



**COURAGE MARINE GROUP LIMITED**

勇利航業集團有限公司

(Incorporated in Bermuda on 5 April 2005)

(Company Registration no: 36692)

**Unaudited results for the First Quarter Ended 31 March 2012**

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

(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, 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 First Quarter Ended 31 March 2012**

	Group		
	US\$'000		%
	Q1 2012	Q1 2011	Change
Turnover	5,682	5,815	(2)
Cost of sales	(6,322)	(8,089)	(22)
Gross (loss)	(640)	(2,274)	(72)
Other income	38	71	(46)
Other gains and losses	247	285	(13)
Administrative expenses	(648)	(664)	(2)
Other expenses	-	(1,087)	NM
Finance cost	(143)	(17)	741
(Loss) before income tax	(1,146)	(3,686)	(69)
Income tax	(13)	(7)	86
(Loss) for the period	(1,159)	(3,693)	(69)
Other comprehensive income -			
Gain on revaluation of leasehold and building	-	517	NM
Total comprehensive (expense) - attributable to owners of the Company	(1,159)	(3,176)	(64)

**1(a)(ii) Additional Information**

	Group		
	US\$'000		%
	Q1 2012	Q1 2011	Change
Profit before tax is arrived after (charging) / crediting:			
Other incomes including interest income	38	71	(46)
Interest on borrowings	(143)	(17)	741
Depreciation and amortisation	(785)	(2,107)	(63)
Gain on disposal of property, plant and equipment	60	-	NM
Gain on held-for-trading investment	171	-	NM
Listing expenses	-	(1,087)	NM
Foreign exchange gain (net)	7	0	NM

**NOTES**

NM denotes not meaningful.

**1(b)(i) A statement of financial position (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
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
<b>ASSETS</b>				
<b>Current assets</b>				
Bank balances and cash	14,727	16,671	141	144
Trade receivables	730	67	-	-
Other receivables and prepayments	1,692	1,594	60	30
Held-for-trading investment	524	352	-	-
Pledged bank deposits	4,274	4,267	-	-
Tax recoverable	58	58	-	-
Certificate of deposit	1,074	1,074	-	-
<b>Total current assets</b>	<b>23,079</b>	<b>24,083</b>	<b>201</b>	<b>174</b>
<b>Non-current assets</b>				
Property, plant and equipment	83,555	60,692	-	-
Investment property	2,059	2,059	-	-
Investment in subsidiaries	-	-	14,217	16,224
Investment in associate	32	-	-	-
Amount due from subsidiaries	-	-	57,453	56,072
Long-term receivables	3,767	3,767	-	-
Deposit paid for acquisition of a vessel	-	5,320	-	-
Structured deposit	1,000	1,000	-	-
<b>Total non-current assets</b>	<b>90,413</b>	<b>72,838</b>	<b>71,670</b>	<b>72,296</b>
<b>Total assets</b>	<b>113,492</b>	<b>96,921</b>	<b>71,871</b>	<b>72,470</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Other payables and accruals	1,033	17,889	10	525
Bank borrowings - due within one year	3,693	996	-	-
<b>Total current liabilities</b>	<b>4,726</b>	<b>18,885</b>	<b>10</b>	<b>525</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	91	91	-	-
Bank borrowings - due after one year	31,889	-	-	-
<b>Total non-current liabilities</b>	<b>31,980</b>	<b>91</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves</b>				
Share capital	19,059	19,059	19,059	19,059
Share premium	28,027	28,027	28,027	28,027
Revaluation reserve	802	802	-	-
Retained profits	28,898	30,057	24,775	24,859
<b>Total</b>	<b>76,786</b>	<b>77,945</b>	<b>71,861</b>	<b>71,945</b>
<b>Total liabilities and equity</b>	<b>113,492</b>	<b>96,921</b>	<b>71,871</b>	<b>72,470</b>
<b>Net current assets / (liabilities)</b>	<b>18,353</b>	<b>5,198</b>	<b>191</b>	<b>(351)</b>
<b>Total assets less current liabilities</b>	<b>108,766</b>	<b>78,036</b>	<b>71,861</b>	<b>71,945</b>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specific the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

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

As at 31/03/2012		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
US\$3,693,000	-	US\$2,800,000	-

**Amount repayable after one year**

As at 31/03/2012		As at 31/03/2011	
Secured	Unsecured	Secured	Unsecured
US\$31,889,000	-	-	-

**Details of any collateral**

Secured borrowings are generally secured by:

1. Mortgage over two vessels of the Group with net book value US\$52,955,000 (2011: US\$9,803,000)
2. Assignment of insurance of vessel
3. Corporate guarantee from Courage Marine Group Limited

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

	<b>Group</b>	
	US\$'000	
	Q1 2012	Q1 2011
<b>Operating activities</b>		
Loss before income tax	(1,146)	(3,686)
Adjustments for		
Change in fair value of held-for-trading investment	(171)	36
Change in fair value of investment property	-	(321)
Gain on disposal of plant and equipment	(60)	-
Interest income	(27)	(34)
Interest expense	143	17
Depreciation	785	2,107
Operating cash flows before movements in working capital	(476)	(1,881)
(Increase) in trade receivables	(663)	(2,848)
(Increase) decrease in other receivable and prepayments	(98)	1,945
(Decrease) in other payable and accruals	(16,856)	(515)
Cash (used in) generated from operations	(18,093)	(3,299)
Income tax paid	(14)	(7)
Interest received	27	34
Interest expense paid	(143)	(17)
<b>Net cash (used in) operating activities</b>	<b>(18,223)</b>	<b>(3,289)</b>
<b>Investing activities</b>		
Purchase of plant and equipment	(21,281)	(235)
Additions of pledged bank deposits	(7)	(2,005)
Proceeds on disposal of plant and equipment	3,013	-
Investment in associate	(32)	-
<b>Net cash (used in) investing activities</b>	<b>(18,307)</b>	<b>(2,240)</b>
<b>Financing activities</b>		
Increase in bank loan	34,580	-
Increase in bank overdraft	6	-
Repayment of borrowings	-	(800)
<b>Net cash generated from (used in) financing activities</b>	<b>34,586</b>	<b>(800)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,944)</b>	<b>(6,329)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>16,671</b>	<b>29,929</b>
<b>Cash and cash equivalents at end of the period</b>	<b>14,727</b>	<b>23,600</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 January 2011</b>	19,059	28,027	152	67,179	114,417
Loss for the period	-	-	-	(3,693)	(3,693)
Surplus on revaluation of leasehold land and building	-	-	517	-	517
<b>Balance at 31 March 2011</b>	19,059	28,027	669	63,486	111,241
<b>Balance at 1 January 2012</b>	19,059	28,027	802	30,057	77,945
Loss for the period	-	-	-	(1,159)	(1,159)
<b>Balance at 31 March 2012</b>	19,059	28,027	802	28,898	76,786

	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 January 2011</b>	19,059	28,027	-	28,173	75,259
Loss for the period	-	-	-	(1,163)	(1,163)
<b>Balance at 31 March 2011</b>	19,059	28,027	-	27,010	74,096
<b>Balance at 1 January 2012</b>	19,059	28,027	-	24,859	71,945
Loss for the period	-	-	-	(84)	(84)
<b>Balance at 31 March 2012</b>	19,059	28,027	-	24,775	71,861

**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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer 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 convertibles as at 31 March 2012 and 31 December 2011.

**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 31/03/2012</b>	<b>As at 31/12/2011</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**

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 a 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 2011.

**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 financial 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 on issue; and (b) on a fully diluted basis (detailing any adjustments made to the earnings)**

	<b>Group</b>	
	Q1 2012	Q1 2011
	US Cents	US Cents
a Based on the weighted average number of ordinary shares on issue	(0.11)	(0.35)
b On a fully diluted basis	(0.11)	(0.35)

**NOTES:**

The earnings (loss) per ordinary share is calculated by dividing the consolidated profit (loss) 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 (loss) per ordinary share is the same as the earnings (loss) 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 the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	7.25	7.37	6.79	6.79

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) 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; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### Turnover

##### 1Q2012

The Group's turnover decreased by 2% in from US\$5.8 million in 1Q11 to approximately US\$5.7 million in 1Q12, reflecting the poor market conditions in dry bulk rates, as well as the low fleet utilisation due to the lower demand from commodity trading and the Chinese New Year holidays in January and February as most of the shipments of cargo to and from China were relatively slow during the period. The BDI was below the 1,000 level most of the time during 1Q12 and is currently around the 1,100 level.

#### Profitability

##### 1Q2012

Despite the decrease in turnover by 2%, the Group's cost of sales decreased by 22% from US\$8.1 million in 1Q11 to approximately US\$6.3 million in 1Q12. It was mainly due to lower fixed costs, including insurance, crew fees and depreciation arising from the disposal of aged vessels in 2H11 and 1Q12. The Group recorded a gross loss of approximately US\$0.6 million compared to gross loss of US\$2.3 million in 1Q11.

Other income consists of interest income from bank and certificates of deposit, sundry income, and other one-off income. The Group recorded other income of US\$38,000 in 1Q12, a decrease of 46% compared to 1Q11 mainly due to lower sundry income and interest income.

Other gains and losses consist of changes in the fair value of investment property, changes in fair value of held-for-trading investments, gains and losses on the disposal of fixed assets and exchange gains and losses. The Group recorded gains of approximately US\$247,000 compared to approximately US\$285,000 in 1Q11. The decrease of 13% was due to no other income being recorded from changes in fair value of the Hong Kong office premises in 1Q12.

Administrative expenses decreased by 2% from approximately US\$0.66 million in 1Q11 to approximately US\$0.65 million in 1Q12.

The Group recorded listing expenses of US\$1.1 million in 1Q11 and did not record such expenses in 1Q12.

The Group recorded finance costs of approximately US\$143,000 in 1Q12 compared to US\$17,000 in 1Q11 mainly due to new bank borrowings for the two new vessels.

The Group's subsidiaries recorded an income tax expense of US\$14,000 during 1Q12 compared to approximately US\$7,000 in 1Q11.

The Group recorded a surplus on revaluation of the property for approximately US\$0.5 million in 1Q11 and did not record such surplus in 1Q12.

Overall, the Group recorded a lower net loss of approximately US\$1.2 million in 1Q12 due to lower fixed costs and expenses.

#### Cashflow

There was a net decrease in cash and cash equivalents of approximately US\$1.9 million in 1Q12 arising from a payment for newly acquired vessel. However, the Group remains in a net cash position, with cash and bank balances of approximately US\$14.7 million as at 31 March 2012.



**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 dry bulk market remains weak over the past few months. The BDI, which has a close correlation to freight rates, dropped sharply below 1,000 in the beginning of 2012 and gradually returned to the 1,100 level. The Group remains cautious on the outlook for the year.

The Group took delivery of two new supermax vessels, MV Zorina and MV Heroic on December 2011 and February 2012, and disposed three aged vessels, MV Raffles, MV Valour and MV Cape Warrior. The updated tonnage of the fleet is approximately 248,000 dwt. Following the replacement of the vessels, the Group expects to be able to operate with higher efficiency when the dry bulk market recovers in full.

In the light of the weak dry bulk market, the Group is exploring opportunities to diversify its income base to reduce its dependence on freight income. This includes possible trading activities to complement its current chartering activities.

The Group expects the financial performance for 2012 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?

Not applicable

### (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.

## 13. Interested Person Transactions

The group has not obtained a general mandate for interested person transactions. During the period under review, the following interested person transactions were entered into by the Group:

Interested Person	Aggregate value of all interested person transactions conducted for 1Q12 (excluding transactions less than \$100,000)
Ms. Chou (Spouse of Mr Chang Shun-Chi)	Rental expenses for lease of Shanghai office - US\$7,000
Mr. Chang Shun-Chi	Commission on disposal of vessels paid - US\$15,000

**By Order of the Board**

**WU CHAO-HUAN**  
Managing Director  
15 May 2012



## **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 first quarter ended 31 March 2012 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 first quarter of 2012 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 Fifteen day of May 2012