



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 2012

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS 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 Second Quarter and First Six Months Ended 30 June 2012:

	US\$'000		% Change	US\$'000		% Change
	Q2 2012	Q2 2011		6 months 2012	6 months 2011	
Turnover	4,274	4,290	(0)	9,956	10,105	(1)
Cost of sales	(4,998)	(9,101)	(45)	(11,320)	(17,190)	(34)
Gross loss	(724)	(4,811)	(85)	(1,364)	(7,085)	(81)
Other income	108	353	(69)	146	424	(66)
Other (losses) gains	(3,507)	78	NM	(3,260)	363	NM
Administrative expenses	(824)	(807)	2	(1,472)	(1,471)	0
Other expenses	-	(967)	NM	-	(2,054)	NM
Impairment loss on property, plant and equipment	(3,464)	-	NM	(3,464)	-	NM
Finance cost	(305)	(14)	2,079	(448)	(31)	1,345
Loss before income tax	(8,716)	(6,168)	41	(9,862)	(9,854)	0
Income tax	(7)	(9)	(22)	(20)	(16)	25
Loss for the period	(8,723)	(6,177)	41	(9,882)	(9,870)	0
Other comprehensive income						
Gain on revaluation of leasehold land and building	190	310	(39)	190	827	(77)
Total comprehensive expense for the period attributable to owners of the Company	(8,533)	(5,867)	45	(9,692)	(9,043)	7

1(a)(ii) Additional Information

	US\$'000		% Change	US\$'000		% Change
	Q2 2012	Q2 2011		6 months 2012	6 months 2011	
Profit before tax is arrived after (charging) / crediting:						
Other income including						
interest income	108	353	(69)	146	424	(66)
Interest on borrowings	(305)	(14)	2,079	(448)	(31)	1,345
Depreciation and amortisation	(653)	(2,093)	(69)	(1,438)	(4,200)	(66)
Loss on disposal of property, plant and equipment	(3,469)	-	NM	(3,409)	-	NM
(Loss) gain on held-for-trading investment	(20)	(109)	(82)	40	(152)	NM
Listing expenses	-	(967)	NM	-	(2,054)	NM
(Loss) gain on foreign exchange (net)	(4)	(6)	(33)	3	(6)	(150)

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

	Group		Company	
	US\$'000	US\$'000	US\$'000	US\$'000
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
ASSETS				
Current assets				
Cash and cash equivalents	29,532	16,671	109	144
Trade receivables	242	67	-	-
Other receivables and prepayments	4,856	1,652	38	30
Held-for-trading investment	392	352	-	-
Pledged bank deposits	4,282	4,267	-	-
Certificate of deposit	1,074	1,074	-	-
Total current assets	40,378	24,083	147	174
Non-current assets				
Property, plant and equipment	58,574	60,692	-	-
Investment property	2,165	2,059	-	-
Investment in an associate	32	-	-	-
Investment in subsidiaries	-	-	16,224	16,224
Amount due from subsidiaries	-	-	55,297	56,072
Long-term receivables	3,767	3,767	-	-
Deposit paid for acquisition of a vessel	-	5,320	-	-
Structured deposit	1,000	1,000	-	-
Total non-current assets	65,538	72,838	71,521	72,296
Total assets	105,916	96,921	71,668	72,470
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Other payables and accruals	971	17,889	23	525
Amount due to an associate	30	-	-	-
Bank borrowings - due within one year	5,354	996	-	-
Total current liabilities	6,355	18,885	23	525
Non-current liabilities				
Deferred tax liabilities	1	1	-	-
Bank borrowings - due after one year	31,217	-	-	-
Total non-current liabilities	31,218	1	-	-
Capital and reserves				
Share capital	19,059	19,059	19,059	19,059
Share premium	28,027	28,027	28,027	28,027
Revaluation reserve	992	802	-	-
Retained profits	20,265	30,147	24,559	24,859
Total	68,343	78,035	71,645	71,945
Total liabilities and equity	105,916	96,921	71,668	72,470
Net current assets / (liabilities)	34,023	5,198	124	(351)
Total assets less current liabilities	99,561	78,036	71,645	71,945

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 30/6/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
US\$5,354,000	-	US\$996,000	-

Amount repayable after one year

As at 30/6/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
US\$31,217,000	-	-	-

Details of any collateral

Secured borrowings are generally secured by:

- 1 Corporate guarantee from Courage Marine Group Limited on the outstanding loan balance
- 2 First preferred mortgage over the vessels held by Zorina Navigation Corp. and Heroic Marine Corp., named "MV Zorina" and "MV Heroic", respectively, and
- 3 Assignment of insurance in respect of MV Zorina and MV Heroic

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

	Group	
	US\$'000	
	Q2 2012	Q2 2011
Operating activities		
Loss before income tax	(8,716)	(6,168)
Adjustments for:		
Depreciation	653	2,093
Change in fair value of investment property	(106)	(199)
Change in fair value of held for trading investment	131	116
Loss on disposal of plant and equipment	3,469	-
Interest income	(50)	(25)
Interest expense	305	-
Impairment loss on property, plant and equipment	3,464	-
Operating profit before movements in working capital	(850)	(4,183)
Decrease in trade receivables	488	3,046
Increase in other receivables, deposits and prepayment	(3,106)	(316)
Increase in other payables and accruals	15,898	1,248
Increase in amount due to an associate	30	-
Cash from (used in) operating activities	12,460	(205)
Interest received	35	25
Income tax paid	(6)	(9)
Net cash from (used in) operating activities	12,490	(189)
Investing activities		
Purchase of plant and equipment	(16,144)	(713)
Proceeds on disposal of plant and equipment	17,769	-
Addition of pledged deposits	-	(17)
Net cash from (used) in investing activities	1,625	(730)
Financing activities		
Interest paid	(305)	-
Dividend paid	-	(7,518)
Repayment of borrowings	(673)	(800)
Increase in bank overdraft	1,668	0
Net cash from (used) in financing activities	690	(8,318)
Net increase (decrease) in cash and cash equivalents	14,805	(9,237)
Cash and cash equivalents at the beginning of the period	14,727	23,600
Cash and cash equivalents at the end of the period	29,532	14,363

	Group	
	US\$'000	
	6 months of 2012	6 months of 2011
Operating activities		
Loss before income tax	(9,862)	(9,854)
Adjustments for:		
Depreciation expense	1,438	4,200
Change in fair value of investment property	(106)	(520)
Change in fair value of held for trading investment	(40)	152
Loss on disposal of plant and equipment	3,409	-
Interest income	(77)	(59)
Interest expense	448	17
Impairment loss on property, plant and equipment	3,464	-
Operating profit before movements in working capital	(1,326)	(6,064)
(Increase) decrease in trade receivables	(175)	198
Increase in other receivables and prepayment	(3,204)	(371)
(Decrease) increase in other payables and accruals	(958)	733
Increase in amount due to an associate	30	-
Cash used in operating activities	(5,633)	(5,504)
Interest received	62	59
Income tax paid	(20)	(16)
Net cash used in operating activities	(5,591)	(5,461)
Investing activities		
Purchase of plant and equipment	(37,425)	(948)
Proceeds on disposal of plant and equipment	20,782	2,000
Acquisition of investment in an associate	(32)	-
Addition of pledged deposits	-	(2,022)
Net cash used in investing activities	(16,675)	(970)
Financing activities		
Interest paid	(448)	(17)
Dividends paid	-	(7,518)
Repayment of borrowings	(673)	(1,600)
Addition of bank borrowings	34,580	-
Increase in bank overdraft	1,668	-
Net cash from (used in) financing activities	35,127	(9,135)
Net increase (decrease) in cash and cash equivalents	12,861	(15,566)
Cash and cash equivalents at the beginning of the period	16,671	29,929
Cash and cash equivalents at the end of the period	29,532	14,363

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
The Group					
Balance at 1 April 2011	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)
Balance at 30 June 2011	19,059	28,027	979	49,791	97,856
Balance at 1 April 2012	19,059	28,027	802	28,988	76,876
Loss for the period	-	-	-	(8,723)	(8,723)
Surplus on revaluation of leasehold land and building	-	-	190	-	190
Balance at 30 June 2012	19,059	28,027	992	20,265	68,343

	Share Capital	Share Premium	Property Revaluation Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company					
Balance at 1 April 2011	19,059	28,027	-	27,010	74,096
Loss for the period	-	-	-	(1,191)	(1,191)
Dividend for 2010	-	-	-	(7,518)	(7,518)
Balance at 30 June 2011	19,059	28,027	-	18,301	65,387
Balance at 1 April 2012	19,059	28,027	-	24,859	71,945
Loss for the period	-	-	-	(300)	(300)
Balance at 30 June 2012	19,059	28,027	-	24,559	71,645

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 for 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 30 June 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

As at 30/06/2012	As at 31/12/2011
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)

	Group			
	Q2 2012	Q2 2011	6 months 2012	6 months 2011
	US Cents	US Cents	US Cents	US Cents
a Based on the weighted average number of ordinary shares in issue	(0.82)	(0.58)	(0.93)	(0.93)
b On a fully diluted basis	(0.82)	(0.58)	(0.93)	(0.93)

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 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

	Group		Company	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	6.45	7.37	6.77	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

2Q2012

The Group turnover decreased by less than 1% from approximately US\$4.29 million in 2Q11 to US\$4.27 million in 2Q12, reflecting the poor market condition in dry bulk rates, as well as the low fleet utilisation given the lower demand from the commodities trading. The BDI was around the low 1,000 level most of the time during 2Q12 and is currently around the 700 level.

1H2012

The Group turnover decreased by 1% from approximately US\$10.1 million in the six months ended 30 June 2011 to approximately US\$10 million in the six months ended 30 June 2012. The dry bulk market was still poor. The demand for commodities, especially in the Greater China region, slowed down in the first half of 2012. In addition, the financial crisis in the Euro zone has still not been resolved yet. These factors led to the low demand for commodities trading and affected the freight rate adversely.

Profitability

2Q2012

Despite decrease in turnover by less than 1%, the Group's cost of sales decreased by 45% from approximately US\$9.1 million in 2Q11 to approximately US\$5 million in 2Q12. This was mainly due to lower fixed costs, including insurance, crew fees and depreciation arising from the disposal of aged vessels during 2H11 and 1H12. The Group recorded a gross loss of approximately US\$0.7 million compared to gross loss of US\$4.8 million in 2Q11.

Other income consists of interest income from banks and certificate of deposit, sundry income, and other one-off income. The Group recorded other income of US\$0.1 million in 2Q12, a decrease of 69% compared to 2Q11. This was largely due to a one-off insurance claim received in 2Q11.

Other gains and losses consist of changes in 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 other losses of approximately US\$3.5 million in 2Q12 due to the disposal losses of aged vessels, namely MV Valour, MV Cape Warrior and MV Courage.

Administrative expenses increased by 2% from approximately US\$0.81 million to approximately US\$0.82 million in 2Q12 as the Group maintained a relatively stable administrative cost.

The Group recorded listing expenses of approximately US\$1 million as other expenses in 2Q11 and did not record such expenses in 2Q12.

An impairment loss of approximately US\$3.5 million has been recognised in respect of the vessels to profit or loss during the interim period in light of decrease in revenue, utilisation rate, market value of the vessels and scrap materials of the vessels of the Group. The recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell.

The Group recorded finance costs of approximately US\$0.3 million in 2Q12 compared to US\$0.01 million in 2Q11 mainly due to new bank borrowings for the acquisition of the two new vessels.

The Group's subsidiaries recorded an income tax expense of US\$7,000 during 2Q12 compared to approximately US\$9,000 in 2Q11.

The Group recorded a gain on revaluation of leasehold land and building for approximately US\$0.2 million in 2Q12 compared to US\$0.3 million in 2Q11.

Overall, the Group recorded a net loss of approximately US\$8.7 million in 2Q12 mainly due to loss on disposal of fixed assets and impairment loss in respect of the vessels.

1H2012

Despite decrease in turnover by 1%, the Group's cost of sales decreased by 34% from approximately US\$17.2 million in 1H11 to approximately US\$11.3 million in 1H12. It was mainly due to lower fixed costs, including insurance, crew fees and depreciation arising from the disposal of aged vessels during 2H11 and 1H12. The Group recorded a decrease of 81% on gross loss from approximately US\$7.1 million in 1H11 to US\$1.4 million in 1H12.

Other income consists of interest income from banks and certificate of deposit, sundry income, and other one-off income. The Group recorded other income of US\$146,000 in 1H12, a decrease of 66% compared to 1H11. This was largely due to a one-off insurance claim received in 1H11.

Other gains and losses consist of changes in 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 other losses of approximately US\$3.3 million in 1H12 due to the disposal losses of aged vessels, namely MV Raffles, MV Valour, MV Cape Warrior and MV Courage.

Administrative expenses increased by less than 1% as the Group maintained a relatively stable administrative cost

The Group recorded listing expenses of approximately US\$2.1 million as other expenses in 1H11 and did not record such expenses in 1H12.

An impairment loss of approximately US\$3.5 million has been recognised in respect of the vessels to profit or loss during the interim period in light of decrease in revenue, utilisation rate, market value of the vessels and scrap materials of the vessels of the Group. The recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell.

The Group recorded finance costs of approximately US\$0.4 million in 1H12 compared to US\$0.08 million in 1H11 mainly due to new bank borrowings for acquisition of the two new vessels.

The Group's subsidiaries recorded an income tax expense of US\$20,000 during 1H12 compared to approximately US\$16,000 in 1H11.

The Group recorded a gain on revaluation of leasehold land and building for approximately US\$0.2 million in 1H12 compared to US\$0.8 million in 1H11.

Overall, although the Group recorded losses on disposal of fixed assets and impairment loss in respect of the vessels for a total amount of approximately US\$7 million, the Group recorded a net loss of US\$9.88 million in 1H12 compared to US\$9.87 million in 1H11.

Cashflow

There was a net increase in cash and cash equivalents of approximately US\$11.2 million in 1H12 due to the net proceeds from the disposal of vessels. The Group was in a net cash position, with cash and bank balances of approximately US\$29.5 million as at 30 June 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, has dropped to 700 level recently. Low demand of commodities in the Greater China Region, over-supply of vessels and lingering financial crisis of the Euro zone led to the pressure on the freight rate of dry bulk market. The Group remains cautious on the outlook for the year.

The Group took delivery of two new supermax vessels, MV Zorina and MV Heroic in December 2011 and February 2012 respectively, and had disposed of four aged vessels, MV Raffles, MV Valour, MV Cape Warrior and MV Courage. Besides, the Group had entered into a memorandum of agreement for acquiring a second hand capesize vessel in early August 2012. This capesize vessel is expected to be delivered in late August 2012. After completion of this acquisition, the new tonnage of the Group's fleet will be approximately 330,000 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 taking opportunities to diversify its income base to reduce its dependence on freight income. The Group had entered into a memorandum of understanding dated 11 July 2012 with certain other joint ventures partners in respect of investing in a property development project in Singapore (the "JV Participation"). The Group is optimistic about the residential property market in Singapore and the JV Participation represents an opportunity for the Group to diversify from its principal activity of providing vessel chartering services to charterers. The JV Participation is subject to, inter alia, shareholders' approval being obtained by the Company at a general meeting of its shareholders.

The Group expects the financial performance for 2012 to continue to be adversely affected by the current challenging economic conditions and uncertain outlook.

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 1H12 (excluding transactions less than \$100,000)
Ms. Chou (Spouse of Mr Chang Shun-Chi)	Rental expenses for lease of Shanghai office - US\$14,000
Mr. Chang Shun-Chi	Commission on disposal of vessels paid - US\$94,000 (Payable to Maxmart Shipping & Trading Co., Ltd., a company which Mr. Chang is a director and a sole shareholder.)

By Order of the Board

WU CHAO-HUAN
Managing Director
14 August 2012



Courage Marine Group Limited

Suite 1801, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong

Phone: (852) 3184-0755 · Fax: (852) 3184-0750

Website: couragemarine.com · E-mail: courage@couragemarine.com

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 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 six months and second quarter ended 30 June 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 Fourteenth day of August 2012