



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 Second Quarter And First Six Months Ended 30 June 2014

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

1(a)(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

(i) Income Statement for the Second Quarter and First Six Months Ended 30 June 2014:

	US\$'000		% Change	US\$'000		% Change
	Q2 2014	Q2 2013		6 months 2014	6 months 2013	
Turnover	4,530	5,250	(14)	9,845	10,256	(4)
Cost of sales	(5,415)	(5,200)	4	(10,786)	(10,018)	8
Gross (loss) profit	(885)	50	NM	(941)	238	NM
Other income	160	167	(4)	189	350	(46)
Other gains and losses	1,481	(55)	NM	1,427	(62)	NM
Administrative expenses	(720)	(846)	(15)	(1,363)	(1,517)	(10)
Other expenses	(500)	-	NM	(500)	-	NM
Finance cost	(430)	(310)	39	(716)	(625)	15
Loss before tax	(894)	(994)	(10)	(1,904)	(1,616)	18
Income tax credit	23	56	(59)	21	56	(63)
Loss for the period	(871)	(938)	(7)	(1,883)	(1,560)	21
Other comprehensive income						
Gain on revaluation of owner-occupied property	151	2	7,450	151	2	7,450
Deferred tax (charge) credit arising on revaluation of leasehold land and building	(17)	6	NM	(17)	6	NM
Total comprehensive expense for the period attributable to owners of the Company	(737)	(930)	(21)	(1,749)	(1,552)	13

(ii) Additional Information

	US\$'000		% Change	US\$'000		% Change
	Q2 2014	Q2 2013		6 months 2014	6 months 2013	
Profit before tax is arrived after (charging) / crediting:						
Other income including interest income	160	167	(4)	189	350	(46)
Interest on borrowings	(430)	(310)	39	(716)	(625)	15
Depreciation and amortisation	(559)	(414)	35	(1,132)	(814)	39
Gain on disposal of property, plant and equipment	1,475	-	NM	1,475	-	NM
Gain (loss) on held-for-trading investment	6	(73)	NM	(22)	(77)	(71)
(Loss) gain on foreign exchange (net)	(15)	2	NM	(41)	(1)	4,000

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
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
ASSETS				
Current assets				
Cash and cash equivalents	13,809	13,152	127	108
Trade receivables	351	1,329	-	-
Other receivables and prepayments	3,892	3,775	40	27
Amounts due from a joint venture	412	412	-	-
Held-for-trading investment	428	450	-	-
Pledged bank deposits	4,344	4,330	-	-
Total current assets	23,236	23,448	167	135
Non-current assets				
Property, plant and equipment	70,823	70,120	-	-
Investment property	929	914	-	-
Interest in a joint venture	5,330	5,330	-	-
Interests in subsidiaries	-	-	20,047	20,047
Amounts due from subsidiaries	-	-	52,502	53,584
Long-term receivables and deposits	5,141	5,015	-	-
Deposit paid for acquisition of a vessel	-	860	-	-
Available-for-sale investment	79	79	-	-
Total non-current assets	82,302	82,318	72,549	73,631
Total assets	105,538	105,766	72,716	73,766
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Other payables and accruals	1,515	2,205	100	892
Bank borrowings - due within one year	4,042	5,646	-	-
Total current liabilities	5,557	7,851	100	892
Non-current liabilities				
Deferred tax liabilities	177	190	-	-
Bank borrowings - due after one year	34,168	30,340	-	-
Total non-current liabilities	34,345	30,530	-	-
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	1,207	1,073	-	-
Other reserve	1,531	1,531	-	-
Retained profits	15,812	17,695	25,530	25,788
Total	65,636	67,385	72,616	72,874
Total liabilities and equity	105,538	105,766	72,716	73,766
Net current assets / (liabilities)	17,679	15,597	67	(757)
Total assets less current liabilities	99,981	97,915	72,616	72,874

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify 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 30/06/2014		As at 30/06/2013	
Secured	Unsecured	Secured	Unsecured
US\$4,042,000	-	US\$5,614,000	-

Amount repayable after one year

As at 30/06/2014		As at 30/06/2013	
Secured	Unsecured	Secured	Unsecured
US\$34,168,000	-	US\$31,926,000	-

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 Courage Marine Co. Ltd., Heroic Marine S.A., Sea Pioneer Marine Corp. and Zorina Navigation Corp., named "MV Courage", "MV Heroic", "MV Cape Pioneer" and "MV Zorina", respectively, and
3. Assignment of insurance in respect of MV Cape Pioneer, MV Courage, MV Heroic and MV Zorina

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	
	2Q of 2014	2Q of 2013
Operating activities		
Loss before income tax	(892)	(994)
Adjustments for:		
Dividends from held-for-trading investments	(20)	(20)
Depreciation of property, plant and equipment	559	414
Change in fair value of investment property	(15)	23
Change in fair value of held-for-trading investment	(6)	73
Change in fair value of structured deposit	-	(38)
Gain on disposal of property, plant and equipment	(1,475)	-
Discount effect on long-term loan receivable	246	-
Interest income	(15)	(21)
Finance costs	132	324
Impairment loss on property, plant and equipment	254	-
Imputed interest income on long-term receivables	(118)	(112)
Operating cash flows before movements in working capital	(1,350)	(351)
Decrease in trade receivables	574	357
Decrease in other receivables and prepayment	314	511
(Decrease) increase in other payables and accruals	(24)	1,434
Cash (used in) generated from operating activities	(486)	1,951
Interest expense paid	(132)	(324)
Interest income received	15	21
Income tax paid	(7)	-
Dividend received from held-for-trading investment	20	20
Net cash (used in) from operating activities	(590)	1,668
Investing activities		
Deposit for acquisition of property, plant and equipment and investment properties	(254)	(577)
Purchase of property, plant and equipment	(1)	(339)
Proceeds on disposal of plant and equipment	8,393	-
Placement of pledged bank deposits	(6)	(11)
Withdrawal of structured deposit	-	1,000
Net cash from investing activities	8,132	74
Financing activities		
Repayment of loans	(4,526)	(791)
(Decrease) increase in bank overdraft	(2,477)	15
Net cash used in financing activities	(7,003)	(776)
Net increase in cash and cash equivalents	539	966
Cash and cash equivalents at the beginning of the period	13,270	15,594
Cash and cash equivalents at the end of the period	13,809	16,560

	Group	
	US\$'000	
	6 months of 2014	6 months of 2013
Operating activities		
Loss before income tax	(1,904)	(1,616)
Adjustments for:		
Dividends from held-for-trading investments	(20)	(20)
Depreciation of property, plant and equipment	1,132	814
Change in fair value of investment property	(15)	23
Change in fair value of held-for-trading investment	22	77
Change in fair value of structured deposit	-	(38)
Gain on disposal of property, plant and equipment	(1,475)	-
Discount effect on long-term loan receivable	246	-
Interest income	(30)	(50)
Finance costs	716	625
Impairment loss on deposit paid	254	-
Imputed interest income on long-term receivables	(118)	(112)
Operating cash flows before movements in working capital	(1,192)	(297)
Decrease in trade receivables	978	752
Increase in other receivables and prepayment	(371)	(1,255)
(Decrease) increase in other payables and accruals	(690)	913
Cash (used in) generated from operating activities	(1,275)	113
Interest expense paid	(716)	(625)
Interest income received	30	50
Income tax paid	(9)	-
Dividend received from held-for-trading investment	20	20
Net cash used in operating activities	(1,950)	(442)
Investing activities		
Deposit for acquisition of property, plant and equipment and investment properties	(254)	(577)
Purchase of plant and equipment	(7,742)	(7,845)
Proceeds on disposal of property, plant and equipment	8,393	-
Placement of pledged bank deposits	(14)	(19)
Withdrawal of structured deposit	-	1,000
Net cash from (used in) investing activities	383	(7,441)
Financing activities		
Repayment of loans	(5,319)	(1,465)
New loans raised	10,000	4,000
(Decrease) increase in bank overdraft	(2,457)	36
Net cash from financing activities	2,224	2,571
Net increase (decrease) in cash and cash equivalents	657	(5,312)
Cash and cash equivalents at the beginning of the period	13,152	21,872
Cash and cash equivalents at the end of the period	13,809	16,560

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	Other Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group						
Balance at 1 April 2013	19,059	28,027	1,117	-	18,848	67,051
Loss for the period	-	-	-	-	(938)	(938)
Gain on revaluation of owner-occupied property	-	-	2	-	-	2
Deferred tax credit arising on revaluation of leasehold land and building	-	-	6	-	-	6
Reserve arising from the settlement of deferred consideration by way of transfer of property interest to a joint venture	-	-	-	1,531	-	1,531
Balance at 30 June 2013	19,059	28,027	1,125	1,531	17,910	67,652
Balance at 1 April 2014	19,059	28,027	1,073	1,531	16,683	66,373
Loss for the period	-	-	-	-	(871)	(871)
Gain on revaluation of owner-occupied property	-	-	151	-	-	151
Deferred tax charge arising on revaluation of leasehold land and building	-	-	(17)	-	-	(17)
Balance at 30 June 2014	19,059	28,027	1,207	1,531	15,812	65,636

	Share Capital	Share Premium	Property Revaluation Reserve	Other Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Company						
Balance at 1 April 2013	19,059	28,027	-	-	25,241	72,327
Loss for the period	-	-	-	-	(82)	(82)
Balance at 30 June 2013	19,059	28,027	-	-	25,159	72,245
Balance at 1 April 2014	19,059	28,027	-	-	25,680	72,766
Loss for the period	-	-	-	-	(150)	(150)
Balance at 30 June 2014	19,059	28,027	-	-	25,530	72,616

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 30 June 2014 and 31 December 2013.

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 30/06/2014	As at 31/12/2013
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 auditing standard or practice

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 2013.

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 2014	Q2 2013	6 months 2014	6 months 2013
	US Cents	US Cents	US Cents	US Cents
a Based on the weighted average number of ordinary shares in issue	(0.08)	(0.09)	(0.18)	(0.15)
b On a fully diluted basis	(0.08)	(0.09)	(0.18)	(0.15)

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

	Group		Company	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	6.20	6.36	6.86	6.88

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

2Q2014

The group turnover decreased by 14% from approximately US\$5.3 million in 2Q13 to US\$4.5 million in 2Q14, reflecting the low demand for the dry bulk market. The Baltic Dry Index (the "BDI") remained low and was below 1,000 level during 2Q14. The BDI was around the 700 level currently.

1H2014

The Group turnover decreased by 4% from approximately US\$10.3 million in the six months ended 30 June 2013 to approximately US\$9.8 million in the six months ended 30 June 2014. The dry bulk market remains under intense pressure and the BDI remains below 1,000 level.

Profitability

2Q2014

The Group's cost of sales increased by 4% from US\$5.2 million in 2Q13 to approximately US\$5.4 million in 2Q14. It was mainly due to higher crew fees and depreciation expenses arising from the operation of more vessels. The Group recorded a gross loss of US\$0.9 million in 2Q14 compared to a gross profit of US\$50,000 in 2Q13.

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\$160,000 in 2Q14, a decrease of 4% compared to 2Q13. This was mainly due to less interest income from bank deposits.

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 gain of approximately US\$1.5 million in 2Q14 due to the disposal gain of MV Cape Warrior.

Administrative expenses decreased by 15% from approximately US\$0.8 million in 2Q13 to approximately US\$0.7 million in 2Q14 as the Group had less legal and professional expenses during the quarter.

The Group recorded other expenses of approximately US\$0.5 million in 2Q14 as there was an impairment loss on deposits paid and discount effect on the long-term loan advanced. The Group did not record such expense in 2Q13.

The Group recorded finance costs of approximately US\$0.4 million in 2Q14 compared to US\$0.3 million in 2Q13 mainly due to the addition of bank borrowings.

The Group's subsidiaries recorded an income tax credit of US\$23,000 during 2Q14 compared to approximately US\$56,000 in 2Q13. It was due mainly to the over provision of the deferred tax liability in the previous year.

The Group recorded a gain on revaluation of owner-occupied property for approximately US\$151,000 in 2Q14 compared to a gain of US\$2,000 in 2Q13.

The Group recorded a deferred tax charge on revaluation of leasehold land and building for approximately US\$17,000 in 2Q14 compared to a deferred tax credit of approximately US\$6,000 in 2Q13.

Overall, the Group recorded a lower net loss of approximately US\$0.7 million in 2Q14 due to the gain on disposal of MV Cape Warrior.

1H2014

The Group's cost of sales increased by 8% from approximately US\$10 million in 1H13 to approximately US\$10.8 million in 1H14. It was mainly due to higher crew fees and depreciation expenses arising from the operation of more vessels. The Group recorded a gross loss of US\$0.9 million in 1H14 compared to a gross profit of US\$0.2 million in 1H13.

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\$0.2 million in 1H14, a decrease of 46% compared to 1H13. This was largely due to an one-off insurance claim received in 1H13.

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 gain of approximately US\$1.4 million in 1H14 due to the disposal gain of MV Cape Warrior.

Administrative expenses decreased by 10% from approximately US\$1.5 million in 1H13 to approximately US\$1.4 million in 1H14 as the Group had less legal and professional expenses during the period.

The Group recorded other expenses of approximately US\$0.5 million in 1H14 as there was an impairment loss on deposits paid and discount effect on the long-term loan advanced. The Group did not record such expense in 1H13.

The Group recorded finance costs of approximately US\$0.7 million in 1H14 compared to US\$0.6 million in 1H13 mainly due to the addition of bank borrowings.

The Group's subsidiaries recorded an income tax credit of US\$21,000 during 1H14 compared to approximately US\$56,000 in 1H13. It was due mainly to the over provision of the deferred tax liability in the previous year.

The Group recorded a gain on revaluation of owner-occupied property for approximately US\$151,000 in 1H14 compared to a gain of US\$2,000 in 1H13.

The Group recorded a deferred tax charge on revaluation of leasehold land and building for approximately US\$17,000 in 1H14 compared to a deferred tax credit of approximately US\$6,000 in 1H13.

Overall, the Group recorded a higher net loss of approximately US\$1.7 million in 1H14 compared to US\$1.6 million in 1H13 due to higher cost of sales and impairment loss due to the deposit paid and discount effect of long-term loan advanced.

Cashflow

There was a net increase in cash and cash equivalents of approximately US\$0.7 million in 1H14. Although the Group had obtained a new bank loan of US\$10 million and had proceeds of approximately US\$8.4 million on the disposal of MV Cape Warrior, cash was also utilised to purchase a second-hand Panamax size vessel and to repay part of the bank loans. The Group had cash and bank balances of approximately US\$13.8 million as at 30 June 2014.

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 and the BDI, which has a close correlation to freight rates, was below the 1,000 level for most of the time during 2Q14. Low demand of commodities in the Greater China Region, and over-supply of vessels led to more pressure on the freight rates of the dry bulk market. The Group remains cautious on the outlook for 2014 and first half of 2015.

During 2Q14, the Group had disposed a Capesize vessel and recorded a gain on disposal of approximately US\$1.4 million subject to the audit of FY2014. The updated tonnage of the Group's fleet is approximately 335,000 dwt. With the current fleet, the Group is well placed to operate at higher efficiency in the event the dry bulk market recovers fully.

The Group expects the financial performance for 2014 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) Whether an interim (final) ordinary dividend has been declared (recommended)

No.

(b)(i) Amount per share in cents

Not applicable.

(b)(ii) Previous corresponding period in cents

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated)

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined

Not applicable.

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

No dividend was declared or recommended for the current financial period reported on

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 2Q14
Ms. Chou (Spouse of Mr Chang Shun-Chi) *	Rental expenses for lease of Shanghai office - US\$7,000
Maxmart Shipping & Trading Co., Ltd. (Mr Chang Shun-Chi is a sole director and a controlling shareholder)*	Commission on disposal of vessel paid - US\$44,000

*Mr Chang Shun-Chi has retired as a director of the Company with effect from the conclusion of the annual general meeting of the Company held on 29 April 2014.

By Order of the Board

WU CHAO-HUAN
Managing Director
12 August 2014



Courage Marine Group Limited

勇利航業集團有限公司

Suite 1801, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Phone: (852) 3184-0755 · Fax: (852) 3184-0750

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 2014 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 2014 to be false or misleading in any material aspect.

**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 12th day of August 2014