

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: CIN)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Courage Investment Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Revenue			
Marine transportation income		10,111	5,886
Trading income		3,707	5,248
Interest income		692	629
Dividend income		135	155
Property rental income		63	273
Total revenue	5	14,708	12,191
Cost of goods sold and direct expenses		(11,686)	(10,122)
Other income		131	75
Other gains and losses, net	7	(568)	(3,102)
Administrative expenses		(1,386)	(1,334)
(Net impairment loss) reversal of impairment loss on vessels	13	(247)	4,257
Share of result of a joint venture		399	99
Finance costs	8	(1,171)	(812)

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Profit before tax	9	180	1,252
Income tax expense	10	<u>—</u>	<u>(1)</u>
Profit for the year attributable to owners of the Company		<u>180</u>	<u>1,251</u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		(56)	(247)
Net increase (decrease) in fair value of debt instruments at fair value through other comprehensive income		576	(1,107)
Release on disposal/redemption of debt instruments at fair value through other comprehensive income		<u>58</u>	<u>—</u>
Other comprehensive income (expense) for the year, net income tax		<u>578</u>	<u>(1,354)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>758</u>	<u>(103)</u>
Basic earnings per share attributable to owners of the Company (US cent)	11	<u>0.03</u>	<u>0.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	<i>13</i>	33,709	23,460
Deposit paid for an acquisition	<i>14</i>	–	1,088
Investment property		10,462	10,490
Interest in a joint venture		4,680	4,337
Debt instruments at fair value through other comprehensive income		9,978	8,829
		58,829	48,204
Current assets			
Inventories		–	722
Trade receivables	<i>15</i>	165	441
Other receivables and prepayments		795	1,702
Amount due from a joint venture		669	669
Financial assets at fair value through profit or loss		1,861	2,596
Time deposit		500	500
Bank balances and cash		1,951	4,284
		5,941	10,914
Total assets		64,770	59,118

	<i>Notes</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Current liabilities			
Trade payables	<i>16</i>	–	363
Deposits received, other payables and accruals		947	1,211
Contract liabilities		102	42
Income tax payable		1	1
Borrowings – due within one year	<i>17</i>	6,089	9,339
		<u>7,139</u>	<u>10,956</u>
Net current liabilities		<u>(1,198)</u>	<u>(42)</u>
Total assets less current liabilities		<u>57,631</u>	<u>48,162</u>
Capital and reserves			
Share capital		32,931	32,931
Reserves		10,911	10,153
Total equity		<u>43,842</u>	<u>43,084</u>
Non-current liabilities			
Borrowings – due more than one year	<i>17</i>	13,054	5,078
Deposit received		735	–
		<u>13,789</u>	<u>5,078</u>
Total liabilities and equity		<u>64,770</u>	<u>59,118</u>

Notes:

1. General

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 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.

2. Basis of preparation of consolidated financial statements

At 31 December 2019, the Group had net current liabilities of US\$1,198,000. The consolidated financial statements of the Company have been prepared on a going concern basis as the Group is able to repay its current liabilities when due by its own working capital and the proceeds from disposal of certain amount of the debt instruments at fair value through other comprehensive income (“**FVTOCI**”) in the market with good liquidity. 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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle

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.

Definition of a lease

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases*, and the related interpretations.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Based on the assessment by the directors of the Company, the transition to IFRS 16 would have no impact on the consolidated financial statements of the Company as at 1 January 2019 and 31 December 2019.

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 at the end of each reporting period.

5. Revenue

Disaggregation of revenue from contracts with customers

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

2019

	Marine transportation	Property holding and investment	Investment holding	Merchandise trading	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Types of goods and services:					
Marine transportation	7,121	–	–	–	7,121
Merchandise trading	–	–	–	3,707	3,707
Revenue from contracts with customers	7,121	–	–	3,707	10,828
Leases	2,990	63	–	–	3,053
Interest income from debt instruments at FVTOCI	–	–	692	–	692
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	–	–	135	–	135
Total revenue	<u>10,111</u>	<u>63</u>	<u>827</u>	<u>3,707</u>	<u>14,708</u>

2018

	Marine transportation <i>US\$'000</i>	Property holding and investment <i>US\$'000</i>	Investment holding <i>US\$'000</i>	Merchandise trading <i>US\$'000</i>	Total <i>US\$'000</i>
Types of goods and services:					
Marine transportation	4,720	–	–	–	4,720
Merchandise trading	–	–	–	5,248	5,248
Revenue from contracts with customers	4,720	–	–	5,248	9,968
Leases	1,166	273	–	–	1,439
Interest income from debt instruments at FVTOCI	–	–	629	–	629
Dividend income from financial assets at FVTPL	–	–	155	–	155
Total revenue	<u>5,886</u>	<u>273</u>	<u>784</u>	<u>5,248</u>	<u>12,191</u>

6. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the executive directors and chief executive of the Company, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance. This is also the current basis of organisation in the Group, whereby the management has chosen to organise the Group in different operating activities.

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

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

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

Segment revenue and results

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

	Marine transportation		Property holding and investment		Investment holding		Merchandise trading		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment revenue	<u>10,111</u>	<u>5,886</u>	<u>63</u>	<u>273</u>	<u>827</u>	<u>784</u>	<u>3,707</u>	<u>5,248</u>	<u>14,708</u>	<u>12,191</u>
Segment results	<u>2,081</u>	<u>942</u>	<u>30</u>	<u>1,739</u>	<u>383</u>	<u>(3,809)</u>	<u>51</u>	<u>71</u>	<u>2,545</u>	<u>(1,057)</u>
Unallocated:										
Corporate income									5	127
Corporate expenses									(1,351)	(1,362)
(Net impairment loss) reversal of impairment loss on vessels									(247)	4,257
Share of result of a joint venture									399	99
Finance costs									<u>(1,171)</u>	<u>(812)</u>
Profit before tax									<u>180</u>	<u>1,252</u>

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	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Hong Kong	4,597	6,305	10,462	10,491
People's Republic of China	—	—	4,680	4,337
	<u>4,597</u>	<u>6,305</u>	<u>15,142</u>	<u>14,828</u>

Note: Non-current assets excluded debt instruments at FVTOCI, the carrying amount of the vessels and dry-docking and deposit paid for an 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 marine transportation and merchandise trading segments and are disclosed as follows:

	2019 US\$'000	2018 US\$'000
Customer/source A (from marine transportation segment)	3,035	1,661
Customer/source B (from marine transportation segment)	3,018	N/A
Customer/source C (from marine transportation segment)	2,574	N/A
Customer/source D (from merchandise trading segment)	1,700	1,841
Customer/source E (from merchandise trading segment)	N/A	1,872
	<u>10,327</u>	<u>5,374</u>

7. Other gains and losses, net

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Increase in fair value of an investment property	38	1,432
Net decrease in fair value of financial assets at FVTPL	(456)	(3,870)
Realised loss on disposal of financial assets at FVTPL (<i>note</i>)	(5)	(716)
Net realised gain on disposal/redemption of debt instruments at FVTOCI	22	–
Net foreign exchange (loss) gain	<u>(167)</u>	<u>52</u>
	<u>(568)</u>	<u>(3,102)</u>

Note: The amount represents loss 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.

8. Finance costs

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Interest expenses from borrowings	1,044	812
Other finance costs	<u>127</u>	<u>–</u>
	<u>1,171</u>	<u>812</u>

9. Profit before tax

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Auditor's remuneration		
– audit service	212	172
– non-audit service	–	26
Employee benefits expense (including directors' emoluments):		
– Salaries and other benefits	406	547
– Contributions to retirement benefits scheme	<u>10</u>	<u>13</u>
Total employee benefits expenses	<u>416</u>	<u>560</u>
Cost of inventories recognised as expense	3,656	5,191
Minimum lease payments paid under operating leases for office	112	79
Marine crew expenses	1,714	620
Depreciation of property, plant and equipment	1,084	497
Interest income from banks	<u>(18)</u>	<u>(31)</u>

10. Income tax expense

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Current tax		
– Hong Kong Profits Tax	<u>–</u>	<u>(1)</u>

No tax is payable on the profit for the year ended 31 December 2019 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.

11. Earnings per share

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company	<u>180</u>	<u>1,251</u>
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares in issue during the year	<u>548,852</u>	<u>492,212</u>

For the years ended 31 December 2019 and 2018, no diluted earnings per share is presented as there were no dilutive potential ordinary shares outstanding during both years.

12. Dividend

During the year ended 31 December 2019, no dividend was paid, declared or proposed (2018: nil), nor has any dividend been proposed by the directors of the Company since the end of reporting period.

13. Property, plant and equipment

During the year ended 31 December 2019, addition of property, plant and equipment amounted to US\$11,580,000 which represents addition of the Vessel (as defined in note 14) of US\$10,898,000 and addition of dry-docking of US\$682,000.

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. 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. In estimating the fair value of these vessels, the highest and best use of the vessels were their current use.

During the year ended 31 December 2019, net impairment loss on vessels of US\$247,000 (2018: reversal of impairment loss of US\$4,257,000) was recognised in profit or loss.

14. Deposit paid for an acquisition

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 (the “**S&P 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 was 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 S&P 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 31 December 2018. 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. The total cost for acquisition of the Vessel was US\$10,898,000 and was included as an addition of property, plant and equipment for the year ended 31 December 2019 as set out in note 13. The asset acquired did not constitute a business as defined under IFRS 3 *Business Combinations* and therefore, the Acquisition was accounted for as an asset acquisition.

15. Trade receivables

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Trade receivables		
– merchandise trading	–	423
– marine transportation	<u>165</u>	<u>18</u>
	<u>165</u>	<u>441</u>

At 31 December 2019, trade receivables from contracts with customers amounted to US\$165,000 (2018: US\$441,000).

The credit period for customers of time charter are 30 days (2018: 30 days). The Group normally allows credit period for customers of merchandise trading ranging from 0 days to 60 days (2018: 0 days to 60 days). An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
0 – 90 days	<u>165</u>	<u>441</u>

At 31 December 2019, none (2018: none) of the Group's trade receivables balance are past due as at the reporting date.

16. Trade payables

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

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
61 – 90 days	<u>–</u>	<u>363</u>

17. Borrowings

	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Secured loans	<u>19,143</u>	<u>14,417</u>
The carrying amounts of the loans are repayable*:		
On demand	2,821	–
Within one year	3,268	9,339
More than one year, but not exceeding two years	3,268	1,146
More than two years, but not exceeding five years	<u>9,786</u>	<u>3,932</u>
Total	19,143	14,417
Less: amounts due within one year shown under current liabilities	<u>(6,089)</u>	<u>(9,339)</u>
Amounts shown under non-current liabilities	<u>13,054</u>	<u>5,078</u>
Effective interest rate (%) per annum	<u>2.02 – 6.49</u>	<u>4.29 – 5.79</u>

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

The Group's borrowings were denominated in United States dollars and Hong Kong dollars which were also the functional currencies of the respective entities of the Group.

At 31 December 2019, the loans were carrying interest at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus certain basis points. The outstanding loans at 31 December 2019 were repayable within one to five years (2018: repayable within one to four years).

The borrowings at 31 December 2019 and 2018 were secured by the followings:

- (i) corporate guarantee from the Company;
- (ii) first preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp. and Polyworld Marine Corp., named MV Zorina, MV Heroic and MV Polyworld, respectively (2018: first preferred mortgage over the vessels MV Zorina and MV Heroic);
- (iii) assignment of insurance proceeds in respect of vessels MV Zorina, MV Heroic and MV Polyworld (2018: assignment of insurance proceeds in respect of vessels MV Zorina and MV Heroic);
- (iv) first mortgage over the investment property held by the Group (2018: nil); and
- (v) pledge of certain debt instruments at FVTOCI held by the Group (2018: nil).

18. Pledge of assets

At 31 December 2019, three vessels with an aggregate carrying amount of US\$33,709,000 (including dry-docking), an investment property with carrying amount of US\$10,462,000 and debt instruments at FVTOCI with carrying amount of US\$7,918,000 were pledged to banks and other financial institution as security for the loan facilities granted to the Group.

At 31 December 2018, two vessels with an aggregate carrying amount of US\$23,459,000 (including dry-docking) were pledged to bank and other financial institution as security for the loan facilities granted to the Group.

19. Event after the reporting period

The outbreak of the COVID-19 pandemic that is affecting many nations, the global and local investment markets and the international trade flow has potential adverse impact on the Group's operations. The directors of the Company considered it is difficult to predict the evolution and duration of the pandemic and that at the reporting date, the extent of its impact to the Group cannot be reliably quantified or estimated. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the pandemic to the Group.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2019 (2018: nil).

BUSINESS REVIEW

During the year ended 31 December 2019 (“**FY2019**”), the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading.

Against the backdrop of the trade disputes between the United States and China throughout the year, the Group managed to achieve a profit attributable to owners of the Company of US\$180,000 (2018: US\$1,251,000) and posted a basic earnings per share of US0.03 cent (2018: US0.25 cent) for FY2019. The Group also booked a total comprehensive income of US\$758,000 which compared favourably to the total comprehensive expense of US\$103,000 recorded last year. The Group’s revenue grew by 21% to US\$14,708,000 (2018: US\$12,191,000) that was largely attributed to the increase in revenue of the marine transportation business.

Marine transportation

For FY2019, the Group’s marine transportation business reported significant progress in operating results by recording a 72% growth in revenue to US\$10,111,000 (2018: US\$5,886,000) and a 121% increase in profit to US\$2,081,000 (2018: US\$942,000). The substantial increases in revenue and profit of the operation were the combined results of (i) the commencement of the charter-in and charter-out vessel (“**CICOV**”) business since June 2018; (ii) the acquisition of a Supramax dry bulk carrier with carrying capacity of approximately 57,000 dead weight tonnage (“**dwt**”) completed in February 2019 (the vessel is now named MV Polyworld); and (iii) the increase in charter rates of the Group’s self-owned vessels, resulting mainly from the improved market conditions of vessel chartering business, although remained rather volatile, compared with the prior year.

As a measure to expand the scope and operations of the marine transportation business, the Group has commenced its CICOV business in June 2018. The principal purpose of commencing the 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. Since June 2018, the Group had charter-in one Panamax size vessel with carrying capacity of approximately 82,000 dwt, however, as market conditions were not favourable primarily resulting from the year-long United States-China trade disputes, the Group had elected to terminate the charter-in contract and put this business on a temporary halt. The Group will consider resuming this business when market conditions improve.

In February 2019, the Group completed the acquisition of MV Polyworld and has increased the total carrying capacity of its self-owned vessels to approximately 171,000 dwt. The acquisition of MV Polyworld is in line with the Group's corporate development strategy of expanding the scale of its marine transportation business.

Against the backdrop of the trade disputes between the United States and China, the Baltic Dry Index ("BDI") was rather volatile during the current year by hitting its low of below 600 points in February 2019, reaching its peak of over 2,500 points in September 2019, and was hovering between 600 to 1,500 points level throughout a large part of the year. The tension of the United States-China trade disputes was one of the major factors which accounted for much of the volatilities of BDI throughout the year, although the tension of disputes has eased following the signing of the first phase trade deal, the recent global outbreak of the coronavirus pandemic has added new uncertainties to the market with BDI now standing at about 600 points level. Prevailing market conditions are challenging and business of the operation has been adversely affected to a certain extent owing to the coronavirus outbreak. It is difficult to predict the evolution and duration of the pandemic, the Group however remains cautiously optimistic about the prospect of this business in the medium to long-term on the belief that the pandemic will come to an end one day.

Property holding and investment

The property holding and investment business reported a profit of US\$30,000 (2018: US\$1,739,000) and contributed a revenue of US\$63,000 (2018: US\$273,000) to the Group. The Group's investment property is an office unit at Shun Tak Centre, Sheung Wan, Hong Kong and is leased under a new tenancy since September 2019 which generated a rental income of US\$63,000 (2018: US\$273,000). The decrease in rental income was due to the early termination of the previous tenancy and the property was vacant for several months during the current year. The investment property was valued at US\$10,462,000 at the year end (2018: US\$10,490,000) and a revaluation gain of US\$38,000 (2018: US\$1,432,000) was recognised in FY2019.

Investment holding

The Group's investment holding business contributed a revenue of US\$827,000 (2018: US\$784,000) and achieved a profit of US\$383,000 (2018: loss of US\$3,809,000) in FY2019. The revenue of the business comprised interest income from corporate bonds and dividend income 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 a yield to maturity upon acquisition of these bonds ranging from approximately 4.68% to 12.33% per annum. For listed equity securities, the Group's investment strategy is to target for stocks with good value appreciation potential whether in short, medium or long term and/or good dividend yield. For corporate bonds, the Group 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 FVTPL of US\$1,861,000 (2018: US\$2,596,000) represented a portfolio of listed equity securities held for non-long term purpose, whereas the Group's investments classified as FVTOCI of US\$9,978,000 (2018: US\$8,829,000) represented a portfolio of corporate bonds held for long term purpose.

For the year under review, the revenue of this business comprised interest income from corporate bonds and dividend income from equity securities, whereas the profit of this business represented mainly interest income from corporate bonds of US\$692,000 (2018: US\$629,000), dividend income from equity securities of US\$135,000 (2018: US\$155,000) after offset by unrealised loss on listed equity securities held at year end of US\$456,000 (2018: US\$3,870,000). During the year, the Group disposed of part of its equity securities investments and recorded realised loss of US\$5,000 (2018: US\$716,000).

For FY2019, a net increase in fair value of the Group's debt instruments at FVTOCI of US\$576,000 (2018: net decrease of US\$1,107,000) was recognised as other comprehensive income. There were no material fundamental changes in the financial parameters of these debt instruments, the net increase in fair value of these debts was primarily due to the interest rate cut in general during FY2019 which drove up the market value of these debts.

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 FY2019. The business generated revenue of US\$3,707,000 (2018: US\$5,248,000), decreased by 29%, and posted an operating profit of US\$51,000 (2018: US\$71,000), decreased by 28%. The declines in both revenue and profit of the business were to a certain extent due to the trade disputes between the United States and China which caused a slowdown of the electronics industry in general.

Share of result of a joint venture

During FY2019, the Group shared the profit of a joint venture amounting to US\$399,000 (2018: US\$99,000) 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 2019, the carrying value of the investment in joint venture was US\$4,680,000 (2018: US\$4,337,000).

OVERALL RESULTS

The Group recorded a profit for the year attributable to owners of the Company of US\$180,000 (2018: US\$1,251,000) and total comprehensive income attributable to owners of the Company of US\$758,000 (2018: total comprehensive expense of US\$103,000). Despite the increase in the Group's revenue, the Group's profit decreased as net impairment loss on vessels of US\$247,000 was booked in the current year in contrast to the reversal of impairment loss on vessels of US\$4,257,000 recorded last year, notwithstanding the considerable increase in profit contributed by the marine transportation operation of US\$2,081,000 (2018: US\$942,000) and the profitable results of US\$383,000 recorded by the investment holding business (2018: loss of US\$3,809,000). The other comprehensive income of US\$578,000 mainly represented the net increase in fair value of debt instruments at FVTOCI.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

During FY2019, the Group financed its operation mainly by cash generated from operations, credit facilities provided by banks and other financial institution, and shareholders' funds. At 31 December 2019, the Group had current assets of US\$5,941,000 (2018: US\$10,914,000) and liquid assets comprising bank balances and cash, time deposit and investment in listed equity securities totalling US\$4,312,000 (2018: US\$7,380,000). The Group's current ratio, calculated based on current assets over current liabilities of US\$7,139,000 (2018: US\$10,956,000), was at a ratio of about 0.83 at the year end (2018: 1.00). During the current year, the Group raised a new revolving loan from a bank with outstanding balance of US\$2,821,000 at the year end. The loan is revolving with no fixed repayment date whilst need to be repaid if demanded by bank. The revolving loan is classified as current liabilities, if the loan is excluded as current liabilities, the Group's current ratio would have been 1.38. At 31 December 2019, the equity attributable to owners of the Company amounted to US\$43,842,000 (2018: US\$43,084,000), increased by US\$758,000 or 2% compared to the prior year end that was largely attributed to the profit earned by the Group during the current year as well as the net increase in fair value of the Group's debt instruments at FVTOCI. At the year end, the Group's borrowings represented loans from banks and other financial institution mainly for financing the holdings of vessels and debt instruments at FVTOCI. During the current year, the Group successfully raised new loans in the aggregate amount of US\$12,908,000 mainly for financing the acquisition of MV Polyworld and working capital of the Group. During the current year, the Group repaid loans totalling US\$8,182,000. At 31 December 2019, the borrowings were denominated in United States dollars or Hong Kong dollars, bore interest at floating rates, and were secured by the three vessels, the investment property and the debt securities owned by the Group. The following is an analysis of the Group's borrowings and maturity profile:

	At 31 December 2019 US\$'000	At 31 December 2018 US\$'000
Secured loans	<u>19,143</u>	<u>14,417</u>
The carrying amounts of the loans are repayable*:		
On demand	2,821	–
Within one year	3,268	9,339
More than one year, but not exceeding two year	3,268	1,146
More than two years, but not exceeding five years	<u>9,786</u>	<u>3,932</u>
	<u>19,143</u>	<u>14,417</u>

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

The Group's finance costs of US\$1,171,000 for the year represented mainly interests for the borrowings, finance costs increased by 44% (2018: US\$812,000) was largely a result of the new loans raised during the current year for financing the acquisition of MV Polyworld and the increase in interest rate charged for floating-rate borrowings compared to last year.

The Group's gearing ratio, calculated on the basis of total borrowings of US\$19,143,000 (2018: US\$14,417,000) divided by total equity of US\$43,842,000 (2018: US\$43,084,000), was at a ratio of about 44% at the year end (2018: 33%).

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

PROSPECTS

Upon completion of the acquisition of MV Polyworld, the Group has significantly increased the carrying capacity of its dry bulk fleet and place the Group in a better competitive position in the industry. Nevertheless, the outlook of the marine transportation industry is very challenging. Although the tension of trade disputes between the United States and China has eased following the signing of the first stage trade deal, the global outbreak of the coronavirus pandemic, particularly in North America, Europe and Asia will inevitably hamper development of international trade flow which in turn poses negative impact on the Group's operation. It is difficult to predict the evolution and duration of the pandemic, but hopefully it should come to an end one day. Looking forward, the Group will continue to manage its businesses in a disciplined manner, and be cautious in seizing new investment/business opportunities with attractive returns as well as pursuing the plan in acquiring another dry bulk vessel to further expand the carrying capacity of its fleet.

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 2019 except for the following deviation with reasons as explained:

Code Provision A.5.5(2)

Code provision A.5.5(2) of the CG Code stipulates that where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the board believes the individual would still be able to devote sufficient time to the board if the proposed independent non-executive director will be holding his seventh (or more) listed company directorship.

Deviation

During the year ended 31 December 2019, there had been a deviation from the code provision A.5.5 (2) in respect of a disclosure (or the lack therein) in the circular to shareholders of the Company accompanying the notice of the annual general meeting of the Company held on 20 June 2019 (the “AGM”) regarding reasons that the Board believed Mr. To Yan Ming, Edmond (“**Mr. To**”), an Independent Non-executive Director who was subject to re-election at the AGM, would still be able to devote sufficient time to the Board as he would be holding more than seven listed company directorship after re-election at the AGM. The Board had considered its reasons including that Mr. To had been providing valuable independent advice to the Board, his attendance at Board meetings and annual general meetings of the Company had been satisfactory and his directorships with other listed companies were non-executive in nature. The Board did not disclose its reasons in the circular as Mr. To was not a new director of the Company and his various external directorships was something that the Board had been aware of for many years. The existences of these external directorships had been disclosed to the shareholders of the Company in annual reports of the Company and in each circular relating to the re-election of Mr. To, together with a positive voting recommendation from the Board. The Board therefore did not consider that it was necessary to state its reasons for repeated re-election of the same director in the circular to shareholders and/explanatory statement accompanying the AGM notice. However, for the purpose of good corporate governance, the Board will disclose such information in the future in respect of re-election of independent non-executive director(s) who will be holding seventh (or more) listed company directorships after his/her re-election.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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

Hong Kong, 25 March 2020

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