



**COURAGE MARINE GROUP LIMITED**

(Incorporated in Bermuda on 5 April 2005)

(Company Registration no: 36692)

**Unaudited Results For The Second Quarter And First Six Months Ended 30 June 2011**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Income Statement for the Second Quarter and First Six Months Ended 30 June 2011:

	US\$'000		% Change	US\$'000		% Change
	Q2 2011	Q2 2010		6 months 2011	6 months 2010	
Turnover	4,290	16,277	(74)	10,105	29,130	(65)
Cost of sales	(9,101)	(10,734)	(15)	(17,190)	(20,009)	(14)
Gross (loss) profit	(4,811)	5,543	(187)	(7,085)	9,121	(178)
Other income	353	252	40	424	279	52
Other gains and losses	78	233	(67)	363	273	33
Administrative expenses	(807)	(817)	(1)	(1,471)	(1,395)	5
Other expenses	(967)	-	NM	(2,054)	-	NM
Finance cost	(14)	(32)	(56)	(31)	(67)	(54)
(Loss) profit before income tax	(6,168)	5,179	(219)	(9,854)	8,211	(220)
Income tax	(9)	(3)	200	(16)	(10)	60
(Loss) profit for the period	(6,177)	5,176	(219)	(9,870)	8,201	(220)
Other comprehensive income						
Gain on revaluation of leasehold land and building	310	-	NM	827	-	NM
Total comprehensive (expense) income for the period attributable to owners of the Company	(5,867)	5,176	(213)	(9,043)	8,201	(210)

1(a)(ii) Additional Information

	US\$'000		% Change	US\$'000		% Change
	Q2 2011	Q2 2010		6 months 2011	6 months 2010	
Profit before tax is arrived after (charging) / crediting:						
Other income including interest income	353	252	40	424	279	52
Interest on borrowings	(14)	(32)	(56)	(31)	(67)	(54)
Depreciation and amortisation	(2,093)	(2,323)	(10)	(4,200)	(4,665)	(10)
Other expenses in related to the professional fees from the dual listing in Hong Kong	(967)	-	NM	(2,054)	-	NM
(Loss) Gain on foreign exchange (net)	(6)	(10)	(40)	(6)	30	(120)

NOTES

NM denotes not meaningful.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	US\$'000	US\$'000	US\$'000	US\$'000
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
<b>ASSETS</b>				
<b>Non-current asset</b>				
Long-term receivables	3,767	3,767	52,402	61,492
Investment in subsidiaries	-	-	14,217	14,217
Held-to-maturity financial asset	1,074	1,074	-	-
Structured deposit	1,000	1,000	-	-
Deposit	-	2,000	-	-
Investment property	2,191	1,671	-	-
Plant and equipment	67,645	70,070	-	-
	<b>75,677</b>	<b>79,582</b>	<b>66,619</b>	<b>75,709</b>
<b>Current assets</b>				
Trade receivables	1,059	1,257	-	-
Other receivables and prepayments	3,811	3,440	37	28
Held-for-trading investment	590	742	-	-
Pledged bank deposits	7,696	5,674	-	-
Bank balances and cash	14,363	29,929	116	350
	<b>27,519</b>	<b>41,042</b>	<b>153</b>	<b>378</b>
<b>TOTAL ASSETS</b>	<b>103,196</b>	<b>120,624</b>	<b>66,772</b>	<b>76,087</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserve</b>				
Share capital	19,059	19,059	19,059	19,059
Share premium	28,027	28,027	28,027	28,027
Property revaluation reserve	979	152	-	-
Reserve	49,791	67,179	18,301	28,173
	<b>97,856</b>	<b>114,417</b>	<b>65,387</b>	<b>75,259</b>
<b>Current liabilities</b>				
Other payables and accruals	3,340	2,607	1,385	828
Borrowings - due within one year	2,000	3,600	-	-
	<b>5,340</b>	<b>6,207</b>	<b>1,385</b>	<b>828</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>103,196</b>	<b>120,624</b>	<b>66,772</b>	<b>76,087</b>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

**Amount repayable in one year or less, or on demand**

As at 30/6/2011		As at 30/6/2010	
Secured	Unsecured	Secured	Unsecured
US\$2,000,000	-	US\$3,200,000	-

**Amount repayable after one year**

As at 30/6/2011		As at 30/6/2010	
Secured	Unsecured	Secured	Unsecured
-	-	US\$2,000,000	-

**Details of any collateral**

Secured borrowings are generally secured by:

1. Mortgages over a vessel of the Group with net book value US\$9,068,000 (2010:US\$11,726,000)
2. Assignment of insurance of vessel
3. Corporate guarantee from Courage Marine Group Limited

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group</b>	
	US\$'000	
	Q2 2011	Q2 2010
<b>Operating activities</b>		
(Loss) profit before income tax	(6,168)	5,179
Adjustments for:		
Depreciation	2,093	2,323
Change in fair value of investment property	(199)	-
Change in fair value of held for trading investment	116	-
Gain on disposal of plant and equipment	-	(242)
Interest income	(25)	(14)
Interest expense	-	(4)
Operating profit before movements in working capital	(4,183)	7,242
Decrease (increase) in trade receivables	3,046	(517)
Increase in other receivables, deposits and prepayment	(316)	(1,532)
Increase in other payables and accruals	1,248	439
Cash (used in) from operating activities	(205)	5,632
Interest income received	25	14
Income tax paid	(9)	(3)
Net cash (used in) from operating activities	(189)	5,643
<b>Investing activities</b>		
Purchase of plant and equipment	(713)	(26,663)
Proceeds on disposal of plant and equipment	-	9,514
Purchase of structured deposits	-	(1,000)
Addition of pledged deposits	(17)	-
Net cash used in investing activities	(730)	(18,149)
<b>Financing activities</b>		
Interest paid	-	4
Dividend paid	(7,518)	(4,998)
Repayment of borrowings	(800)	(800)
Net cash used in financing activities	(8,318)	(5,794)
Net decrease in cash and cash equivalents	(9,237)	(18,300)
Cash and cash equivalents at the beginning of the period	23,600	39,132
<b>Cash and cash equivalents at the end of the period</b>	<b>14,363</b>	<b>20,832</b>

	<b>Group</b>	
	US\$'000	
	6 months of 2011	6 months of 2010
<b>Operating activities</b>		
(Loss) profit before income tax	(9,854)	8,211
Adjustments for:		
Depreciation expense	4,200	4,665
Change in fair value of investment property	(520)	-
Change in fair value of held for trading investment	152	-
Gain on disposal of plant and equipment	-	(242)
Interest income	(59)	(31)
Interest expense	17	31
Operating profit before movements in working capital	(6,064)	12,634
Decrease in trade receivables	198	11
Increase in other receivables and prepayment	(371)	(1,703)
Increase in other payables and accruals	733	1
Cash (used in) from operating activities	(5,504)	10,943
Interest income received	59	31
Income tax paid	(16)	(10)
Net cash (used in) from operating activities	(5,461)	10,964
<b>Investing activities</b>		
Purchase of plant and equipment	(948)	(35,176)
Proceeds on disposal of plant and equipment	2,000	9,514
Purchase of structured deposits	-	(1,000)
Addition of pledged deposits	(2,022)	-
Net cash used in investing activities	(970)	(26,662)
<b>Financing activities</b>		
Interest paid	(17)	(31)
Dividends paid	(7,518)	(4,998)
Repayment of borrowings	(1,600)	(1,600)
Net cash used in financing activities	(9,135)	(6,629)
Net decrease in cash and cash equivalents	(15,566)	(22,327)
Cash and cash equivalents at the beginning of the period	29,929	43,159
<b>Cash and cash equivalents at the end of the period</b>	<b>14,363</b>	<b>20,832</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Share Premium	Property Revaluation Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Group</b>					
<b>Balance at 1 April 2010</b>	19,059	28,027	-	66,178	113,264
Profit for the period	-	-	-	5,176	5,176
Dividend for 2009	-	-	-	(4,998)	(4,998)
<b>Balance at 30 June 2010</b>	19,059	28,027	-	66,356	113,442
<b>Balance at 1 April 2011</b>	19,059	28,027	669	63,486	111,241
(Loss) for the period	-	-	-	(6,177)	(6,177)
Surplus on revaluation of leasehold land and building	-	-	310	-	310
Dividend for 2010	-	-	-	(7,518)	(7,518)
<b>Balance at 30 June 2011</b>	19,059	28,027	979	49,791	97,856

	Share Capital	Share Premium	Property Revaluation Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Company</b>					
<b>Balance at 1 April 2010</b>	19,059	28,027	-	29,229	76,315
(Loss) for the period	-	-	-	(207)	(207)
Dividend for 2009	-	-	-	(4,998)	(4,998)
<b>Balance at 30 June 2010</b>	19,059	28,027	-	24,024	71,110
<b>Balance at 1 April 2011</b>	19,059	28,027	-	27,010	74,096
(Loss) for the period	-	-	-	(1,191)	(1,191)
Dividend for 2010	-	-	-	(7,518)	(7,518)
<b>Balance at 30 June 2011</b>	19,059	28,027	-	18,301	65,387

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There has been no change in the Company's share capital since the end of the previous period reported on.

The Company does not have any outstanding convertible as at the end of 30 June 2011 and as at 31 December 2010.

**1 (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

<b>As at 30/06/2011</b>	<b>As at 31/12/2010</b>
1,058,829,308	1,058,829,308

**1 (d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no shares being held as treasury shares by the Company.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited or reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not Applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has adopted the same accounting policies and method of computation in the financial statements for the current period compared with the financial statements for the financial year ended 31 December 2010.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not Applicable

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (a) based on the weighted average number of ordinary shares in issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings)**

	<b>Group</b>			
	Q2 2011	Q2 2010	6 months 2011	6 months 2010
	US Cents	US Cents	US Cents	US Cents
a Based on the weighted average number of ordinary shares in issue	(0.58)	0.49	(0.93)	0.77
b On a fully diluted basis	(0.58)	0.49	(0.93)	0.77

**NOTES:**

The earnings per ordinary share is calculated by dividing the consolidated profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period reported on.

The fully diluted earnings per ordinary share is the same as the earnings per ordinary share as there were no options granted or outstanding during the financial period.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	30/6/2011	31/12/2010	30/6/2011	31/12/2010
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	9.24	10.81	6.18	7.11



**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### Turnover

##### 2Q2011

The group turnover decreased by 74% in 2Q11 to approximately US\$4.3 million from US\$16.3 million in 2Q10, reflecting the poor market condition in dry bulk rates, as well as the low fleet utilisation given the lower demand from the commodity trading, compared to high fleet utilisation at around 90% in 2Q10. The low fleet utilisation was due mainly to the Japanese earthquake, tsunami and nuclear power plant disaster in March had temporarily halted the shipments of cargo to and from Japan, which resulted in a temporary over-supply of vessels within the Asian region. In addition, the substantial increase in bunker price also discouraged the Group from taking orders negotiated with lower freight rates.

##### 1H2011

The Group turnover decreased by 65% to approximately from US\$29.1 million in the six months ended 30 June 2010 to approximately US\$10.1 million in the six months ended 30 June 2011. The vessel chartering services of the Group rely heavily on spot charter contracts. The decrease in revenue was mainly due to the political instability in the Middle East leading to concerns about global oil supply and substantial increase in bunker price, being one of the major variable costs, which discouraged the Group from taking orders negotiated with lower freight rates. The over-supply of vessels within the Asian region caused by cutting of cargo shipment to and from Japan as a result of the Japanese earthquake, tsunami and nuclear pollution breakout leads to the decrease in the overall utilisation rate of the Group's vessels. Given the approximate 57% decrease in the Baltic Dry Index from the average of approximately 3,100 points for the first half of 2010 to the average of approximately 1,400 points for the first half of 2011, our revenue decreased by 65% in the first half of 2011 compared to the same period in 2010 because of decrease in freight rates.

#### Profitability

##### 2Q2011

Despite the decrease in turnover by 74%, the Group's cost of sales decreased by only 15% to approximately US\$9.1 million from US\$10.7 million in 2Q10 due to the consumption of the fixed cost, including the insurance, crews fee and depreciation. As such, the Group recorded a gross loss of approximately US\$4.8 million compared to gross profit of US\$5.5 million in 2Q10.

Other income consists of interest income from banks and certificate of deposit, insurance claims and sundry income. The Group recorded other operating income of US\$353,000 in 2Q11, an increase of 40% compared to 2Q10. This was largely due to an one-off insurance claim received.

Other gains and losses mainly include change in fair value of investment property, change in fair value of held-for-trading investments, gains in disposal of fixed assets and exchange gain. The Group recorded gains of approximately US\$78,000 in 2Q11 due to higher fair value of the Hong Kong office premises. The Group disposed a Capesize vessel, MV Cape Ore, in May 2010 and recorded a gain on disposal for US\$0.2 million.

Administrative expenses decreased by 1% as the Group maintained a relatively stable administrative cost.

The Group recorded an approximately US\$1 million in other expenses in which related to the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group recorded a finance cost of approximately US\$14,000 in 2Q11 compared to US\$32,000 in 2Q10 due mainly to the reduced balance of outstanding bank borrowings.

The Group's subsidiaries recorded an income tax expense of US\$9,000 during 2Q11

The Group recorded a net loss of approximately US\$6.2 million in 2Q11 due to low freight rates and fleet utilisation, and large amount of other expenses in related to the legal and professional cost of the dual listing exercise.

The Group recorded a surplus on revaluation of the property for approximately US\$0.3 million in 2Q11.

## 1H2011

Despite the decrease in revenue by 65%, the Group's cost of sales decreased by only 14% to approximately US\$17.2 million in the first half of 2011 from US\$20 million in the first half of 2010 due to the consumption of the fixed cost, including insurance, crews fee and depreciation expenses. As such, the Group recorded a gross loss of approximately US\$7.1 million in the first half of 2011 compared to gross profit of US\$9.1 million in the first half of 2010.

Other income mainly includes rental income, interest income from banks and certificate of deposit, insurance claims and sundry income. The Group recorded other income for US\$0.4 million in the first half of 2011, an increase of 52% compared to the first half of 2010. This was mainly attributable to an one-off insurance claim received.

Other gains and losses mainly include change in fair value of investment property, change in fair value of held-for-trading investments, gains in disposal of fixed assets and exchange gain. For the first half of 2011, the Group recorded other gains for approximately US\$0.4 million due to higher fair value of the Hong Kong premises. In the same period of 2010, the Group disposed a Capesize vessel, MV Cape Ore, and recorded a gain on disposal for approximately US\$0.2 million.

The administrative expenses mainly comprise salary and bonus, directors' remuneration, office rental, legal and professional fees and travelling. The Group recorded an approximately 5% increase for the administrative expenses in the first half of 2011 compared to the first half of 2010.

Other expenses for the first half of 2011 was approximately US\$2.1 million, where the Group did not have such other expenses for the first half of 2010. Such amount was mainly attributable to the professional fees and other expenses relating to the Group's Hong Kong listing exercise. The shares of the Company were successfully listed on the Main Board of HKSE on 24 June 2011.

The Group recorded a finance cost of approximately US\$31,000 for the first half of 2011 compared to US\$67,000 in the first half of 2010. The decrease was mainly due to the reduced balance of outstanding bank borrowings as a result of the repayment of part of the bank loan.

The Group's subsidiaries recorded an income tax expense of US\$16,000 during the first half of 2011, compared to US\$10,000 in the first half of 2010.

The Group recorded an approximately 65% decrease in revenue due to the 50% decrease in Baltic Dry Index which adversely affected our freight rates during the first half of 2011. However, the Group's cost of services for the first half of 2011 had a relatively less decrease mainly due to certain fixed cost items including crew agency fees, maintenance fees, insurance and depreciation expenses coupled with the increase in per tonne market bunker price, despite the decrease in the Group's vessels' utilisation rate during such period. In addition, the Group incurred approximately US\$2.1 million other expenses (attributable to the professional fees and other expenses relating to the Hong Kong listing exercises), which is non-recurring in nature, during the period. As a result, the Group recorded a net loss of approximately US\$9.9 million for the first half of 2011 as compared to the Group's net profit of approximately US\$8.2 million for the first half of 2010.

The Group recorded other comprehensive income of approximately US\$0.8 million for the first half of 2011 due to the surplus on revaluation of the Group's leasehold and building.

## Cashflow

There was a net decrease in cash and cash equivalents of approximately US\$15.6 million in 1H11 arising from the repayment of the bank borrowing, and dividend paid of approximately US\$7.5 million for the period. However, the Group remains in a net cash position, with cash and bank balances of approximately US\$14.4 million as at 30 June 2011.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not Applicable

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The global economy has not fully recovered and remains unstable in the past few months. The Baltic Dry Index ("BDI"), which has a close correlation to freight rates, remain flat in between 1,250 to 1,500 points since April 2011, and was only about 1,250 points in August 2011. The Group remains cautious on the outlook for this year.

The Group expects that the financial performance for the rest of 2011 to be adversely affected by the current challenging economic conditions and uncertain outlook. However, the Group will maintain its cost-effective structure and focus on keeping its fleet well-deployed and running efficiently.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable**

Not Applicable

**(d) Books closure date**

Not Applicable

**12. If no dividend has been declared/recommended, a statement to that effect**

The Directors do not recommend the payment of an interim dividend on the ordinary shares for the current financial period.

**By Order of the Board**

**WU CHAO HUAN**  
**Managing Director**  
**12 August 2011**



## **Courage Marine Group Limited**

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### **COURAGE MARINE GROUP LIMITED (Incorporated in Bermuda)**

To: All Shareholders

The Board of Directors of Courage Marine Group Limited wishes to make the following announcement:

#### **Financial Result**

The unaudited financial results of the Group for the six months and second quarter ended 30 June 2011 are enclosed.

#### **Confirmation by Directors**

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Group for the six months and second quarter ended 30 June 2011 to be false or misleading.

#### **By Order of the Board Courage Marine Group Limited**

Mr. Hsu Chih-Chien  
Chairman and Director

Mr. Wu Chao-Huan  
Managing Director

Dated this the Twelveth day of August 2011