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Courage Marine Group Limited
(勇利航業集團有限公司)

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: E91.SI)

DISCLOSEABLE TRANSACTION
FORMATION OF JOINT VENTURE COMPANY
AND INVESTMENT IN PROPERTY INTEREST
IN SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA

The Board is pleased to announce that pursuant to the Second Supplemental AIC-SP Agreement, Shanghai Ji Jin, an indirect wholly-owned subsidiary of the Company, and the Seller have formed the JV Company. The JV Company is owned as to 41.7% by Shanghai Ji Jin and as to 58.3% by the Seller. On 18 May 2012, the JV Company and the Seller entered into the Property Transfer Agreement, under which the JV Company shall acquire from the Seller the PRC Property at a consideration to be based on an independent valuation of the PRC Property as at 31 March 2012.

The Seller is wholly-owned by Pure Casual Inc., which is controlled by Jason Chang.

Jason Chang shall procure the Seller to waive the whole consideration which the Seller is entitled to receive for the transfer of the PRC Property in favour of the JV Company as settlement of an outstanding debt due by Jason Chang to the Group in the sum of US\$3,803,381.00.

As the relevant percentage ratios of the Company in respect of the PRC Property Investment exceed 5% but are less than 25%, the PRC Property Investment constitutes a discloseable transaction of the Company under rule 14.06(2) of the Listing Rules. Accordingly, the Company is required to make an announcement in respect of the PRC Property Investment under rule 14.34 of the Listing Rules.

BACKGROUND

Reference is made to the paragraphs under the heading “Sunrise Investment” on pages 99 to 100 (inclusive) of the Listing Document.

Under the AIC-SP Agreement, Courage Amego agreed to transfer the entire issued share capital of AIC to Jason Chang in consideration of approximately US\$3.8 million. AIC holds 25% of the shareholding in Sunrise. Jason Chang may pay this consideration to Courage Amego by procuring the transfer of the PRC Property to a wholly-owned foreign enterprise established in PRC, which in turn be wholly-owned by a joint venture company owned as to 41.7% by Courage Amego and 58.3% by Jason Chang. However, if such “in kind” completion cannot take place by 13 April 2011, Jason Chang has to pay the consideration in cash. As contemplated, Harmony, a BVI company, was established as the joint venture company (Harmony has been dormant since its incorporation).

The AIC-SP Agreement was subsequently amended by the AIC Confirmation, under which it was agreed that the risks and benefits in respect of the shares in Sunrise held by Courage Amego had been transferred to Jason Chang with effect from the date of acceptance by Jason Chang of the put option notice in respect of these shares in Sunrise served by Courage Amego on Jason Chang in July 2009.

Under the First Supplemental AIC-SP Agreement, Jason Chang and Courage Amego have agreed to extend the long stop date for completion to 31 March 2012, and the AIC-SP Agreement was amended accordingly.

Under the First Indemnity, the Covenantors, both Directors and (together with others) substantial shareholders of the Company, agreed to jointly and severally indemnify Courage Amego against all losses, costs and expenses which Courage Amego may suffer as a result of default on the part of Jason Chang under the AIC-SP Agreement as amended by the AIC Confirmation and First Supplemental AIC-SP Agreement provided always that the liability of the Covenantors under the First Indemnity shall not exceed US\$3,803,381.00.

SECOND SUPPLEMENTAL AIC-SP AGREEMENT

On 18 May 2012, Courage Amego has entered into the Second Supplemental AIC-SP Agreement with Jason Chang under which, for the purpose of achieving “in-kind” completion, they agree (amongst other things) that:

- (i) the long stop date for completion under the AIC-SP Agreement (as amended by the AIC Confirmation and the First Supplemental AIC-SP Agreement) shall be further extended to 31 December 2012;
- (ii) the JV Company be formed and be owned as to 41.7% by Shanghai Ji Jin, an indirect wholly-owned subsidiary of the Company, and as to 58.3% by the Seller, which is wholly-owned by Pure Casual Inc., a company controlled by Jason Chang;

- (iii) Jason Chang shall procure that the PRC Property be transferred by the Seller to the JV Company at a consideration to be based on an independent valuation of the PRC Property as at 31 March 2012;
- (iv) Jason Chang shall procure that the Seller shall irrevocably waive the whole consideration which the Seller is entitled to receive for the transfer of the PRC Property in favour of the JV Company;
- (v) all taxes arising out of the transfer of the PRC Property and the Seller's Waiver shall be borne by the Group and Jason Chang in the Agreed Ratio provided that any of these taxes in excess of RMB13,500,000.00 shall be solely borne by Jason Chang; and
- (vi) the JV Company replaces Harmony as the joint venture company to acquire and hold the PRC Property.

In consideration of the PRC Property Investment, the Outstanding Debt due from Jason Chang to the Group in the sum of US\$3,803,381.00 for the purchase of the Group's earlier interest in Sunrise will be deemed settled and satisfied upon completion of the PRC Property Investment, and as such, the amount of the Outstanding Debt shall form part of the total consideration to be given by the Group for the PRC Property Investment.

PROPERTY TRANSFER AGREEMENT

Pursuant to the Second Supplemental AIC-SP Agreement, on 18 May 2012, the Seller, the JV Company and Shanghai Ji Jin have entered into the Property Transfer Agreement in respect of the transfer of the PRC Property by the Seller to the JV Company at a consideration to be based on an independent valuation of the PRC Property as at 31 March 2012, the completion date of which shall not be later than 31 December 2012. After this independent valuation of the PRC Property shall have been determined, the Seller, the JV Company and Shanghai Ji Jin shall enter into the Supplemental Property Transfer Agreement in which this valuation shall be confirmed as Assessed Consideration. Under the Property Transfer Agreement, the Seller shall be responsible, at its own cost, to obtain all approvals relating to the completion of the industrial buildings on the PRC Property and to procure the issuance of a real estate ownership certificate of the PRC Property recording the land and industrial buildings thereon in the name of the JV Company free from encumbrances.

WAIVER

On 18 May 2012, the Seller has executed the Seller's Undertaking under which it (amongst other things) irrevocably waives in favour of the JV Company all consideration which the Seller is entitled to receive for the transfer of the PRC Property.

CANCELLATION RIGHT

Under PRC Contract Law, the creditors of the Seller at the time of the Seller's Waiver being made shall have the right to apply to the people's court of PRC to cancel the Seller's Waiver if they shall suffer loss as a result of the Seller's Waiver. This cancellation right can be exercised by these creditors within one year from the day they shall have become aware or should have become aware of the Seller's Waiver. If no cancellation right shall be exercised within five years from the date of the Seller's Waiver being made, this cancellation right shall lapse.

PROTECTION

In order to provide protection to the Group against the exercise of this cancellation right and any breach of the AIC-SP Agreement (as amended by the AIC Confirmation, the First Supplemental AIC-SP Agreement and the Second Supplemental AIC-SP Agreement):

- (1) Under the Seller's Undertaking, the Seller undertakes to the JV Company and Shanghai Ji Jin that (amongst other things) it shall procure that the transfer of the PRC Property as contemplated be completed by 31 December 2012 and the Seller will take all necessary actions to ensure that the Seller's Waiver will not be cancelled;
- (2) Under the Second Supplemental AIC-SP Agreement, Jason Chang (amongst other things) undertakes to the Group that Jason Chang shall procure that the Seller shall pay its debts as they fall due including but not limited to those debts due to the creditors of the Seller at the time of the Seller's Waiver being made and Jason Chang shall prevent the cancellation right from being successfully enforced. Jason Chang further undertakes to fully indemnify the Group against all losses, costs and damages which they may suffer or incur as a result of Jason Chang's breach of the AIC-SP Agreement (as amended by the AIC Confirmation, the First Supplemental AIC-SP Agreement and the Second Supplemental AIC-SP Agreement) including but without limitation Jason Chang's breach of (amongst other things) the above undertakings; and
- (3) On 18 May 2012, the Covenantors have executed the Second Indemnity under which they shall jointly and severally indemnify the Group against all losses, costs and expenses whatsoever which the Group may suffer or incur as a result of default on the part of Jason Chang to perform any of his obligations under the AIC-SP Agreement (as amended by the AIC Confirmation, the First Supplemental AIC-SP Agreement and the Second Supplemental AIC-SP Agreement) including any breach of his above undertakings provided always that the total liability of the Covenantors under the Second Indemnity shall not exceed the higher of (a) US\$3,803,381.00 or (b) 41.7% of the Assessed Consideration. The Second Indemnity has replaced the First Indemnity.

JV COMPANY

The JV Company is a domestic enterprise of PRC formed for the sole purpose of acquiring and holding the PRC Property.

The registered capital of the JV Company is RMB500,000.00. The Seller has made capital contribution of RMB291,500.00 and Shanghai Ji Jin has made capital contribution of RMB208,500.00.

The articles of association of the JV Company provide that each of its shareholders can nominate two directors.

In respect of certain key matters including acquisition or disposal by the JV Company of its major assets (any single transaction or series of transaction involving assets with value exceeding RMB1,000,000.00 in aggregate shall be regarded as a transaction of major assets) and the provision of guarantee or loan by the JV Company shall have to be approved by all shareholders of the JV Company first before implementation.

Under the articles of association of the JV Company, it is also provided that the dividends to be distributed by the JV Company to its shareholders in each year in which such dividends can be distributed shall not be less than 70% of the net profit after tax of the JV Company for that year.

INFORMATION ON PRC PROPERTY

The PRC Property consist of the land (with approximate area of 9,213 sq.m.) and two industrial buildings constructed thereon (with approximate total gross floor area of 17,877 sq.m.). The construction of these two industrial buildings have been completed. The industrial buildings are vacant.

Based on a valuation report dated 22 February 2012 provided by RHL Appraisal Limited, an independent firm of qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location, the PRC Property was valued at HK\$91,800,000.00 as at 31 December 2011 (equivalent to approximately RMB74,358,000.00 and US\$11,769,230.76). The valuation report on the PRC Property was signed by a director of RHL Appraisal Limited who is a member of The Hong Kong Institute of Surveyors, and was arrived at by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions.

TAXES

The Group has been advised by its PRC legal adviser of the taxes which are chargeable in the transfer of the PRC Property and the Seller's Waiver. However, as the Assessed Consideration has not been determined, the amount of the taxes which are payable cannot yet be calculated.

CONSIDERATION FOR PRC PROPERTY INVESTMENT

The total consideration for the PRC Property Investment to be paid by the Group is estimated to be not more than US\$4,730,047.67 based on the aggregate of the following:

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|-----|---|--|
| (1) | The amount of Outstanding Debt to be regarded as settled and satisfied upon completion of the PRC Property Investment | US\$3,803,381.00 |
| (2) | The capital contribution made by Shanghai Ji Jin to the JV Company | US\$33,095.24
(equivalent to approximately RMB208,500.00) |
| (3) | 41.7% of US\$2,142,857.14 (equivalent to approximately RMB13,500,000.00) being the full extent of tax liability arising out of the transfer of the PRC Property and the Seller's Waiver undertaken to be borne by the Group | US\$893,571.43 |

It is intended that the consideration in respect of the capital contribution and the tax liability payable by the Group as particularized above will be funded by internal resources of the Group.

INFORMATION ON THE GROUP, SHANGHAI JI JIN AND THE SELLER

The Group principally engages in the business of the provision of vessel chartering services and property investment.

Shanghai Ji Jin is a domestic enterprise under the laws of PRC and is an indirect wholly-owned subsidiary of the Company.

The Seller is a wholly foreign-owned enterprise under the laws of PRC. It carries on the business of the manufacture and sale of metal furniture and related components. It is wholly-owned by Pure Casual Inc., a BVI company, which is controlled by Jason Chang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, both Jason Chang and the ultimate beneficial owner of the Seller are third parties independent of the Company and its connected persons and are not connected persons of the Company.

REASONS FOR THE PRC PROPERTY INVESTMENT

The PRC Property Investment arises out of the AIC-SP Agreement (as amended by the AIC Confirmation, the First Supplemental AIC-SP Agreement and the Second Supplemental AIC-SP Agreement) and enables the Group to secure the settlement and satisfaction of the outstanding debt due by Jason Chang to the Group in the sum of US\$3,803,381.00.

Based on the valuation of the PRC Property as at 31 December 2011 made by RHL Appraisal Limited, 41.7% of this valuation in the sum of HK\$91,800,000.00 (equivalent to approximately US\$11,769,230.00) exceeds the debt in the sum of US\$3,803,381.00 due by Jason Chang to the Group.

The Directors including the independent non-executive Directors but excluding the Covenantors consider that adequate protection has been provided to the Group against the exercise of cancellation right and any breach of Jason Chang's obligations under the AIC-SP Agreement (as amended by the AIC Confirmation, the First Supplemental AIC-SP Agreement and the Second Supplemental AIC-SP Agreement) and any breach of the Seller's obligations under the Property Transfer Agreement. Furthermore, adequate provisions to safeguard Shanghai Ji Jin's interest as minority shareholder of the JV Company have been incorporated in the articles of association of the JV Company.

The Directors, including the independent non-executive Directors but excluding the Covenantors, consider the PRC Property Investment and the terms of the Second Supplemental AIC-SP Agreement, the Property Transfer Agreement, the Seller's Undertaking and the Second Indemnity are entered into upon normal commercial terms following arm's length negotiation among the parties and that such terms are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios of the Company in respect of the PRC Property Investment exceed 5% but are less than 25%, the PRC Property Investment constitutes a discloseable transaction of the Company under rule 14.06(2) of the Listing Rules. Accordingly, the Company is required to make an announcement in respect of the PRC Property Investment under rule 14.34 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreed Ratio”	a ratio agreed between the Company and Jason Chang, being 41.7% to 58.3%
“AIC”	Airline Investment Corp., a limited company incorporated in the Republic of Panama which is wholly-owned by Courage Amego
“AIC Confirmation”	a written confirmation dated 24 February 2011 made by Courage Amego and Jason Chang to supplement the AIC-SP Agreement

“AIC-SP Agreement”	a sale and purchase agreement dated 14 October 2010 entered into between Courage Amego as vendor and Jason Chang as purchaser in relation to the disposal of the entire issued share capital of AIC in consideration of approximately US\$3.80 million
“Assessed Consideration”	the consideration for the transfer of the PRC Property to be confirmed in the Supplemental Property Transfer Agreement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Courage Marine Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange and on Singapore Exchange Securities Trading Limited
“Courage Amego”	Courage-New Amego Shipping Corp., a limited company incorporated in the Republic of Panama which is an indirect wholly-owned subsidiary of the Company
“Covenantors”	Wu Chao-Huan and Hsu Chih-Chien, both of whom are Directors and substantial shareholders of the Company
“Directors”	the directors of the Company
“First Indemnity”	a deed of indemnity dated 22 March 2011 made by the Covenantors in favour of Courage Amego against all losses which Courage Amego may suffer as a result of any default by Jason Chang under the AIC-SP Agreement as supplemented by the AIC Confirmation and the First Supplemental AIC-SP Agreement
“First Supplemental AIC-SP Agreement”	an agreement dated 22 March 2011 entered into between Courage Amego and Jason Chang to supplement the AIC-SP Agreement, under which the long stop date was extended to 31 March 2012 and the AIC-SP Agreement was amended accordingly
“Group”	the Company and its subsidiaries

“Harmony”	Harmony Century Group Limited, a company incorporated in BVI on 7 October 2010 and is an indirect non-wholly owned subsidiary of the Company, which is owned as to 41.7% by Courage Amego and 58.3% by Jason Chang
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV Company”	上海悦勇投资管理有限公司, a joint venture company formed under the laws of PRC which is owned as to 41.7% by Shanghai Ji Jin and 58.3% by the Seller
“Listing Document”	the listing document dated 21 June 2011 submitted to Stock Exchange by the Company for the listing of its shares on the main board of Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Outstanding Debt”	the outstanding debt due from Jason Chang to the Group in the sum of US\$3,803,381.00 for the purchase of the Group’s earlier interest in Sunrise
“PRC”	The People’s Republic of China
“PRC Contract Law”	contract law of the PRC as in force at the date hereof and as amended and varied from time to time
“PRC Property”	the industrial complex situated at 中國上海青浦區工業園區2街坊19/6丘(上海市房地產權証編號：滬房地青字(2008)第010072號) constructed with a gross floor area of approximately 17,877 sq.m. (subject to final approval from the relevant governmental authorities) which is wholly owned by the Seller as at the date hereof
“PRC Property Investment”	the investment by the Group in the PRC Property through the formation of the JV Company and the acquisition of the PRC Property by the JV Company
“Property Transfer Agreement”	an agreement dated 18 May 2012 entered into among the Seller, the JV Company and Shanghai Ji Jin under which the JV Company shall purchase the PRC Property from the Seller for a consideration based on the independent valuation of the PRC Property as at 31 March 2012

“Pure Casual Inc.”	a company incorporated in BVI, which is controlled by Jason Chang
“RMB”	Renminbi, the lawful currency of PRC
“Second Indemnity”	a deed of indemnity and undertaking dated 18 May 2012 executed by the Covenantors in favour of Courage Amego and the Company
“Second Supplemental AIC-SP Agreement”	an agreement dated 18 May 2012 entered into between Courage Amego and Jason Chang to supplement the AIC-SP Agreement as supplemented by AIC Confirmation and First Supplemental AIC-SP Agreement
“Seller”	上海悦嘉金屬工業有限公司(formerly known as 悦軒(上海)金屬工業有限公司), a wholly-owned foreign enterprise incorporated under the laws of PRC and is wholly owned by Pure Casual Inc.
“Seller’s Undertaking”	an undertaking dated 18 May 2012 executed by the Seller under which it shall, amongst other things, waive in favour of the JV Company the consideration to which the Seller is entitled for the transfer of the PRC Property
“Seller’s Waiver”	the waiver made by the Seller in favour of the JV Company of all consideration which the Seller is entitled to receive for the transfer of the PRC Property
“Shanghai Ji Jin”	上海吉進管理諮詢有限公司, a domestic enterprise incorporated under the laws of PRC and is an indirect wholly-owned subsidiary of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunrise”	Sunrise Airlines Co. Ltd., a company incorporated in Taiwan
“Supplemental Property Transfer Agreement”	a supplemental agreement to be entered into by the Seller, the JV Company and Shanghai Ji Jin in respect of the Property Transfer Agreement

“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Courage Marine Group Limited
Hsu Chih-Chien
Chairman

Hong Kong, 18 May 2012

For the purpose of this announcement, unless otherwise specified, conversion of United States dollars into RMB is based on the approximate exchange rates of US\$1.00 to RMB6.30; conversion of Hong Kong Dollars to United States dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.80 and conversion of Hong Kong Dollars to RMB is based on the approximate exchange rate of HK\$1.00 to RMB0.81. The above exchange rates are for illustration purpose only and do not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.

As at the date of this announcement, the managing Director is Mr. Wu Chao-Huan, the Chairman and non-executive Director is Mr. Hsu Chih-Chien, the non-executive Directors are Mr. Sun Hsien-Long and Mr. Chang Shun-Chi, the independent non-executive Directors are Mr. Lui Chun Kin, Gary, Mr. Sin Boon Ann and Mr. Chu Wen Yuan.