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## COURAGE INVESTMENT GROUP LIMITED

### 勇利投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: CIN)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the “**Board**”) of Courage Investment Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 together with comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
<b>Revenue</b>			
Marine transportation income		3,537	5,336
Trading income		323	1,792
Interest income		390	332
Property rental income		110	–
Total revenue	5	4,360	7,460
Cost of goods sold and direct expenses		(2,746)	(6,145)
Other income		23	16
Other gains and losses, net	6	(1,878)	375
Administrative expenses		(616)	(790)
Share of result of a joint venture		(25)	(11)
Finance costs		(425)	(636)
<b>(Loss) profit for the period attributable to owners of the Company</b>	8	<b>(1,307)</b>	269

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive (expense) income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translation of a foreign operation	(68)	8
Net (decrease) increase in fair value of debt instruments at fair value through other comprehensive income	(228)	543
Release on disposal of debt instruments at fair value through other comprehensive income	—	15
	<hr/>	<hr/>
Other comprehensive (expense) income for the period, net of income tax	(296)	566
	<hr/>	<hr/>
<b>Total comprehensive (expense) income for the period attributable to owners of the Company</b>	<b>(1,603)</b>	<b>835</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Basic (loss) earnings per share attributable to owners of the Company (US cent)</b>	<b>(0.24)</b>	<b>0.05</b>
<i>10</i>	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>		
Property, plant and equipment	<b>33,486</b>	33,709
Right-of-use asset	<b>322</b>	–
Deposits paid for property, plant and equipment	<b>29</b>	–
Investment property	<b>9,321</b>	10,462
Interest in a joint venture	<b>4,587</b>	4,680
Debt instruments at fair value through other comprehensive income	<b>10,151</b>	9,978
	<u><b>57,896</b></u>	<u>58,829</u>
<b>Current assets</b>		
Trade receivables	<b>45</b>	165
Other receivables and prepayments	<b>934</b>	795
Amount due from a joint venture	<b>669</b>	669
Financial assets at fair value through profit or loss	<b>1,123</b>	1,861
Time deposit	<b>–</b>	500
Bank balances and cash	<b>647</b>	1,951
	<u><b>3,418</b></u>	<u>5,941</u>
<b>Total assets</b>	<u><b>61,314</b></u>	<u>64,770</u>

		At 30 June 2020 <i>US\$'000</i> (Unaudited)	At 31 December 2019 <i>US\$'000</i> (Audited)
<b>Current liabilities</b>			
Deposits received, other payables and accruals		1,121	947
Contract liabilities		90	102
Income tax payable		1	1
Borrowings – due within one year	<i>12</i>	6,089	6,089
Lease liabilities		142	–
		<u>7,443</u>	<u>7,139</u>
<b>Net current liabilities</b>		<u>(4,025)</u>	<u>(1,198)</u>
<b>Total assets less current liabilities</b>		<u>53,871</u>	<u>57,631</u>
<b>Capital and reserves</b>			
Share capital		32,931	32,931
Reserves		9,308	10,911
<b>Total equity</b>		<u>42,239</u>	<u>43,842</u>
<b>Non-current liabilities</b>			
Borrowings – due more than one year	<i>12</i>	11,420	13,054
Deposit received		–	735
Lease liabilities		212	–
		<u>11,632</u>	<u>13,789</u>
<b>Total liabilities and equity</b>		<u><u>61,314</u></u>	<u><u>64,770</u></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 condensed 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 condensed consolidated financial statements

At 30 June 2020, the Group had net current liabilities of US\$4,025,000. The condensed 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 debt instruments at fair value through other comprehensive income (“**FVTOCI**”) with good liquidity in the market. 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 Principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”).

The condensed 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.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2019.

## **Application of amendments to IFRSs**

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## **4 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, 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	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	<u>3,537</u>	<u>5,336</u>	<u>110</u>	<u>-</u>	<u>390</u>	<u>332</u>	<u>323</u>	<u>1,792</u>	<u>4,360</u>	<u>7,460</u>
Segment results	<u>1,110</u>	<u>913</u>	<u>(1,031)</u>	<u>504</u>	<u>(350)</u>	<u>281</u>	<u>4</u>	<u>17</u>	<u>(267)</u>	<u>1,715</u>
Unallocated:										
Corporate income									19	4
Corporate expenses									(609)	(803)
Share of result of a joint venture									(25)	(11)
Finance costs									<u>(425)</u>	<u>(636)</u>
<b>(Loss) profit for the period</b>									<u><u>(1,307)</u></u>	<u><u>269</u></u>

## Segment assets

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

	Marine transportation		Property holding and investment		Investment holding		Merchandise trading		Total	
	At		At		At		At		At	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Segment assets	<u>34,443</u>	<u>35,037</u>	<u>14,620</u>	<u>15,919</u>	<u>11,721</u>	<u>12,215</u>	<u>51</u>	<u>112</u>	<u>60,835</u>	<u>63,283</u>
Unallocated corporate assets									<u>479</u>	<u>1,487</u>
<b>Total assets</b>									<u><u>61,314</u></u>	<u><u>64,770</u></u>

## 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:

	Marine transportation		Property holding and investment		Investment holding		Merchandise trading		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods and services:										
Marine transportation	3,138	4,629	-	-	-	-	-	-	3,138	4,629
Merchandise trading	-	-	-	-	-	-	323	1,792	323	1,792
Revenue from contracts with customers	3,138	4,629	-	-	-	-	323	1,792	3,461	6,421
Leases	399	707	110	-	-	-	-	-	509	707
Interest income from debt instruments at FVTOCI	-	-	-	-	390	332	-	-	390	332
Total revenue	3,537	5,336	110	-	390	332	323	1,792	4,360	7,460

## 6 Other gains and losses, net

	Six months ended 30 June	
	2020	2019
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
(Decrease) increase in fair value of an investment property	(1,141)	590
Net decrease in fair value of financial assets at fair value through profit or loss ("FVTPL")	(738)	(41)
Realised loss on disposal of financial assets at FVTPL	-	(5)
Realised loss on disposal of debt instruments at FVTOCI	-	(3)
Net foreign exchange gain (loss)	1	(166)
	<u>(1,878)</u>	<u>375</u>



## 7 Income tax expenses

There is no assessable profit arising in Hong Kong for the period ended 30 June 2020. No tax is payable on the profit for the period ended 30 June 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.

## 8 (Loss) profit for the period

(Loss) profit for the period has been arrived at after (crediting) charging:

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Interest income from banks	(4)	(13)
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	166	209
– Contributions to retirement benefits scheme	4	5
Total employee benefits expenses	170	214
Cost of inventories recognised as expenses	319	1,775
Marine crew expenses	828	866
Depreciation of property, plant and equipment	753	509
Depreciation of right-of-use asset	62	–

## 9 Dividend

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2019: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 10 (Loss) earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss) earnings</b>		
(Loss) profit for the period attributable to owners of the Company	<u><b>(1,307)</b></u>	<u><b>269</b></u>
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>'000</i>	<i>'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period	<u><b>548,852</b></u>	<u><b>548,852</b></u>

For the periods ended 30 June 2020 and 2019, no diluted (loss) earnings per share is presented as there were no dilutive potential ordinary shares outstanding during both periods.

## 11 Trade receivables

The credit period for customers of time charter are 30 days (31 December 2019: 30 days). The Group normally allows credit period for customers of merchandise trading ranging from 0 day to 60 days (31 December 2019: 0 day 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:

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2020</b>	<b>2019</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 90 days	<u><b>45</b></u>	<u><b>165</b></u>

## 12 Borrowings

	At 30 June 2020 US\$'000 (Unaudited)	At 31 December 2019 US\$'000 (Audited)
Secured loans	<u>17,509</u>	<u>19,143</u>
The carrying amounts of the loans are repayable*:		
On demand	2,821	2,821
Within one year	3,268	3,268
More than one year, but not exceeding two years	3,268	3,268
More than two years, but not exceeding five years	<u>8,152</u>	<u>9,786</u>
Total	17,509	19,143
Less: amounts due within one year shown under current liabilities	<u>(6,089)</u>	<u>(6,089)</u>
Amounts shown under non-current liabilities	<u>11,420</u>	<u>13,054</u>
Effective interest rate (%) per annum	<u>1.83 – 5.79</u>	<u>2.02 – 6.49</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 30 June 2020, the loans were carrying interest at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus certain basis points. The outstanding loans at 30 June 2020 were repayable within one to four years (31 December 2019: repayable within one to five years).

The borrowings at 30 June 2020 and 31 December 2019 were secured by the followings:

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

### 13 Pledge of assets

At 30 June 2020, three vessels with an aggregate carrying amount of US\$33,486,000 (31 December 2019: US\$33,709,000) (including dry-docking), an investment property with carrying amount of US\$9,321,000 (31 December 2019: US\$10,462,000) and debt instruments at FVTOCI with carrying amount of US\$8,190,000 (31 December 2019: US\$7,918,000) were pledged to banks and other financial institution as security for the loan facilities granted to the Group.

### 14 Events after the reporting period

#### (a) COVID-19 pandemic

The outbreak of COVID-19 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.

#### (b) Proposed capital reorganisation and open offer

On 24 July 2020, the Board proposed a reorganisation of the capital of the Company by way of (i) capital reduction; (ii) share premium account reduction; and (iii) share subdivision (the "**Capital Reorganisation**"). Upon the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$71.35 million (equivalent to approximately US\$9,147,000) before expenses by way of the open offer of 548,851,784 offer shares at the subscription price of HK\$0.13 per offer share on the basis of one offer share for every one share of the Company held on the record date which is payable in full on application (the "**Open Offer**"). Further details of the proposed Capital Reorganisation and Open Offer were set out in the announcement of the Company dated 24 July 2020.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## **BUSINESS REVIEW**

During the six months ended 30 June 2020 (“**HY2020**”), the Group continued to principally engage in the business of marine transportation, property holding and investment, investment holding and merchandise trading.

The outbreak of COVID-19 on a global basis in early 2020 has brought some unprecedented market challenges to the Group. The slowdown of economic activities of many major economies including Mainland China, the US, the UK and many countries in Europe, and the consequential decrease of international trade flow that led to the large fluctuations of freight rates during HY2020, had to a certain extent, adversely affected the Group’s business. Against this backdrop, the Group’s marine transportation operation has managed to achieve a profit of US\$1,110,000 for HY2020 (30 June 2019: US\$913,000), though the Group recorded an overall loss attributable to owners of the Company of US\$1,307,000 (30 June 2019: profit of US\$269,000), and posted a basic loss per share of US0.24 cent for HY2020 (30 June 2019: basic earnings per share of US0.05 cent). The Group’s loss for the period was mainly due to the decrease in fair value of an investment property of US\$1,141,000 (30 June 2019: increase of US\$590,000) and the increase in unrealised loss on listed equity securities to US\$738,000 (30 June 2019: US\$41,000). The Group’s revenue dropped by 42% to US\$4,360,000 for HY2020 (30 June 2019: US\$7,460,000) that was largely due to the decrease in revenue of the marine transportation and merchandise trading businesses.

### **Marine transportation**

For HY2020, the Group’s marine transportation business reported a 34% decrease in revenue to US\$3,537,000 (30 June 2019: US\$5,336,000) whilst an increase in profit by 22% to US\$1,110,000 (30 June 2019: US\$913,000). The decrease in the operation’s revenue was the combined results of (i) the temporary halt of the charter-in and charter-out vessel (“**CICOV**”) business since February 2020; and (ii) the decrease in freight rates of the Group’s self-owned vessels, mainly resulted from the adverse market conditions of the vessel chartering business brought by the global outbreak of COVID-19. Despite the drop of the operation’s revenue, the increase in profit of the operation was mainly due to less repair and maintenance expenses were incurred during HY2020, and also less off-hire time owing to better schedule management of the Group’s vessels. The Group commenced its CICOV business back in June 2018. The principal purpose of setting up 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. In 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 China-US trade disputes, the Group had elected to terminate the charter-in contract in early 2020 and put this business on a temporary halt. The Group will consider resuming this business when market conditions improve.

Primarily due to the global outbreak of COVID-19 and the continuous trade disputes between the China and US, the Baltic Dry Index, which is closely correlated to market freight rate, was volatile during the HY2020 by hitting its low of about 400 points in May 2020, and rebounded to nearly 1,800 points in June 2020, and was hovering between 500 to 1,000 points level throughout a large part of the period. The current market conditions of the marine transportation business is unstable as a result of the outbreak of COVID-19 which has hampered international trade flow. However, with the gradual revival of economic activities of some major economies including Mainland China, the Group is cautiously optimistic about the prospects of the marine transportation business in the medium to long term. The carrying capacity of the Group's dry bulk fleet, which currently comprises three Supramax vessels, is approximately 171,000 dwt. The Group will continue its plan to acquire a second hand Supramax dry bulk carrier, in a cautious manner with due regard to the market conditions, with a view to expand the carrying capacity of its dry bulk fleet.

### **Property holding and investment**

For HY2020, the property holding and investment business reported a loss of US\$1,031,000 (30 June 2019: profit of US\$504,000) and contributed a revenue of US\$110,000 (30 June 2019: nil) 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 entered since September 2019 which generated a rental income of US\$110,000 (30 June 2019: nil). The investment property was valued at US\$9,321,000 at the period end (31 December 2019: US\$10,462,000), with a revaluation loss of US\$1,141,000 (30 June 2019: revaluation gain of US\$590,000) being recognised which accounted for a large part of the operation's loss for HY2020.

### **Investment holding**

The Group's investment holding business contributed a revenue of US\$390,000 (30 June 2019: US\$332,000) and recorded a loss of US\$350,000 (30 June 2019: profit of US\$281,000) for HY2020. The revenue of the business comprised interest income from corporate bonds held by the Group.

During the period, 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 decisions on securities or bonds of individual target company, references will usually be made to its announcements, news, latest financial information, dividend policy and business prospect.

At the period end, the Group's investments classified as FVTPL of US\$1,123,000 (31 December 2019: US\$1,861,000) represented a portfolio of listed equity securities held for non-long term purpose, whereas the Group's investments classified as FVTOCI of US\$10,151,000 (31 December 2019: US\$9,978,000) represented a portfolio of corporate bonds held for long term purpose.

For the period under review, the revenue of this business comprised interest income from corporate bonds, whereas the loss of this business represented mainly unrealised loss on listed equity securities held at the period end of US\$738,000 (30 June 2019: US\$41,000), after offsetting against interest income from corporate bonds of US\$390,000 (30 June 2019: US\$332,000). The unrealised loss recorded for the period was mainly due to the volatile conditions of the Hong Kong stock market during HY2020, which to a certain extent, owing to the outbreak of COVID-19.

For HY2020, a net decrease in fair value of the Group's debt instruments at FVTOCI of US\$228,000 (30 June 2019: net increase of US\$543,000) 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 to a certain extent, caused by the negative investment sentiments resulting from the outbreak of COVID-19.

### **Merchandise trading**

The Group continued its merchandise trading business which focusing on trading of electronic components during HY2020. The business generated revenue of US\$323,000 (30 June 2019: US\$1,792,000), decreased by 82%, and posted an operating profit of US\$4,000 (30 June 2019: US\$17,000), decreased by 76%. The declines in both revenue and profit of the business were to a certain extent, due to the outbreak of COVID-19 and the trade disputes between the China and US which caused a slowdown of the electronics industry in general.

### **Share of result of a joint venture**

During HY2020, the Group shared the loss of a joint venture amounting to US\$25,000 (30 June 2019: US\$11,000) which mainly related to the decrease 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 30 June 2020, the carrying value of the investment in joint venture was US\$4,587,000 (31 December 2019: US\$4,680,000).

## **OVERALL RESULTS**

The Group recorded a loss for the period attributable to owners of the Company of US\$1,307,000 (30 June 2019: profit of US\$269,000) and total comprehensive expense attributable to owners of the Company of US\$1,603,000 (30 June 2019: total comprehensive income of US\$835,000). Though the Group's marine transportation operation continued to report profit of US\$1,110,000 (30 June 2019: US\$913,000), the Group recorded an overall loss that was mainly due to the decrease in fair value of an investment property of US\$1,141,000 (30 June 2019: increase in fair value of US\$590,000), and the increase in unrealised loss on listed equity securities held at the period end to US\$738,000 (30 June 2019: US\$41,000). The other comprehensive expense of US\$296,000 comprised mainly the net decrease in fair value of debt instruments at FVTOCI.

## **FINANCIAL REVIEW**

### **Liquidity, financial resources and capital structure**

During HY2020, the Group financed its operation mainly by cash generated from operations, credit facilities provided by banks and other financial institution, and shareholders' funds. At 30 June 2020, the Group had current assets of US\$3,418,000 (31 December 2019: US\$5,941,000) and liquid assets comprising bank balances and cash and investment in listed equity securities totalling US\$1,770,000 (31 December 2019: US\$4,312,000 (including time deposit)). The Group's current ratio, calculated based on current assets over current liabilities of US\$7,443,000 (31 December 2019: US\$7,139,000), was at a ratio of about 0.46 at the period end (31 December 2019: 0.83). During year 2019, the Group raised a revolving loan from a bank with outstanding balance of US\$2,821,000 at 30 June 2020. 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 0.74. The Group is able to repay its current liabilities when due by its own working capital and the proceeds from disposal of certain debt instruments at FVTOCI with good liquidity in the market.

At 30 June 2020, the equity attributable to owners of the Company amounted to US\$42,239,000 (31 December 2019: US\$43,842,000), decreased by US\$1,603,000 or 4% compared to the prior year end that was largely due to the loss incurred by the Group during the current period and the net decrease in fair value of the Group's debt instruments at FVTOCI.



At the period 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. At 30 June 2020, 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 certain debt instruments at FVTOCI owned by the Group. The following is an analysis of the Group's borrowings and maturity profile:

	At <b>30 June 2020</b> <i>US\$'000</i>	At 31 December 2019 <i>US\$'000</i>
Secured loans	<b>17,509</b>	19,143
The carrying amounts of the loans are repayable*:		
On demand	<b>2,821</b>	2,821
Within one year	<b>3,268</b>	3,268
More than one year, but not exceeding two years	<b>3,268</b>	3,268
More than two years, but not exceeding five years	<b>8,152</b>	9,786
	<b>17,509</b>	19,143

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

The Group's finance costs of US\$425,000 for the period represented mainly interests for the borrowings, finance costs decreased by 33% (30 June 2019: US\$636,000) was mainly due to the decrease in interest rate charged for floating-rate borrowings compared to the prior corresponding period.

The Group's gearing ratio, calculated on the basis of total borrowings of US\$17,509,000 (31 December 2019: US\$19,143,000) divided by total equity of US\$42,239,000 (31 December 2019: US\$43,842,000), was at a ratio of about 41% at the period end (31 December 2019: 44%).

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**

The marine transportation market is currently in unstable condition as a result of the global outbreak of COVID-19 which has adversely affected many nations worldwide and international trade flow. However, with the gradual revival of economic activities of some major economies including Mainland China, the Group is cautiously optimistic about the prospects of the marine transportation business in the medium to long-term. Looking forward, the Group will continue to manage its businesses in a disciplined manner, and be cautious in seizing new investment/business opportunities with good returns as well as pursuing the plan, with due regard to market conditions, in acquiring a second hand Supramax dry bulk carrier to further expand the carrying capacity of its fleet.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules throughout the six months ended 30 June 2020.

## **AUDIT COMMITTEE**

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2020 have not been audited, but 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 six months ended 30 June 2020, 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 August 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.*