is important to communicate with the stakeholders continually to understand their needs and expectation on our environment, social and governance aspects. The Group therefore carries out effective communication with stakeholders as part of the assessment on the environmental, social and governance issues through annual general meeting of shareholders, on-site visits for customers and suppliers, employee communication sessions and volunteer activities etc.

The Group considered the marine transportation and merchandise trading operations have relatively high relevance to the environmental, social and governance issue, therefore this report will focus on making assessment of their impacts on the environment, social and governance aspects.

BUSINESS OPERATION

The Group's marine transportation operation has appointed various shipping agencies (the "Agencies") to provide a variety of services. The Group's top management, accompanied with relevant qualification and experience, closely monitors the services of the Agencies to maintain effective operation and looks for areas of improvement in operational performance in order to ensure the fulfillment of the requirements of the shipping industry and the International Maritime Organisation ("IMO") that may change from time to time.

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

The Group emphasises on quality management of products and supply chains to match its commitment of product responsibility for the merchandise trading operation.

A. ENVIRONMENTAL

In view of the nature of operation, the management considers that only the marine transportation operation poses impact on the environment. The impact of the other business segments of the Group on the environment is relatively insignificant as they are operating in the Group's headquarter which consume comparatively less emission, energy and resources than the marine transportation operation. The Group recognises the following aspects in evaluating the impact of the marine transportation operation on the environment. Nevertheless, the Group has not presented the key performance indicators of individual aspect as over 98% of the time during 2018, the vessels of the Group were chartered out. Accordingly, the charterer of the vessels were primarily responsible for the operation of the vessels including matters like fuel consumption, manner in handling cargoes at ports, waste handling etc. Having said that, the Group understands that the vessels were operated by the charterers in an energy-efficient manner with least possible impact on the environment.

A1. Emissions

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

A2. Use of Resources

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

A3. The Environment and Natural Resources

The Group recognises that the inherent emission and wastes associated with the marine operation such as oil spills, pollutants emission, fuel consumption etc. are hazardous to the animals, plants in marine environment as well as human health. The Group takes the responsibility to minimise the environmental pollution by the application of more efficient operations in accordance with the rules and regulations of IMO. A vessel pollution emergency team has established for the purpose of handling emergency incidents during the course of marine transportation. Cases of oil spills or pollutants emission should be reported to the master or pollution emergency team immediately for follow-up action to mitigate substantial damages and losses.

B. SOCIAL

(i) Employment and Labour Practices

B1. Employment

The Board understands the importance of maintaining a good relationship with employees. The Group has 14 employees performing administration tasks in the Group's headquarter whereas all employees (i.e. crews) ashore and aboard are employed and managed by the Agencies.

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

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

The Group complies to the relevant laws and regulations in Hong Kong and all locations of operations, such as the Employment Ordinance, the Occupational Safety and Health Ordinance etc. The Board also ensures the seafarers joining the Group bear the relevant qualification that meets the requirements of the ISM code.

During the year ended 31 December 2018, there were no material and significant dispute between the Group and the employees.

B2. Health and Safety

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

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

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

During the year ended 31 December 2018, the Group maintained a good and safe working environment with no occurrence of accident.

B3. Development and Training

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

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

B4. Labour Standards

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

(ii) **Operating Practices**

B5. Supply Chain Management

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

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

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

B6. Product Responsibility

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

Consumable goods relating to infant, personal care products and electronic components are the principal products traded by the Group's merchandise trading operation during the year. To maintain high standard of products, the Group implements quality control procedures during logistics and customs clearance. The Group also adheres to the relevant laws and regulations, in particular trading of infant products. The Group conducts infant product sales distribution in strict compliance with food safety regulations issued by the Food and Environmental Hygiene Department in Hong Kong to ensure that the products are in compliance with the health and safety standards.

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

B7. Anti-Corruption

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

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

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

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

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

(iii) Communities

B8. Communities Investment

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

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF COURAGE INVESTMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Courage Investment Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 118, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Reversal of impairment loss on vessels	
We identified the reversal of impairment loss on vessels as a key audit matter due to the significance of the balance and significant management's judgment required in the assessment of reversal of impairment loss. The carrying values of vessels were US$23,305,000 as at 31 December 2018. As disclosed in note 5 to the consolidated financial statements, the management determines the recoverable amounts of vessels based on the higher of value in use and fair value less costs of disposal and compares such recoverable amount to the carrying amount to determine if any indication of impairment exist or whether reversal of impairment should be recognised. The reversal of impairment of US$4,257,000 had been recognised as set out in note 17 to the consolidated financial statements.	Our procedures in relation to the reversal of impairment loss on vessels included: • Assessing the methodologies used by the management for the impairment assessment; • Obtaining the valuation reports on the vessels to evaluate the relevance of key data inputs underpinning the valuation, including the recent transactions of vessels of similar ages and weight carrying capacity from open sources; • Assessing the reasonableness of the management's estimation in costs of disposal; • Checking, on a sample basis, the accuracy and relevance of the input data used in the value in use calculation by the management; • Assessing the reasonableness of the management's key assumptions used in the value in use calculation based on the available market data of the vessel chartering industry; and • Comparing the higher of value in use and fair value less costs of disposal with the carrying amounts of vessels.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of an investment property	
We identified the valuation of an investment property as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. As at 31 December 2018, the Group's investment property amounted to US$10,490,000 and represented 17.7% of the Group's total assets. The Group's investment property is stated at fair value based on valuation performed by an independent qualified professional valuer (the "Valuer"). The fair value of the investment property is derived using the direct comparison method. Details of the valuation techniques used in the valuation are disclosed in note 18 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment property included: • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and the terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if it is consistent with the industry norms; • Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and • Obtaining the works of the Valuer on the investment property to evaluate the relevance of key data inputs underpinning the valuation, including the recent market transactions of properties in similar location and condition and the adjustment factors applied in the valuation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 March 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue			
Marine transportation income		**5,886**	1,756
Trading income		**5,248**	5,634
Interest income		**629**	447
Dividend income		**155**	1,823
Rental income		**273**	237
Total revenue	7	**12,191**	9,897
Cost of goods sold and direct expenses		**(10,122)**	(7,192)
Other income	8	**75**	65
Other gains and losses, net	9	**(3,102)**	4,724
Administrative expenses		**(1,334)**	(1,638)
Impairment loss reversed on vessels	17	**4,257**	5,352
Share of result of a joint venture		**99**	(547)
Other expenses		**–**	(3)
Finance costs	10	**(812)**	(774)
Profit before tax	11	**1,252**	9,884
Income tax (expense) credit	12	**(1)**	1
Profit for the year attributable to owners of the Company		**1,251**	9,885
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(247)**	299
Net decrease in fair value of debt instruments at fair value through other comprehensive income		**(1,107)**	–
Net increase in fair value of available-for-sale investments		**–**	63
Other comprehensive (expense) income for the year, net income tax		**(1,354)**	362
Total comprehensive (expense) income for the year attributable to owners of the Company		**(103)**	10,247
Basic earnings per share attributable to owners of the Company (US cent(s))	15	**0.25**	2.18

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	17	**23,460**	19,501
Deposit paid for an acquisition	36	**1,088**	–
Investment property	18	**10,490**	9,058
Interest in a joint venture	19	**4,337**	4,485
Debt instruments at fair value through other comprehensive income	20	**8,829**	–
Available-for-sale investments	21	**–**	9,539
		48,204	42,583
Current assets			
Inventories	22	**722**	521
Available-for-sale investments	21	**–**	200
Trade receivables	23	**441**	513
Other receivables and prepayments	24	**1,702**	916
Amount due from a joint venture	25	**669**	669
Financial assets at fair value through profit or loss	26	**2,596**	8,067
Time deposit	27	**500**	500
Bank balances and cash	28	**4,284**	2,744
		10,914	14,130
Total assets		**59,118**	56,713
Current liabilities			
Trade payables	29	**363**	556
Deposits received, other payables and accruals	30	**1,211**	1,292
Contract liabilities	31	**42**	–
Income tax payable		**1**	–
Borrowings – due within one year	32	**9,339**	4,116
		10,956	5,964
Capital and reserves			
Share capital	33	**32,931**	27,443
Reserves		**10,153**	10,314
Total equity		**43,084**	37,757

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current liability			
Borrowings – due more than one year	32	**5,078**	12,992
Total liabilities and equity		**59,118**	56,713
Net current (liabilities) assets		**(42)**	8,166
Total assets less current liabilities		**48,162**	50,749

The consolidated financial statements on pages 44 to 118 have been approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

Sue Ka Lok	**Wang Yu**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Investment revaluation reserve US$'000	Other reserve US$'000 (Note)	Exchange reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2017	22,871	34,872	–	1,531	(54)	(43,917)	15,303
Profit for the year	–	–	–	–	–	9,885	9,885
Exchange difference arising on translation of a foreign operation	–	–	–	–	299	–	299
Net increase in fair value of available-for-sale investments	–	–	63	–	–	–	63
Total comprehensive income for the year	–	–	63	–	299	9,885	10,247
Issue of shares *(note 33(ii))*	4,572	7,948	–	–	–	–	12,520
Transaction costs attributable to issue of shares *(note 33(ii))*	–	(313)	–	–	–	–	(313)
At 31 December 2017	27,443	42,507	63	1,531	245	(34,032)	37,757

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital *US$'000*	Share premium *US$'000*	Investment revaluation reserve *US$'000*	Other reserve *US$'000* *(Note)*	Exchange reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*
Profit for the year	–	–	–	–	–	1,251	1,251
Exchange difference arising on translation of a foreign operation	–	–	–	–	(247)	–	(247)
Net decrease in fair value of debt instruments at fair value through other comprehensive income	–	–	(1,107)	–	–	–	(1,107)
Total comprehensive (expense) income for the year	–	–	(1,107)	–	(247)	1,251	(103)
Issue of shares *(note 33(iii))*	5,488	94	–	–	–	–	5,582
Transaction costs attributable to issue of shares *(note 33(iii))*	–	(152)	–	–	–	–	(152)
At 31 December 2018	32,931	42,449	(1,044)	1,531	(2)	(32,781)	43,084

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *US$'000*	2017 *US$'000*
OPERATING ACTIVITIES		
Profit before tax	**1,252**	9,884
Adjustments for:		
Dividend income from financial assets at fair value through profit or loss	**(155)**	(99)
Interest income	**(660)**	(479)
Interest expenses from borrowings	**812**	774
Gain on disposal of a subsidiary	**–**	(51)
Net decrease (increase) in fair value of financial assets at fair value through profit or loss	**3,870**	(2,489)
Increase in fair value of an investment property	**(1,432)**	(1,768)
Depreciation of property, plant and equipment	**497**	276
Allowance for inventories	**–**	5
Impairment loss reversed on vessels	**(4,257)**	(5,352)
Property, plant and equipment written off	**–**	3
Dividend income from an investee company	**–**	(1,724)
Share of result of a joint venture	**(99)**	547
Operating cash flows before movements in working capital	**(172)**	(473)
Increase in inventories	**(201)**	(345)
Decrease (increase) in trade receivables	**72**	(232)
Increase in other receivables and prepayments	**(752)**	(114)
Decrease (increase) in financial assets at fair value through profit or loss	**1,601**	(4,933)
(Decrease) increase in trade payables	**(193)**	556
Decrease in deposits received, other payables and accruals	**(132)**	(870)
Increase in contract liabilities	**42**	–
Cash from (used in) operations	**265**	(6,411)
Interest income received	**633**	277
Interest expenses paid	**(761)**	(774)
Dividend income received from financial assets at fair value through profit or loss	**148**	99
Dividend income received from an investee company	**–**	1,724
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**285**	(5,085)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
INVESTING ACTIVITIES			
Deposit paid for an acquisition	*36*	**(1,088)**	–
Purchase of debt instruments at fair value through other comprehensive income		**(476)**	–
Purchase of property, plant and equipment	*17*	**(199)**	–
Proceed from redemption of debt instruments at fair value through other comprehensive income		**200**	–
Proceed from disposal of equity instrument at fair value through other comprehensive income		**79**	–
Purchase of available-for-sale investments		**–**	(9,597)
Repayment of loan advance to an investee company		**–**	1,866
Proceed from disposal of a subsidiary	*37*	**–**	1,500
NET CASH USED IN INVESTING ACTIVITIES		**(1,484)**	(6,231)
FINANCING ACTIVITIES			
Net proceeds from issue of shares	*33(iii)*	**5,430**	12,207
Repayment of borrowings		**(2,691)**	(3,465)
New borrowing raised from a related company		**–**	774
NET CASH FROM FINANCING ACTIVITIES		**2,739**	9,516
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,540**	(1,800)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,744**	4,544
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**4,284**	2,744

1. GENERAL

Courage Investment Group Limited (the "Company") (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1510, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company is primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and secondarily listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The consolidated financial statements are presented in the United States dollars ("US$"), which is the functional currency of the Company, and all values are rounded to the nearest thousand (*US$'000*) where appropriate as indicated.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and a joint venture are set out in notes 47 and 19 respectively.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018, the Company and its subsidiaries (collectively referred to as the "Group") had net current liabilities of US$42,000. The consolidated financial statements of the Group have been prepared on a going concern basis for the reason that the bank has agreed to renew a loan facility of US$7,000,000 which is to be repaid by quarterly instalments over 5 years as set out in note 32. The directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.1 IFRS 15 Revenue from Contracts with Customers

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

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

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

- Marine transportation income
- Merchandise trading income

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 7 and 4 respectively.

Effect arising from initial application of IFRS 15

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

3.2 IFRS 9 Financial Instruments

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.2 IFRS 9 Financial Instruments (continued)

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

Accounting policies resulting from initial application of IFRS 9 are disclosed in note 4.

Summary of effects arising from initial application of IFRS 9

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

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

Notes:

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

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.2 IFRS 9 Financial Instruments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

Notes: (continued)

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

(b) Impairment under ECL model
The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics.

ECL for other financial assets at amortised cost, including other receivables, amount due from a joint venture, time deposit and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are listed bonds that had no recent default history. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

Based on the assessment by the directors of the Company, the accumulated amount of impairment loss recognised by the Group would have no significant impact to accumulated losses and investment revaluation reserve as at 1 January 2018 as compared to the loss allowance recognised under IAS 39.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except as mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

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

Changes in the Group's interests in an existing subsidiary

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in a joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. 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 an associate or 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3)

Under IFRS 15, 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 and 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.

A contract liability relating to a contract is accounted for and presented on a net basis.

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

Output method

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Taxation

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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 life), after allowing for residual values estimated by the directors of the Company, using the straight-line method. Each vessel's residual value is estimated at the product of its lightweight tonnage and estimated scrap rate.

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.

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

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

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets (continued)

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

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

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

Inventories

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

Leases

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

The Group as lessor

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

Marine transportation income from bareboat chartering and rental income from investment property which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 since 1 January 2018. 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 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 (upon application of IFRS 9 in accordance with transitions in note 3)

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.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(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 OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI 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) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

(iv) *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 includes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amount due from a joint venture, time deposit and bank balances and cash. 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, 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. The ECL on these assets are assessed individually for debtors.

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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

(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.

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 considers the debt instruments have low credit risk as all the Group's debt instruments at FVTOCI are listed bonds that have no recent default history.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

(i) Significant increase in credit risk (continued)

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 of default 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 of default 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (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 adjusted by 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

(v) *Measurement and recognition of ECL (continued)*

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 OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

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

(i) *Financial assets at FVTPL*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

(i) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the revenue line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 44.

(ii) AFS financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

(iii) *Loans and receivables*

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

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

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

Financial liabilities at amortised cost

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

Derecognition

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

On derecognition of a financial asset 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 upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in merchandise trading. Upon application of IFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk before the specified good being transferred to a customer.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Impairment loss reversed on vessels

The Group assesses regularly whether the vessels have any indications of impairment in accordance with its accounting policy. The Group determines the recoverable amount of the vessels based on the higher of value in use and fair value less costs of disposal. At 31 December 2018, since the recoverable amounts of the vessels were higher than their carrying amounts, a reversal of impairment loss on vessels amounting to US$4,257,000 (2017: US$5,352,000) was recognised in the profit or loss. The aggregate carrying amount of the Group's vessels at the end of the reporting period was US$23,305,000 (2017: US$19,500,000).

Fair value of an investment property

As described in note 18, the investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. If there are changes in the assumptions used for the valuation, the fair value of the investment property will change in the future. At 31 December 2018, the carrying amount of the investment property was US$10,490,000 (2017: US$9,058,000).

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 of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance. This is also the current basis of organisation in the Group, whereby the management has chosen to organise the Group in different operating activities.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4.

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

1. Marine transportation

2. Merchandise trading

3. Property holding and investment

4. Investment holding

Segment results represent the profit/loss from each segment without allocation of corporate income, corporate expenses, impairment loss reversed on vessels, share of result of a joint venture and finance costs.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

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

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		Merchandise trading		Property holding and investment		Investment holding		Total	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000	**2018 US$'000**	2017 US$'000
Segment assets	**26,978**	20,380	**1,805**	959	**15,504**	14,298	**12,032**	18,304	**56,319**	53,941
Unallocated corporate assets									**2,799**	2,772
Total assets									**59,118**	56,713
Segment liabilities	**15,445**	18,097	**395**	606	**31**	82	**–**	–	**15,871**	18,785
Unallocated corporate liabilities									**163**	171
Total liabilities									**16,034**	18,956

Segment assets and liabilities definition

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

- all assets are allocated to operating segments other than certain other receivables and prepayments and bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables and accruals.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Hong Kong and other Asian countries.

The directors of the Company consider that the nature of the Group's marine transportation business precludes a meaningful allocation of the Group's revenue and non-current assets to specific geographical segments as these revenue and non-current assets mainly derives from and include vessels which are utilised across different geographical markets.

Information about the Group's revenue from external customers/sources is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**6,305**	6,417	**10,491**	9,059
People's Republic of China (the "PRC")	**–**	–	**4,337**	4,485
Singapore	**–**	1,724	**–**	–
	6,305	8,141	**14,828**	13,544

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

Information about major customers/sources

Revenue arising from customers/sources individually contributing over 10% of the total revenue of the Group are related to merchandise trading and marine transportation segments (2017: merchandise trading and property holding and investment segment) and are disclosed as follows:

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

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

7. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue contracts with customers

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

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

(ii) Performance obligations for contracts with customers

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

The Group sells merchandise to retailers in Hong Kong. Revenue is recognised when the title of the 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 for sales in which revenue has yet been recognised.

7. REVENUE (continued)

A. For the year ended 31 December2018 (continued)

(ii) Performance obligations for contracts with customers (continued)

Marine transportation income (revenue recognised over time)

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

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

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

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

B. For the year ended 31 December 2017

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

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

Note: The dividend income from an investee company represented the dividend income received from the investment in Santarli Realty Pte Ltd. ("Santarli Realty") during the year ended 31 December 2017, which was classified as AFS investments as at 31 December 2017 (note 21(i)).

8. OTHER INCOME

	2018	2017
	US$'000	*US$'000*
Interest income from banks	**31**	32
Sundry income	**44**	33
	75	65

9. OTHER GAINS AND LOSSES, NET

	2018	2017
	US$'000	*US$'000*
Increase in fair value of an investment property *(note 18)*	**1,432**	1,768
Net (decrease) increase in fair value of financial assets at FVTPL	**(3,870)**	2,489
Realised (loss) gain on disposal of financial assets at FVTPL *(note)*	**(716)**	335
Net foreign exchange gain	**52**	81
Gain on disposal of a subsidiary	**–**	51
	(3,102)	4,724

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

10. FINANCE COSTS

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

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

12. INCOME TAX (EXPENSE) CREDIT

	2018 US$'000	2017 US$'000
Current tax		
– Hong Kong Profits Tax	(1)	–
Deferred tax *(note 35)*	–	1
	(1)	1

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

12. INCOME TAX (EXPENSE) CREDIT (continued)

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

No tax is payable on the profit for the year ended 31 December 2017 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

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

	2018	2017
	US$'000	*US$'000*
Profit before tax	**1,252**	9,884
Tax at the applicable income tax rate of 16.5% *(note)*	**(207)**	(1,631)
Tax effect of income not taxable for tax purpose	**755**	2,214
Tax effect of expenses not deductible for tax purpose	**(378)**	(533)
Effect of utilisation of tax losses previously not recognised	**5**	21
Tax effect of tax losses not recognised	**(180)**	(72)
Others	**4**	2
Income tax (expense) credit for the year	**(1)**	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.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2017: eight) directors, which included the chief executive, were as follows:

2018

	Directors' fees US$'000	Basic salaries and allowance US$'000	Discretionary bonus US$'000	Contributions to retirement benefits scheme US$'000	Total US$'000
Executive Directors					
Mr. Zhang Liang (resigned on 28 February 2019) *(note)*	–	76	6	2	84
Ms. Wang Yu	–	33	–	2	35
Ms. Wan Jia (appointed on 12 January 2018)	–	–	–	–	–
Mr. Lai Ming Wai (resigned on 28 February 2018)	–	13	–	–	13
	–	122	6	4	132
Non-executive Director					
Mr. Sue Ka Lok	46	–	–	–	46
Independent Non-executive Directors					
Mr. Zhou Qijin	19	–	–	–	19
Mr. To Yan Ming, Edmond	19	–	–	–	19
Mr. Pan Shiu Ming (appointed on 13 April 2018)	14	–	–	–	14
Mr. Ngiam Zee Moey (resigned on 15 January 2018)	2	–	–	–	2
	54	–	–	–	54
Total	100	122	6	4	232

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

2017

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

Note: Mr. Lai Ming Wai resigned as the Chief Executive Officer of the Company on 31 March 2017 and Mr. Zhang Liang was appointed as the Chief Executive Officer of the Company on 19 October 2017. Mr. Zhang Liang resigned as Executive Director of the Company on 28 February 2019 whilst he would continue his role as the Chief Executive Officer of the Company. Their emoluments disclosed above included the services rendered by them for the position of chief executive officer of the Company.

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

The emoluments of the executive directors shown above were for their services in connection with the management of the affairs of the Group. The emoluments of the non-executive director shown above was for his service as a director of the Company. The emoluments of the independent non-executive directors shown above were for their services as a director of the Company.

Discretionary bonus, if any, was determined based on the evaluation of the individual's and the Group's performance annually, which was subject to approval by the Remuneration Committee 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.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors or a former director of the Company whose emoluments are included in note 13 above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018	2017
	US$'000	*US$'000*
Salaries and allowance	**214**	111
Contributions to retirement benefits scheme	**4**	2
	218	113

The emoluments of the three (2017: three) highest paid individuals (other than the directors) were within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**3**	3

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.

15. EARNINGS PER SHARE

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

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

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

Note: The weighted average number of ordinary shares for the year ended 31 December 2017 for the purpose of calculating the basic earnings per share had been adjusted to account for the effect of the share subdivision of the capital of the Company (note 33(i)) which became effective on 6 July 2017.

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

16. DIVIDEND

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

17. PROPERTY, PLANT AND EQUIPMENT

	Vessels US$'000	Dry-docking US$'000	Furniture, fixtures and equipment US$'000	Leasehold improvement US$'000	Total US$'000
COST					
At 1 January 2017	53,200	262	56	132	53,650
Written off	–	–	(30)	–	(30)
At 31 December 2017	53,200	262	26	132	53,620
Additions	–	198	1	–	199
At 31 December 2018	**53,200**	**460**	**27**	**132**	**53,819**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2017	38,822	218	50	132	39,222
Depreciation	230	44	2	–	276
Written off	–	–	(27)	–	(27)
Reversal of impairment loss recognised in profit or loss	(5,352)	–	–	–	(5,352)
At 31 December 2017	33,700	262	25	132	34,119
Depreciation	452	44	1	–	497
Reversal of impairment loss recognised in profit or loss	(4,257)	–	–	–	(4,257)
At 31 December 2018	**29,895**	**306**	**26**	**132**	**30,359**
CARRYING VALUES					
At 31 December 2018	**23,305**	**154**	**1**	**–**	**23,460**
At 31 December 2017	19,500	–	1	–	19,501

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The directors of the Company conducted a review of the Group's vessels at the end of every reporting period and determined the recoverable amounts of the vessels based on the higher of value in use and fair value less costs of disposal. During both years, the recoverable amounts were determined based on fair value less costs of disposal as these amounts were higher than the amounts of value in use. The fair value less costs of disposal was determined based on direct comparison approach by making reference to the recent transactions of similar vessels with similar ages and conditions (Level 2 hierarchy). In estimating the fair value of these vessels, the highest and best use of the vessels were their current use. There were no transfers into or out of Level 2 during both years.

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

Details of the pledge of property, plant and equipment are set out in note 40.

18. INVESTMENT PROPERTY

	US$'000
FAIR VALUE	
At 1 January 2017	7,290
Increase in fair value recognised in profit or loss	1,768
At 31 December 2017	9,058
Increase in fair value recognised in profit or loss	1,432
At 31 December 2018	**10,490**

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

The fair value of the Group's investment property as at 31 December 2018 and 2017 had been arrived at on the basis of a valuation carried out on that date by JP Assets Consultancy Limited, an independent qualified professional valuer not connected to the Group.

The fair value was determined based on direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. In estimating the fair value of the property, the highest and best use of the property was its current use. The investment property 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$273,000 (2017: US$237,000) for the current year. No material direct operating expenses were incurred for the investment property.

19. INTEREST IN A JOINT VENTURE

	2018 ***US$'000***	2017 *US$'000*
Cost of unlisted investment in a joint venture	**5,330**	5,330
Share of post-acquisition loss and other comprehensive expenses	**(993)**	(845)
	4,337	4,485

19. INTEREST IN A JOINT VENTURE (continued)

Name of entity	Place of establishment/ operation	Class of capital held	Proportion of nominal value of paid-up capital held by the Group 2018 %	2017 %	Principal activity
上海悦勇投資管理公司	PRC	Registered	**41.7**	41.7	Property investment

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

	2018 **US$'000**	2017 US$'000
Current assets, representing cash and cash equivalents	**1**	1
Non-current assets	**11,462**	11,866
Current liabilities, representing financial liabilities	**1,061**	1,112

The above amounts of assets and liabilities include the following:

	2018 **US$'000**	2017 US$'000
Revenue	**–**	–
Profit (loss) for the year	**238**	(1,311)
Other comprehensive (expense) income for the year	**(591)**	715

19. INTEREST IN A JOINT VENTURE (continued)

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

	2018	2017
	US$'000	*US$'000*
Net assets of the joint venture	**10,402**	10,755
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	**4,337**	4,485

20. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

Details of impairment assessment are set out in note 44.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	US$'000	*US$'000*
Unlisted investment, at cost:		
– Equity securities *(note (i))*	**–**	79
Listed investments, at fair value:		
– Debt securities *(note (ii))*	**–**	9,660
	–	9,739
Analysed for reporting purposes as:		
Current assets	**–**	200
Non-current assets	**–**	9,539
	–	9,739

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(i) The Group held 10% of the ordinary share capital of Santarli Realty in 2017, a company engaged in property development business in Singapore. The directors of the Company did not consider that the Group was able to exercise significant influence over Santarli Realty as the Group did not have any board seat in Santarli Realty. The above unlisted equity securities were measured at cost less impairment at the end of the reporting period as the directors of the Company were of the opinion that their fair values could not be measured reliably. The investment in Santarli Realty was disposed of during the year ended 31 December 2018.

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

22. INVENTORIES

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

	2018	2017
	US$'000	*US$'000*
Merchandises	**722**	521

23. TRADE RECEIVABLES

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

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

23. TRADE RECEIVABLES (continued)

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

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

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

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

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

As at 31 December 2018, no trade receivables were past due at the reporting date. There was no allowance for doubtful debts for the year ended 31 December 2018.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 44.

24. OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	US$'000	*US$'000*
Other receivables	**1,333**	842
Prepayments	**369**	74
	1,702	916

Details of impairment assessment of other receivables for the year ended 31 December 2018 are set out in note 44.

25. AMOUNT DUE FROM A JOINT VENTURE

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

Details of impairment assessment are set out in note 44.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

27. TIME DEPOSIT

As at 31 December 2018, the Group had a time deposit of US$500,000 (2017: US$500,000) with an original maturity of over three months carrying interest at prevailing market deposit rate of 2.57% (2017: 1.49%) per annum, and for a remaining tenure of approximately 165 days (2017: 165 days).

28. BANK BALANCES AND CASH

Bank balances and cash of the Group comprised bank balances, cash and short-term bank deposits with an original maturity of three months or less held by the Group. The carrying amounts of these assets approximated to their fair values.

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit loss is provided.

29. TRADE PAYABLES

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

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

30. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2018	2017
	US$'000	*US$'000*
Accrued expenses	**458**	468
Refundable deposits received	**14**	69
Deposits received	**735**	735
Other payables	**4**	20
	1,211	1,292

31. CONTRACT LIABILITIES

	31.12.2018	1.1.2018*
	US$'000	*US$'000*
Marine transportation income to be recognised in next year	**42**	–

* The amount in this column is after the adjustment from the application of IFRS 15.

32. BORROWINGS

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

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

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

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

The borrowings at 31 December 2018 and 2017 were secured by the followings:

(i) corporate guarantee from the Company on the outstanding loan balances;

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

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

32. BORROWINGS (continued)

The Group has no history of default for repayment of the borrowings.

At 31 December 2017, the Group did not comply with the financial covenant in relation to the security coverage ratio as stipulated in a borrowing agreement with the relevant bank. The corresponding loan amount at 31 December 2017 was US$9,738,000. The security coverage ratio was equal to the total of the market value of the vessel and the market value of any additional security over the outstanding loan balance. According to the relevant terms of the borrowing agreement, the Group should either provide cash deposit as additional security or repay certain portion of the outstanding loan balance amounting to US$1,425,000 so as to cause the security coverage ratio be maintained at the required level. The shortfall to maintain the security coverage ratio amounting to US$1,425,000 was considered as bank borrowings repayable on demand and included as the Group's current liabilities. At 31 December 2018, the Group complied with the financial covenant in relation to the security coverage ratio as mentioned above.

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

33. SHARE CAPITAL

	Number of shares *'000*	**Amount** *US$'000*
Authorised:		
At 1 January 2017 (US$0.18 per share)	1,000,000	180,000
Share subdivision *(note (i))*	2,000,000	–
At 31 December 2017 and 31 December 2018 (US$0.06 per share)	**3,000,000**	**180,000**
Issued and fully paid:		
At 1 January 2017 (US$0.18 per share)	127,059	22,871
Issue of new shares *(note (ii))*	25,400	4,572
Share subdivision *(note (i))*	304,918	–
At 31 December 2017 (US$0.06 per share)	457,377	27,443
Issue of new shares *(note (iii))*	91,475	5,488
At 31 December 2018 (US$0.06 per share)	**548,852**	**32,931**

All issued ordinary shares have a par value of US$0.06 each (2017: US$0.06 each), carry one vote per share and carry rights to dividends as and when declared by the Company.

33. SHARE CAPITAL (continued)

Notes:

(i) On 6 July 2017, the Company implemented a share subdivision by subdividing every one existing share of the Company with par value of US$0.18 each in the share capital of the Company into three subdivided shares of the Company with par value of US$0.06 each (the "Share Subdivision"). Immediately after the Share Subdivision became effective, the authorised share capital of the Company became US$180,000,000 divided into 3,000,000,000 subdivided shares of par value of US$0.06 each, of which approximately 457,377,000 subdivided shares were in issue and were credited as fully paid.

(ii) On 18 January 2017, the Company completed a placement of 25,400,000 ordinary shares (equivalent to 76,200,000 subdivided shares) under general mandate to certain independent third parties at an issue price of HK$3.82 each (equivalent to approximately HK$1.27 per subdivided share) (the "2017 Placing") and recognised an increase in share capital of US$4,572,000 and share premium of US$7,635,000 (after netting off US$313,000 share issue expenses). The net proceeds from the 2017 Placing were US$12,207,000.

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

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

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

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

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

No share options has been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 45,737,678 shares (after taking into account the Share Subdivision which became effective on 6 July 2017), representing approximately 8.33% of the issued shares of the Company as at the date of this annual report.

35. DEFERRED TAXATION

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

	Accelerated tax depreciation US$'000	Tax losses US$'000	Total US$'000
At 1 January 2017	2	(1)	1
(Credited) charged to profit or loss	(2)	1	(1)
At 31 December 2017 and 2018	–	–	–

At the end of the reporting period, the Group had unused tax losses of US$4,518,000 (2017: US$3,454,000). For the year ended 31 December 2018, no deferred tax asset had been recognised in respect of such losses due to the unpredictability of future profit streams.

36. DEPOSIT PAID FOR AN ACQUISITION AND CAPITAL COMMITMENT

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

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

37. DISPOSAL OF A SUBSIDIARY

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

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

	US$'000
Investment property	1,449
Cash consideration received	1,500
Net assets disposed of	(1,449)
Gain on disposal of a subsidiary	51
Cash inflow from disposal of a subsidiary:	
Cash consideration received	1,500

38. OPERATING LEASES

The Group as lessor

	2018 ***US$'000***	2017 US$'000
Minimum lease income received under operating leases for its property and vessel	**1,439**	718

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

	2018 ***US$'000***	2017 *US$'000*
Within one year	**1,460**	517
In the second to fifth year inclusive	**608**	–
	2,068	517

38. OPERATING LEASES (continued)

The Group as lessee

	2018	2017
	US$'000	*US$'000*
Minimum lease payments paid under operating leases for its office	**79**	70

39. CONTINGENT LIABILITY

At 31 December 2018, the Group had no significant contingent liability (2017: nil).

40. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged two vessels in aggregate carrying amount of US$23,459,000 (including dry-docking) (2017: US$19,500,000) to banks as security for the loan facilities granted to the Group.

41. RETIREMENT BENEFITS SCHEMES

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

42. RELATED PARTY DISCLOSURES

(a) During the year, the Group had the following transactions with related parties:

Related parties	Nature of transaction	2018 US$'000	2017 US$'000
Poly Investment & Finance Limited ("PIF") *(note)*	Rental expense	**79**	70
U Credit (HK) Limited ("U Credit") *(note)*	Interest expense	**–**	5

Note: At 31 December 2018, Mr. Suen Cho Hung, Paul (a substantial shareholder of the Company) was the sole shareholder of PIF and had an approximately 9.9% indirect shareholding interest in U Credit. At 31 December 2018, Mr. Sue Ka Lok was a director of both the Company and U Credit.

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

(b) Remuneration of key management personnel

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

43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 32, 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 security coverage ratio within a set range to comply with the loan covenant imposed by the banks.

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

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2018	2017
	US$'000	*US$'000*
Financial assets		
Debt instruments at FVTOCI	**8,829**	–
Financial assets at FVTPL	**2,596**	8,067
Financial assets at amortised cost	**7,227**	–
AFS investments	**–**	9,739
Loans and receivables (including cash and cash equivalents)	**–**	5,277
Financial liability		
Amortised cost	**14,798**	17,684

(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, AFS investments, time deposit, bank balances and cash, trade payables, other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with the Group's financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) 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 New Taiwan Dollar, Singapore Dollar and Renminbi are considered insignificant. The management will consider using foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

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

44. FINANCIAL INSTRUMENTS (continued)

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

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily relating to certain bank balances and borrowings at the end of the reporting period which carry or link to variable interest rates, as disclosed in notes 27, 28 and 32 respectively. Time deposit at fixed rate exposes the Group to fair value interest rate risk. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

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

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

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments relating to variable-rate borrowings as at 31 December 2018 and 2017. 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 (2017: profit) for the year ended 31 December 2018 would decrease/increase by US$144,000 (2017: decrease/ increase by US$171,000).

(iii) Other price risk

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

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date. If the prices of the respective listed equity and debt securities had been 10% higher/lower, the Group's profit for the year ended 31 December 2018 would increase or decrease by approximately US$260,000 (2017: US$807,000) and the Group's other comprehensive income for the year ended 31 December 2018 would increase or decrease by approximately US$883,000 (2017: US$966,000).

44. FINANCIAL INSTRUMENTS (continued)

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

(iv) Credit risk and impairment assessment

Trade receivable arising from contracts with customer

In order to minimise the credit risk, the directors generally grant credit only to customers with good credit ratings and also closely monitors overdue trade debts. The unsettled trade receivables are monitored on an ongoing basis and followed up by the finance department. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss 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.

Debts instruments at FVTOCI

All the Group's debt instruments at FVTOCI are listed bonds that have no recent default history. Therefore, they are considered to be low credit risk investments.

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	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	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

44. FINANCIAL INSTRUMENTS (continued)

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

(iv) Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount *US$'000*
Debt instruments at FVTOCI					
Investments in listed bonds	*20*	Ba - B2	N/A	12-month ECL	**8,829**
Financial assets at amortised cost					
Amount due from a joint venture	*25*	N/A	*(note 1)*	12-month ECL	**669**
Time deposit	*27*	A1	N/A	12-month ECL	**500**
Bank balances	*28*	Aa2 - A2	N/A	12-month ECL	**4,282**
Other receivables	*24*	N/A	*(note 1)*	12-month ECL	**1,333**
Trade receivables – goods and services	*23*	N/A	*(note 2)*	Lifetime ECL	**441**

Notes:

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

	Not past due/ No fixed repayment terms *US$'000*
Amount due from a joint venture	**669**
Other receivables	**1,333**

2. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on trade receivables individually.

44. FINANCIAL INSTRUMENTS (continued)

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

(iv) Credit risk and impairment assessment (continued)

During the year ended 31 December 2018, no impairment allowance for trade receivable was provided for the Group's trade receivables based on individual assessment.

(v) Liquidity risk

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

As set out in notes 2 and 32, the Group has renewed bank borrowing of US$7,000,000 subsequent to the year end date, which enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. The management considers that the Group's liquidity risk has been reduced.

44. FINANCIAL INSTRUMENTS (continued)

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

(v) Liquidity risk (continued)

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

	Weighted average interest rate %	On demand or 6 months or less US$'000	6 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amounts US$'000
At 31 December 2018							
Trade payables	–	–	363	–	–	363	363
Other payables	–	–	18	–	–	18	18
Borrowings	4.29 – 5.79	9,031	719	1,393	4,159	15,302	14,417
		9,031	1,100	1,393	4,159	15,683	14,798
At 31 December 2017							
Trade payables	–	556	–	–	–	556	556
Other payables	–	20	–	–	–	20	20
Borrowings	3.70 – 4.56	3,134	1,669	8,256	5,491	18,550	17,108
		3,710	1,669	8,256	5,491	19,126	17,684

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.

44. FINANCIAL INSTRUMENTS (continued)

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

(vi) Fair values

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

- The fair values of listed debt securities classified as debt instruments at FVTOCI and listed equity securities classified as financial assets at FVTPL are determined with reference to quoted prices in active market.

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

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

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

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

44. FINANCIAL INSTRUMENTS (continued)

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

(vi) Fair values (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2018	31 December 2017				
	US$'000	*US$'000*				
Debt instruments at FVTOCI						
Listed debt securities	**8,829**	–	Level 1	Quoted price in active markets	N/A	N/A
AFS investments						
Listed debt securities	**-**	9,660	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL						
Listed equity securities	**2,596**	8,067	Level 1	Quoted prices in an active market	N/A	N/A

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

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings
	US$'000
At 1 January 2017	19,799
New borrowing raised	774
Repayment of borrowings	(3,465)
At 31 December 2017	17,108
Repayment of borrowings	(2,691)
At 31 December 2018	**14,417**

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

	2018 US$'000	2017 US$'000
Non-current assets		
Interest in subsidiaries	–	–
Amounts due from subsidiaries	55,304	52,263
	55,304	52,263
Current assets		
Other receivables and prepayments	708	43
Bank balances and cash	23	4
	731	47
Total assets	56,035	52,310
Current liabilities		
Amounts due to subsidiaries	31,786	31,742
Other payables and accruals	154	158
	31,940	31,900
Capital and reserves		
Share capital	32,931	27,443
Reserves *(note)*	(8,836)	(7,033)
	24,095	20,410
Total liabilities and equity	56,035	52,310
Net current liabilities	(31,209)	(31,853)
Total assets less current liabilities	24,095	20,410

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

Note:

	Share premium US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2017	34,872	(47,007)	(12,135)
Loss and total comprehensive expense for the year	–	(2,533)	(2,533)
Issue of shares	7,948	–	7,948
Transaction costs attributable to issue of shares	(313)	–	(313)
At 31 December 2017	42,507	(49,540)	(7,033)
Loss and total comprehensive expense for the year	–	(1,745)	(1,745)
Issue of shares	94	–	94
Transaction costs attributable to issue of shares	(152)	–	(152)
At 31 December 2018	**42,449**	**(51,285)**	**(8,836)**

47. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Class of shares/ registered capital held	Issued/ paid-up capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
Direct:						
Courage Marine Holdings (BVI) Limited	The British Virgin Islands ("BVI")	Ordinary	US$10,000	**100**	100	Investment holding
Peak Prospect Global	BVI	Ordinary	US$1	**100**	100	Investment holding

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

Name of subsidiaries	Place of incorporation/ establishment	Class of shares/ registered capital held	Issued/ paid-up capital	Proportion of nominal value of issued share/ registered capital held by the Company		Principal activities
				2018	2017	
				%	%	
Indirect:						
CMG Management Limited	Hong Kong	Ordinary	HK$1	**100**	100	Merchandise trading, investment in securities and corporate bonds 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
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 at the end of the year.

48. EVENT AFTER THE REPORTING PERIOD

Save for the completion of the acquisition of Polyworld as mentioned in note 36, there has been no other material event after the reporting period.

Particulars of Investment Property

Particulars of the investment property held by the Group at 31 December 2018 are as follows:

Location	Lease expiry	Existing use	Effective % 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				
	2018	2017	2016	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
RESULTS					
Revenue	**12,191**	9,897	4,546	6,663	16,535
Profit (loss) before tax	**1,252**	9,884	(17,766)	(36,841)	(9,714)
Income tax (expense) credit	**(1)**	1	–	(2)	(10)
Profit (loss) for the year	**1,251**	9,885	(17,766)	(36,843)	(9,724)
Profit (loss) for the year attributable to:					
Owners of the Company	**1,251**	9,885	(17,381)	(36,843)	(9,724)
Non-controlling interests	**–**	–	(385)	–	–
	1,251	9,885	(17,766)	(36,843)	(9,724)

	As at 31 December				
	2018	2017	2016	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS AND LIABILITIES					
Total assets	**59,118**	56,713	37,265	59,026	97,006
Total liabilities	**(16,034)**	(18,956)	(21,962)	(26,499)	(38,684)
Equity attributable to owners of the Company	**43,084**	37,757	15,303	32,527	58,322