



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 2016

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

(j) Income Statement for the Second Quarter and First Six Months Ended 30 June 2016:

| | US\$'000 | | % | US\$'000 | | % |
|--|----------|----------|------|----------|---------------|-------|
| | 2Q 2016 | 2Q 2015 | | Change | 6 months 2016 | |
| Revenue | 1,278 | 1,723 | (26) | 1,839 | 2,950 | (38) |
| Cost of sales | (1,662) | (3,170) | (48) | (3,012) | (6,038) | (50) |
| Gross loss | (384) | (1,447) | (73) | (1,173) | (3,088) | (62) |
| Other income | 39 | 150 | (74) | 46 | 205 | (78) |
| Other gains and losses | (37) | (1,410) | (97) | (249) | (1,399) | (82) |
| Administrative expenses | (1,092) | (632) | 73 | (1,384) | (1,145) | 21 |
| Other expenses | (81) | (11,094) | (99) | (81) | (11,094) | (99) |
| Finance costs | (211) | (298) | (29) | (421) | (592) | (29) |
| Loss before tax | (1,766) | (14,731) | (88) | (3,262) | (17,113) | (81) |
| Income tax credit | (4) | 43 | NM | - | 41 | (100) |
| Loss for the period | (1,770) | (14,688) | (88) | (3,262) | (17,072) | (81) |
| Loss for the period attributable to: | | | | | | |
| Owners of the Company | (1,570) | (14,688) | (89) | (3,062) | (17,072) | (82) |
| Non-controlling interests | (200) | - | NM | (200) | - | NM |
| | (1,770) | (14,688) | (88) | (3,262) | (17,072) | (81) |
| Other comprehensive (expense) income: | | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | | |
| (Deficit) surplus on revaluation of leasehold land and building | (164) | 325 | NM | (164) | 325 | NM |
| Deferred tax credit (charge) arising on revaluation of leasehold land and building | 24 | (43) | NM | 24 | (43) | NM |
| | (140) | 282 | NM | (140) | 282 | NM |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences arising on translation of a foreign operation | 222 | - | NM | 222 | - | NM |
| | 82 | 282 | (71) | 82 | 282 | (71) |
| Total other comprehensive expense for the period | (1,688) | (14,406) | (88) | (3,180) | (16,790) | (81) |
| Total comprehensive expense attributable to: | | | | | | |
| Owners of the Company | (1,555) | (14,406) | (89) | (3,047) | (16,790) | (82) |
| Non-controlling interests | (133) | - | NM | (133) | - | NM |
| | (1,688) | (14,406) | (88) | (3,180) | (16,790) | (81) |

(ii) Additional Information

| | US\$'000 | | % | US\$'000 | | % |
|--|----------|---------|-------|----------|---------------|-------|
| | 2Q 2016 | 2Q 2015 | | Change | 6 months 2016 | |
| Loss before tax is arrived after (charging) crediting: | | | | | | |
| Other income including interest income | 39 | 150 | (74) | 46 | 205 | (78) |
| Interest on borrowings | (211) | (298) | (29) | (421) | (592) | (29) |
| Depreciation and amortisation | (397) | (589) | (33) | (623) | (1,201) | (48) |
| Loss on disposal of property, plant and equipment | - | (1,478) | (100) | - | (1,478) | (100) |
| Change in fair value of held-for-trading investments | (24) | 61 | NM | (228) | 70 | NM |
| Net foreign exchange (loss) gain | (13) | 7 | NM | (21) | 9 | 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

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | 30/6/2016 | 31/12/2015 | 30/6/2016 | 31/12/2015 |
| ASSETS | | | | |
| Current assets | | | | |
| Inventories | 41 | - | - | - |
| Trade receivables | 179 | - | - | - |
| Other receivables and prepayments | 5,350 | 4,142 | 18 | 35 |
| Amount due from a joint venture | 669 | 669 | - | - |
| Held-for-trading investments | 1,086 | - | - | - |
| Restricted bank deposits | 2,438 | 3,697 | - | - |
| Cash and cash equivalents | 2,145 | 10,407 | 268 | 10,708 |
| | 11,908 | 18,915 | 286 | 10,743 |
| Assets classified as held for sale | 2,498 | - | - | - |
| Total current assets | 14,406 | 18,915 | 286 | 10,743 |
| Non-current assets | | | | |
| Property, plant and equipment | 26,748 | 32,886 | - | - |
| Intangible assets | 1,047 | - | - | - |
| Investment property | 6,777 | - | - | - |
| Interest in a joint venture | 5,330 | 5,330 | - | - |
| Amounts due from subsidiaries | - | - | 27,463 | 18,057 |
| Long-term receivables and deposits | - | 1,816 | - | - |
| Available-for-sale investment | 79 | 79 | - | - |
| Total non-current assets | 39,981 | 40,111 | 27,463 | 18,057 |
| Total assets | 54,387 | 59,026 | 27,749 | 28,800 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities | | | | |
| Amounts due to related parties | 252 | - | - | - |
| Deposits received, other payables and accruals | 1,548 | 1,633 | 100 | 677 |
| Borrowings - due within one year | 2,766 | 2,691 | - | - |
| Total current liabilities | 4,566 | 4,324 | 100 | 677 |
| Non-current liabilities | | | | |
| Deferred taxation | 1 | 376 | - | - |
| Borrowings - due more than one year | 19,453 | 21,799 | - | - |
| Total non-current liabilities | 19,454 | 22,175 | - | - |
| Capital and reserves | | | | |
| Share capital | 22,871 | 22,871 | 22,871 | 22,871 |
| Share premium | 34,872 | 34,872 | 34,872 | 34,872 |
| Property revaluation reserve | 2,336 | 2,125 | - | - |
| Other reserve | 1,531 | 1,531 | - | - |
| Exchange reserve | 155 | - | - | - |
| Accumulated losses | (31,934) | (28,872) | (30,094) | (29,620) |
| Equity attributable to owners of the Company | 29,831 | 32,527 | 27,649 | 28,123 |
| Non-controlling interests | 536 | - | - | - |
| Total equity | 30,367 | 32,527 | 27,649 | 28,123 |
| Total liabilities and equity | 54,387 | 59,026 | 27,749 | 28,800 |
| Net current assets | 9,840 | 14,591 | 186 | 10,066 |
| Total assets less current liabilities | 49,821 | 54,702 | 27,649 | 28,123 |

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 30/06/2016 | | As at 31/12/2015 | |
|------------------|------------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| US\$2,691,000 | US\$75,000 | US\$2,691,000 | - |

Amount repayable after one year

| As at 30/06/2016 | | As at 31/12/2015 | |
|------------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| US\$19,453,000 | - | US\$21,799,000 | - |

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 Heroic Marine Corp. and Zorina Navigation Corp., namely "MV Heroic" and "MV Zorina", respectively, and
3. Assignment of insurance proceeds in respect of 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 2016 | 2Q 2015 |
| Operating activities | | |
| Loss before tax | (1,766) | (14,731) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 337 | 589 |
| Amortisation of intangible assets | 60 | - |
| Change in fair value of held-for-trading investments | 24 | (61) |
| Loss on disposal of property, plant and equipment | - | 1,478 |
| Interest income | (45) | (6) |
| Finance costs | 211 | 298 |
| Impairment loss on deposit paid | - | 1,685 |
| Impairment loss on property, plant and equipment | - | 9,409 |
| Imputed interest income on long-term receivables | - | (123) |
| Operating cash flows before movements in working capital | (1,179) | (1,462) |
| Increase in inventories | (41) | - |
| Increase in trade receivables | (96) | (26) |
| (Increase) decrease in other receivables and prepayments | (675) | 395 |
| Decrease in held-for-trading investments | 2,374 | 514 |
| (Decrease) increase in deposits received, other payables and accruals | (1,532) | 297 |
| Increase in amounts due to related parties | 93 | - |
| Cash used in operating activities | (1,056) | (282) |
| Interest expense paid | (211) | (298) |
| Interest income received | 45 | 6 |
| Income tax paid | (4) | - |
| Net cash used in operating activities | (1,226) | (574) |
| Investing activities | | |
| Increase in long-term receivables and deposits | - | (173) |
| Addition to assets classified as held for sale | (104) | - |
| Purchase of property, plant and equipment | (98) | - |
| Acquisition of subsidiaries | (3) | - |
| Proceeds on disposal of property, plant and equipment | - | 6,204 |
| Withdrawal of pledged/restricted bank deposits | 1,259 | 4,118 |
| Advance to a joint venture | - | (58) |
| Net cash from investing activities | 1,054 | 10,091 |
| Financing activities | | |
| Repayment of borrowings | (1,598) | (1,006) |
| Net cash used in financing activities | (1,598) | (1,006) |
| Net (decrease) increase in cash and cash equivalents | (1,770) | 8,511 |
| Effect of foreign exchange rates | 261 | - |
| Cash and cash equivalents at the beginning of the period | 3,654 | 4,262 |
| Cash and cash equivalents at the end of the period | 2,145 | 12,773 |

| | Group | |
|--|---------------|---------------|
| | US\$'000 | |
| | 6 months 2016 | 6 months 2015 |
| Operating activities | | |
| Loss before tax | (3,262) | (17,113) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 563 | 1,201 |
| Amortisation of intangible assets | 60 | - |
| Change in fair value of held-for-trading investments | 228 | (70) |
| Loss on disposal of property, plant and equipment | - | 1,478 |
| Dividend from held-for-trading investments | - | (20) |
| Interest income | (88) | (61) |
| Finance costs | 421 | 592 |
| Impairment loss on deposit paid | - | 1,685 |
| Impairment loss on property, plant and equipment | - | 9,409 |
| Imputed interest income on long-term receivables | - | (123) |
| Operating cash flows before movements in working capital | (2,078) | (3,022) |
| Increase in inventories | (41) | - |
| Increase in trade receivables | (179) | (220) |
| (Increase) decrease in other receivables and prepayments | (904) | 610 |
| (Increase) decrease in held-for-trading investments | (1,314) | 514 |
| Decrease in deposits received, other payables and accruals | (1,203) | (1,351) |
| Increase in amounts due to related parties | 93 | - |
| Cash used in operating activities | (5,626) | (3,469) |
| Interest expense paid | (421) | (592) |
| Interest income received | 88 | 61 |
| Income tax paid | - | (2) |
| Dividend received from held-for-trading investments | - | 20 |
| Net cash used in operating activities | (5,959) | (3,982) |
| Investing activities | | |
| Increase in long-term receivable and deposits | - | (239) |
| Addition to assets classified as held for sale | (682) | - |
| Purchase of property, plant and equipment | (98) | (75) |
| Acquisition of subsidiaries | (772) | - |
| Proceeds on disposal of property, plant and equipment | - | 6,204 |
| Withdrawal of pledged/restricted bank deposits | 1,259 | 4,110 |
| Advance to a joint venture | - | (116) |
| Net cash (used in) from investing activities | (293) | 9,884 |
| Financing activities | | |
| Repayment of borrowings | (2,271) | (2,012) |
| Net cash used in financing activities | (2,271) | (2,012) |
| Net (decrease) increase in cash and cash equivalents | (8,523) | 3,890 |
| Effect of foreign exchange rates | 261 | - |
| Cash and cash equivalents at the beginning of the period | 10,407 | 8,883 |
| Cash and cash equivalents at the end of the period | 2,145 | 12,773 |

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 | Exchange Reserve | Other Reserve | Retained profits (accumulated losses) | Attributable to owners of the Company | Non-controlling interests | Total Equity |
|---|---------------|---------------|------------------------------|------------------|---------------|---------------------------------------|---------------------------------------|---------------------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| The Group | | | | | | | | | |
| Balance at 1 April 2015 | 19,059 | 28,027 | 1,734 | - | 1,531 | 5,587 | 55,938 | - | 55,938 |
| Loss for the period | - | - | - | - | - | (14,688) | (14,688) | - | (14,688) |
| Surplus on revaluation of leasehold land and building | - | - | 325 | - | - | - | 325 | - | 325 |
| Deferred tax charge arising on revaluation of leasehold land and building | - | - | (43) | - | - | - | (43) | - | (43) |
| Balance at 30 June 2015 | 19,059 | 28,027 | 2,016 | - | 1,531 | (9,101) | 41,532 | - | 41,532 |
| Balance at 1 April 2016 | 22,871 | 34,872 | 2,125 | - | 1,531 | (30,364) | 31,035 | 340 | 31,375 |
| Loss for the period | - | - | - | - | - | (1,570) | (1,570) | (200) | (1,770) |
| Deficit on revaluation of leasehold land and building | - | - | (164) | - | - | - | (164) | - | (164) |
| Deferred tax credit arising on revaluation of leasehold land and building | - | - | 24 | - | - | - | 24 | - | 24 |
| Exchange differences arising on translation of a foreign operation | - | - | - | 155 | - | - | 155 | 67 | 222 |
| Total comprehensive (expense) income for the period | - | - | (140) | 155 | - | (1,570) | (1,555) | (133) | (1,688) |
| Non-controlling interests arising on acquisition of subsidiaries | - | - | - | - | - | - | - | 329 | 329 |
| Reversal of deferred taxation upon transfer to investment property | - | - | 351 | - | - | - | 351 | - | 351 |
| Balance at 30 June 2016 | 22,871 | 34,872 | 2,336 | 155 | 1,531 | (31,934) | 29,831 | 536 | 30,367 |

| | Share Capital | Share Premium | Property Revaluation Reserve | Exchange Reserve | Other Reserve | Accumulated losses | Total |
|--------------------------------|---------------|---------------|------------------------------|------------------|---------------|--------------------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| The Company | | | | | | | |
| Balance at 1 April 2015 | 19,059 | 28,027 | - | - | - | (8,883) | 38,203 |
| Loss for the period | - | - | - | - | - | (81) | (81) |
| Balance at 30 June 2015 | 19,059 | 28,027 | - | - | - | (8,964) | 38,122 |
| Balance at 1 April 2016 | 22,871 | 34,872 | - | - | - | (29,738) | 28,005 |
| Loss for the period | - | - | - | - | - | (356) | (356) |
| Balance at 30 June 2016 | 22,871 | 34,872 | - | - | - | (30,094) | 27,649 |

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 2016 and 31 December 2015.

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 30/06/2016 | As at 31/12/2015 |
|-------------------------|-------------------------|
| 127,058,928 | 127,058,928 |

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 as at 30 June 2016.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures for FY2015 have been audited.

The figures for Q2 2016 / Q2 2015 / 6 months 2016 / 6 months 2015 have not been audited or reviewed by the auditors.

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 2015.

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 2016 | Q2 2015 | 6 months 2016 | 6 months 2015 |
| | US Cents | US Cents | US Cents | US Cents |
| a Based on the weighted average number of ordinary shares in issue | (1.24) | (13.87) | (2.41) | (16.12) |
| b On a fully diluted basis | (1.24) | (13.87) | (2.41) | (16.12) |

NOTES:

The loss per ordinary share is calculated by dividing the consolidated 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 loss per ordinary share is the same as the loss per ordinary share as there were no potential ordinary shares outstanding during the financial period.

Weighted average number of ordinary shares in issue and basic loss per share were stated after taking into account the effect of the share consolidation that took place on 7 May 2015.

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 | |
|------------------------------------|--------------|------------|----------------|------------|
| | 30/6/2016 | 31/12/2015 | 30/6/2016 | 31/12/2015 |
| | US Cents | US Cents | US Cents | US Cents |
| Net asset value per ordinary share | 23.90 | 25.60 | 21.76 | 22.13 |

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.

Revenue

2Q2016

The Group's total revenue decreased by 26% from US\$1,723,000 in 2Q15 to US\$1,278,000 in 2Q16, of which revenue from vessel chartering decreased to approximately US\$1,129,000, reflecting the low demand in dry bulk market continued throughout 2Q16. The Baltic Dry Index (the "BDI") also remained low and was at the 600 level during most of 2Q16. As announced by the Company on 31 March 2016, the Group's had acquired certain subsidiaries ("Newly Acquired Subsidiaries") which are principally engaged in the provision of logistics, custom clearance and auxiliary services as well as import and export of goods. These subsidiaries generated logistic services and merchandise trading income of approximately US\$73,000 during the quarter. The Group had also invested in listed securities and equity-linked notes during 2Q16 and earned dividend and interest income totalling approximately US\$76,000.

1H2016

The Group's total revenue decreased by 38% from US\$2,950,000 in 1H15 to US\$1,839,000 in 1H16, of which revenue from vessel chartering decreased to approximately US\$1,650,000, reflecting the low demand in dry bulk market continued throughout 1H16. The BDI also remained low and was hovering at the 300 to 600 level during most of 1H16. The Group's Newly Acquired Subsidiaries generated logistic services and merchandise trading income approximately of US\$73,000 during 1H16. The Group had also invested in listed securities and equity-linked notes during 1H16 and earned dividend and interest income totalling approximately US\$116,000.

Profitability

2Q2016

The Group's cost of sales decreased by 48% from US\$3,170,000 in 2Q15 to US\$1,662,000 in 2Q16 which was mainly due to less cost consumed with less vessels being operated. The Group's vessel chartering business recorded a gross loss of approximately US\$530,000 in 2Q16 compared to a gross loss of approximately US\$1,447,000 in 2Q15, whereas the Group's Newly Acquired Subsidiaries contributed a gross profit of approximately US\$70,000.

Other income comprised interest income from placing deposits with banks and certificates of deposit, sundry income, and other one-off income. The Group recorded other income of US\$39,000 in 2Q16, a decrease of 74% compared to 2Q15 that was mainly due to less interest income from bank deposits was earned during 2Q16.

Other gains and losses comprised change in fair value of held-for-trading investments, loss on disposal of fixed assets and exchange gain and loss. The Group recorded other losses of US\$37,000 in 2Q16 mainly due to the downward change in fair value of held-for-trading investments. The Group recorded other losses of US\$1,410,000 in 2Q15 mainly due to the disposal loss of MV Cape Pioneer.

Administrative expenses increased by 73% from US\$632,000 in 2Q15 to US\$1,092,000 in 2Q16 as the Group had incurred additional administrative expenses in relation to the Newly Acquired Subsidiaries during the quarter.

The Group recorded other expenses of US\$81,000 in 2Q16 which represented legal and professional expenses incurred in relation to acquisition of the Newly Acquired Subsidiaries. In 2Q15, the Group conducted a review of the Group's vessels and other receivables and determined that a number of those assets were impaired. The Group recorded other expenses of US\$11,094,000 in 2Q15 as there were impairment loss on deposits paid for a coal trading contract and impairment loss in respect of the Group's vessels in light of the decrease in revenue, utilisation rate and market value of the vessels and value of scrap materials. The recoverable amount of the vessels had been determined on the basis of their value in use.

The Group recorded finance costs of US\$211,000 in 2Q16 compared to US\$298,000 in 2Q15, decreased by 29% that was mainly due to less bank borrowings during the quarter.

The Group's subsidiaries had income tax charge of US\$4,000 for 2Q16, in 2Q15, an income tax credit of US\$43,000 was recorded.

The Group recorded a deficit on revaluation of leasehold land and building of US\$164,000 in 2Q16 compared to a surplus of US\$325,000 in 2Q15.

The Group recorded a deferred tax credit on revaluation of leasehold land and building of US\$24,000 in 2Q16 compared to a deferred tax charge of US\$43,000 in 2Q15.

Overall, the Group recorded a lower net loss of US\$1,770,000 in 2Q16 compared to US\$14,688,000 in 2Q15 mainly due to the absence of disposal loss of MV Cape Pioneer and the impairment loss in respect of deposits paid for a coal trading contract and of the Group's vessels totalling US\$11,094,000 recorded in 2Q15.

1H2016

The Group's cost of sales decreased by 50% from US\$6,038,000 in 1H15 to US\$3,012,000 in 1H16 which was mainly due to less cost consumed with less vessels being operated. The Group's vessel chartering business recorded a gross loss of approximately US\$1,359,000 in 1H16 compared to a gross loss of US\$3,088,000 in 1H15, whereas the Group's Newly Acquired Subsidiaries contributed a gross profit of approximately US\$70,000.

Other income comprised interest income from placing deposits with banks and certificates of deposit, sundry income, and other one-off income. The Group recorded other income of US\$46,000 in 1H16, a decrease of 78% compared to 1H15 that was mainly due to less interest income from bank deposits was earned during 1H16.

Other gains and losses comprised change in fair value of held-for-trading investments, loss on disposal of fixed assets and exchange gain and loss. The Group recorded other losses of US\$249,000 in 1H16 mainly due to the downward change in fair value of held-for-trading investments. The Group recorded other losses of US\$1,399,000 in 1H15 mainly due to the disposal loss of MV Cape Pioneer.

Administrative expenses increased by 21% from US\$1,145,000 in 1H15 to US\$1,384,000 in 1H16 as the Group had incurred additional administrative expenses in relation to the Newly Acquired Subsidiaries during the period.

The Group recorded other expenses of US\$81,000 in 1H16 which represented legal and professional expenses incurred in relation to the acquisition of the Newly Acquired Subsidiaries. In 1H15 the Group conducted a review of the Group's vessels and other receivables and determined that a number of those assets were impaired. The Group recorded other expenses of US\$11,094,000 in 1H15 as there were impairment loss on deposits paid for a coal trading contract and impairment loss in respect of the Group's vessels in light of the decrease in revenue, utilisation rate and market value of the vessels and value of scrap materials. The recoverable amount of the vessels had been determined on the basis of their value in use.

The Group recorded finance costs of US\$421,000 in 1H16 compared to US\$592,000 in 1H15, decreased by 29% that was mainly due to less bank borrowings during the period.

The Group's subsidiaries had no income tax charge or tax credit for 1H16. In 1H15, an income tax credit of US\$41,000 was recorded.

The Group recorded a deficit on revaluation of leasehold land and building of US\$164,000 in 1H16 compared to a surplus of US\$325,000 in 1H15.

The Group recorded a deferred tax credit on revaluation of leasehold land and building of US\$24,000 in 1H16 compared to a deferred tax charge of US\$43,000 in 1H15.

Overall, the Group recorded a lower net loss of US\$3,262,000 in 1H16 compared to US\$17,072,000 in 1H15 mainly due to the absence of disposal loss of MV Cape Pioneer and the impairment loss in respect of deposits paid for a coal trading contract and of the Group's vessels totalling US\$11,094,000.

Balance Sheet

As at 30 June 2016, the Group had intangible assets of US\$1,047,000 which represented the carrying value of the integrated trading platform of the Newly Acquired Subsidiaries.

The Group had an investment property with carrying value of US\$6,777,000 as at 30 June 2016 which represented the value of an office property reclassified from the Group's leasehold land and building. The office property is owned by the Group and was previously the Group's principal place of business in Hong Kong. It is now intended that the office property will be rent out for rental income and is therefore classified as an investment property accordingly.

As at 30 June 2016, included in other receivables and prepayments are deposits of US\$1,439,000 paid for the purchase of merchandise, being daily consumer goods, to be traded by the Newly Acquired Subsidiaries.

The Group had held-for-trading investments of US\$1,086,000 as at 30 June 2016 which represented the investment in shares of a blue-chip international bank listed on The Stock Exchange of Hong Kong Limited.

The Group had assets held for sale of US\$2,498,000 as at 30 June 2016 which represented the acquisition costs of three residential apartments of a property development in Singapore. The Group intends to sell these properties for gains.

As at 30 June 2016, there were non-controlling interests of US\$536,000 which represented the interests of minority shareholders in the Newly Acquired Subsidiaries.

Cash Flow

The cash and cash equivalents (excluding restricted bank deposits) held by the Group decreased from US\$10,407,000 as at 31 December 2015 to US\$2,145,000 as at 30 June 2016. Such decrease was mainly due to funds applied to (i) payments for the three residential apartments in Singapore as mentioned of US\$682,000; (ii) acquisition of the held-for-trading investments of US\$1,314,000 as mentioned; (iii) net cash outflow for acquisition of the Newly Acquired Subsidiaries of US\$772,000; (iv) deposits paid for purchase of merchandise as mentioned of net US\$1,439,000; and (v) repayment of bank borrowings of US\$2,271,000.

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 difficult during 1H16. The BDI, which has a close correlation to freight rates, was hovering at the 300 to 600 level during 1H16. Low demand of commodities in the Greater China Region, coupled with over-supply of vessels had led to additional pressure on freight rates in dry bulk market.

The tonnage of Group's fleet is approximately 114,000 dwt. Owing to challenging operating environment of vessel chartering business, the Group will continue to explore various options for reducing costs and increasing revenue of the business.

Although the Newly Acquired Subsidiaries which the Group acquired recently are still in the developing stage, it is expected that through the said acquisition, the Group can horizontally expand its transportation business and create value to shareholders.

The Group will continue to explore other investment opportunities such as investments in equity-linked notes and listed equity securities which can contribute a new source of income to the Group.

The Group also intends to rent out its previous principal place of business in Hong Kong for rental income in order to broaden the Group's income base. In addition, the Group is planning to sell the three residential apartments in Singapore for gains.

Looking forward, the management will step up its effort in improving the financial performance of the Group's existing businesses and will continue to look for attractive investment / business opportunities that can broaden the Group's income base and bring substantial value to shareholders.

UPDATE ON USE OF PROCEEDS OF PLACING

On 8 December 2015, the Company completed a placement of 21,176,000 ordinary shares of the Company under general mandate to certain independent third parties at an issue price of HK\$4 each (the "Placing"), details of which were set out in the announcement of the Company dated 17 November 2015. The net proceeds from the Placing amounted to approximately US\$10,530,000, up to 30 June 2016, approximately US\$7,208,000 had been utilised as follows:

| Purpose | Amount Utilised (US\$) | Amount Remaining (US\$) |
|--|-------------------------------|--------------------------------|
| Short term investments in listed equity securities | 1,314,000 | 9,216,000 |
| Repayment of bank borrowings | 2,271,000 | 6,945,000 |
| Completion of acquisition of three residential apartments classified as assets held for sale | 682,000 | 6,263,000 |
| Deposits for purchase of merchandise | 1,439,000 | 4,824,000 |
| Administrative expenses | 625,000 | 4,199,000 |
| Consideration for acquisition of the Newly Acquired Subsidiaries | 877,000 | 3,322,000 |
| Total | 7,208,000 | 3,322,000 |

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

Not applicable.

14. Negative Confirmation By The Board Pursuant To Rule 705(5)

We, Sue Ka Lok and Lai Ming Wai being two directors of Courage Marine Group Limited (the "Company") do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months and second quarter ended 30 June 2016 to be false or misleading in any material aspect.

By Order of the Board
Courage Marine Group Limited

Sue Ka Lok
Chairman and Director

Lai Ming Wai
Chief Executive Officer and Director

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rules 720(1) of the Listing Manual.

By Order of the Board

**Sue Ka Lok
Chairman and Director
12 August 2016**