



# 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 2010

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

1(a) An income statement (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 2010:

	US\$'000		%	US\$'000		%
	Q2 2010	Q2 2009		Change	6 months 2010	
Turnover	16,277	6,066	168	29,130	11,050	164
Cost of sales	(10,734)	(6,405)	68	(20,009)	(12,031)	66
Gross profit (loss)	5,543	(339)	NM	9,121	(981)	NM
Other operating income	242	218	11	309	736	(58)
Administrative expenses	(798)	(524)	52	(1,354)	(1,054)	28
Other operating expenses	(17)	(8)	113	(41)	(32)	27
Gain on disposal of equipment	242	-	NM	242	283	(15)
Share of loss of associate	-	(141)	NM	-	(223)	NM
Finance cost	(32)	(57)	(44)	(67)	(149)	(55)
Profit (loss) before income tax	5,180	(851)	NM	8,211	(1,420)	(678)
Income tax	(3)	(12)	(75)	(10)	(21)	(55)
Profit (loss) for the period	5,176	(863)	NM	8,201	(1,441)	NM

#### 1(a)(ii) Additional Information

	US\$'000		%	US\$'000		%
	Q2 2010	Q2 2009		Change	6 months 2010	
Profit before tax is arrived after (charging) / crediting:						
Other income including interest income	242	218	11	309	736	(58)
Interest on borrowings	(32)	(57)	(44)	(67)	(149)	(55)
Depreciation and amortisation	(2,323)	(2,779)	(16)	(4,665)	(5,410)	(14)
Gain on held-for-trading investment	-	176	NM	-	170	NM
Share of loss of associate	-	(141)	NM	-	(223)	NM
(Loss) Gain on foreign exchange (net)	(10)	19	NM	30	28	7

#### NOTES

NM denotes not meaningful.

1(b)(i) A balance sheet (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
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
<b>ASSETS</b>				
<b>Non-current asset</b>				
Subsidiaries	-	-	14,217	14,217
Other receivables	2,355	2,855	-	-
Property and equipment	77,615	54,876	-	-
	79,970	57,731	14,217	14,217
<b>Current assets</b>				
Trade receivables	2,217	2,228	-	-
Other receivables and prepayments	12,393	11,690	33	28
Amount due from subsidiaries	-	-	71,682	71,682
Pledged deposits	5,000	5,000	-	-
Bank balances and cash	21,832	43,159	386	838
	41,442	62,077	72,101	72,548
<b>TOTAL ASSETS</b>	<b>121,412</b>	<b>119,808</b>	<b>86,318</b>	<b>86,765</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserve</b>				
Share Capital	19,059	19,059	19,059	19,059
Share Premium	28,027	28,027	28,027	28,027
Reserve	66,356	63,153	24,024	29,274
	113,442	110,239	71,110	76,360
<b>Non-current liability</b>				
Borrowing - due after one year	2,000	3,600	-	-
<b>Current liabilities</b>				
Other payables and accruals	2,770	2,769	61	508
Amounts due to subsidiaries	-	-	15,147	9,897
Borrowings - due within one year	3,200	3,200	-	-
	5,970	5,969	15,208	10,405
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>121,412</b>	<b>119,808</b>	<b>86,318</b>	<b>86,765</b>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

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

As at 30/6/2010		As at 30/6/2009	
Secured	Unsecured	Secured	Unsecured
US\$3,200,000	-	US\$3,200,000	-

**Amount repayable after one year**

As at 30/6/2010		As at 30/6/2009	
Secured	Unsecured	Secured	Unsecured
US\$2,000,000	-	US\$6,000,000	-

**Details of any collateral**

Secured borrowings are generally secured by:

1. Mortgages over a vessel of the Group with net book value US\$11,726,000 (2009:US\$14,575,000)
2. Assignment of insurance of vessel
3. Corporate guarantee from Courage Marine Group Limited

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

	<b>Group</b>	
	US\$'000	
	Q2 2010	Q2 2009
<b>Operating activities</b>		
Profit (loss) for the period	5,176	(863)
Adjustments for		
Interest income	(14)	(28)
Interest expense	32	57
Gain on disposal of equipment	(242)	-
Gain on held-for-trading investment	-	(176)
Share of loss of associate	-	141
Depreciation	2,323	2,778
Operating cash flows before movements in working capital	7,275	1,908
(Increase) decrease in trade receivables	(517)	3,642
(Increase) in other receivable and prepayments	(32)	(2,119)
Increase in other payable and accruals	439	590
Cash generated from operations	7,165	4,020
Interest received	14	28
Interest paid	(32)	(57)
<b>Net cash from operating activities</b>	<b>7,147</b>	<b>3,991</b>
<b>Investing activities</b>		
Purchase of property and equipment	(26,663)	(13)
Pledged deposit	-	(2,280)
Proceeds on disposal of equipment	8,013	-
<b>Net cash used in investing activities</b>	<b>(18,650)</b>	<b>(2,293)</b>
<b>Financing activities</b>		
Dividend paid	(4,998)	(7,994)
Repayment of borrowings	(800)	(800)
<b>Net cash used in financing activities</b>	<b>(5,798)</b>	<b>(8,794)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(17,301)</b>	<b>(7,096)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>39,132</b>	<b>43,564</b>
<b>Cash and cash equivalents at end of the period</b>	<b>21,832</b>	<b>36,468</b>

	<b>Group</b>	
	US\$'000	
	6 months of 2010	6 months of 2009
<b>Operating activities</b>		
Profit (loss) for the period	8,201	(1,441)
Adjustments for		
Interest income	(31)	(84)
Interest expense	67	149
Gain on disposal of equipment	(242)	(283)
Gain on held-for-trading investment	-	(170)
Share of loss of associate	-	223
Depreciation	4,665	5,410
Operating cash flows before movements in working capital	12,660	3,804
Decrease in trade receivables	11	562
(Increase) in other receivable and prepayments	(204)	(7,817)
Increase (decrease) in other payable and accruals	2	(1,475)
Cash generated from (used in) operations	12,469	(4,927)
Interest received	31	84
Interest paid	(67)	(149)
<b>Net cash generated from (used in) operating activities</b>	<b>12,433</b>	<b>(4,992)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(35,176)	(1,502)
Proceeds on disposal of equipment	8,013	7,000
<b>Net cash (used in) generated from investing activities</b>	<b>(27,163)</b>	<b>5,498</b>
<b>Financing activities</b>		
Dividend paid	(4,998)	(7,994)
Repayment of borrowings	(1,600)	(1,600)
<b>Net cash (used in) financing activities</b>	<b>(6,598)</b>	<b>(9,594)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(21,328)</b>	<b>(9,088)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>43,159</b>	<b>45,556</b>
<b>Cash and cash equivalents at end of the period</b>	<b>21,832</b>	<b>36,468</b>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Share Premium	Exchange Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Group</b>					
<b>Balance at 1 April 2009</b>	19,059	28,027	49	70,495	117,630
(Loss) for the period	-	-	-	(863)	(863)
Dividend for 2008	-	-	-	(7,994)	(7,994)
<b>Balance at 30 June 2009</b>	19,059	28,027	49	61,638	108,773
<b>Balance at 1 April 2010</b>	19,059	28,027	-	66,178	113,264
Profit for the period	-	-	-	5,176	5,176
Dividend for 2009	-	-	-	(4,998)	(4,998)
<b>Balance at 30 June 2010</b>	19,059	28,027	-	66,356	113,442

	Share Capital	Share Premium	Exchange Reserve	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>The Company</b>					
<b>Balance at 1 April 2009</b>	19,059	28,027	-	29,675	76,761
(Loss) for the period	-	-	-	(53)	(53)
Dividend for 2008	-	-	-	(7,994)	(7,994)
<b>Balance at 30 June 2009</b>	19,059	28,027	-	21,628	68,714
<b>Balance at 1 April 2010</b>	19,059	28,027	-	29,229	76,315
(Loss) for the period	-	-	-	(207)	(207)
Dividend for 2009	-	-	-	(4,998)	(4,998)
<b>Balance at 30 June 2010</b>	19,059	28,027	-	24,024	71,110

**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 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 convertible as at the end of 30 June 2010 and as at 31 December 2009.

**1 (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

<b>As at 30/06/2010</b>	<b>As at 31/12/2009</b>
1,058,829,308	1,058,829,308

**1 (d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no shares being held as treasury shares by the Company.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent 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 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 2009.

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

	<b>Group</b>			
	Q2 2010	Q2 2009	6 months 2010	6 months 2009
	US Cents	US Cents	US Cents	US Cents
a Based on the weighted average number of ordinary shares in issue	0.49	(0.08)	0.77	(0.14)
b On a fully diluted basis	0.49	(0.08)	0.77	(0.14)

**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 issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	30/6/2010	31/12/2009	30/6/2010	31/12/2009
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	10.71	10.41	6.72	7.21



**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### Turnover

##### 2Q2010

The Group turnover increased 168% in 2Q10 to approximately US\$16.3 million from US\$6.1 million in 2Q09, reflecting the steady recovery in dry bulk rates, as well as the fleet utilisation at around 90% given the high demand from the commodity trading, especially in Greater China Region compared to the fleet utilisation at around 70% in 2Q09. However, the BDI has dropped from 4,200 level in May to the 2,000 level in June. The BDI is currently at around 2,000 level.

##### 1H2010

The Group turnover increased by 164% to approximately US\$29.1 million from US\$11.1 million in 1H09 due to the higher fleet utilisation and higher dry bulk rates. The Group's higher fleet utilisation of 90% was the result of high demand and better trading conditions.

#### Profitability

##### 2Q2010

Despite the increase in turnover by 168%, the Group's cost of sales increased by only 68% to approximately US\$ 10.7 million from US\$6.4 million in 2Q09. As such, the Group recorded a gross profit of approximately US\$ 5.5 million compared to gross loss of US\$ 0.3 million in 2Q09. Correspondingly, the Company achieved a gross profit margin of approximately 34.1% for 2Q10.

Other operating income consists of interest income from bank balances, gain on foreign exchange and other one-off income. The Group recorded other operating income of US\$242,000 in 2Q10, an increase of 11% compared to 2Q09. This was largely due to an one-off insurance claim received.

Administrative expenses increased by 52% to approximately US\$ 0.8 million from US\$0.5 million in 2Q09 was mainly due to the higher legal and professional expenses and travelling expenses.

The Group recorded other operating expenses of US\$17,000 in 2Q10, compared to US\$8,000 in 2Q09

The Group disposed a Capesize vessel, MV Cape Ore, in May 2010 and recorded a gain on disposal for US\$0.2 million. The Group did not have any disposal of assets in 2Q09.

As the Group had disposed of its 25% interest in an associate in 3Q09, the Group did not record its share of loss of such associate in 2Q10. The Group's associate recorded a net loss of approximately US\$ 0.1 million in 2Q09.

As the outstanding balance of bank borrowings was reduced, the Group recorded a finance cost of US\$32,000 in 2Q10 compared to US\$57,000 in 2Q09.

The Group's subsidiaries recorded an income tax expense of US\$3,000 during 2Q10

Overall, the Group recorded a net profit of approximately US\$5.2 million in 2Q10 due to higher freight rates and fleet utilisation

## 1H2010

Despite the increase in turnover by 164%, the Group's cost of sales increased by only 66% to approximately US\$ 20 million from US\$12 million in 1H09. As such, the Group recorded a gross profit of approximately US\$ 9.1 million compared to gross loss of US\$ 1 million in 1H09. Correspondingly, the Company achieved a gross profit margin of approximately 31.3% for 1H10.

The Group recorded other operating income for US\$0.3 million in 1H10, a decrease of 58% compared to 1H09. This was mainly attributed to the gain on short term investment in 1H09.

Administrative expenses increased by 28% was mainly attributed to the increase of legal and professional fees and as well as travelling expenses.

The Group recorded other operating expenses of US\$41,000, an increase of 27% over 1H09.

The Group disposed a Capesize vessel, MV Cape Ore, in May 2010 and recorded a gain on disposal of US\$242,000. The Group disposed a Panamax size vessel, MV Panamax Mars, in January 2009 and recorded a gain on disposal of US\$283,000.

As the Group had disposed of its 25% interest in an associate in 3Q09, the Group did not record its share of loss of such associate in 1H10. The Group's associate recorded a net loss of approximately US\$ 0.2 million in 1H09.

The Group recorded a finance cost of US\$62,000 in 1H10 compared to US\$149,000 due mainly to the reduced balance of outstanding bank borrowings.

The Group's subsidiaries recorded an income tax expense of US\$10,000 during 1H10.

Overall, the Group recorded a net profit of US\$8.2 million in 1H10 which was largely attributed to the higher freight rates and fleet utilisation.

## Cashflow

Although there was a cash inflow of approximately US\$8.0 million from the disposal of a Capesize vessel, there was still a net cash outflow of US\$21.3 million for 1H10. The net cash outflow was attributable to the acquisition of three vessels (two Capesize vessels and one Panamax size vessel), an office premise in Hong Kong, the repayment of bank borrowings amounting to US\$1.6 million and dividend payout of approximately US\$5.0 million for the period. Overall, the Group remains in a net cash position with cash and bank balances of approximately US\$21.8 million as at 30 June 2010.

**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 global economy has not fully recovered and remains unstable in the past few months. Freight rates have dropped sharply since May, with the BDI dropping from 4,200 to 1,600 in about two months. The Group remains cautious on the outlook for the second half of this year.

Due to the diligent efforts by the Group to secure deployment for its vessels, fleet utilisation recovered to around 90% for 1H10. However, vessels chartering has been slow since June and the utilisation rate is expected to drop in 3Q10.

During 2Q10, the Group took delivery of a Capesize vessel, MV Cape Warrior, and a Panamax size vessel, MV Panamax Leader. On the other hand, the Group entered into an MOA on 4 August 2010 to dispose a Handysize vessel, MV Jeannie III in early August. The new total tonnage of the Group's fleet will be about 580,000 dwt. With the increasing capacity, the Group expects to have higher turnover once the economy recovers.

The Group expects that the financial performance for the rest of 2010 to be adversely affected by the current challenging economic conditions and uncertain outlook. However, the Group will maintain its cost-effective structure and focus on keeping its fleet well-deployed and running efficiently.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

**(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.

**By Order of the Board**

**WU CHAO HUAN**  
**Managing Director**  
**13 August 2010**



## **Courage Marine Group Limited**

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### **COURAGE MARINE GROUP LIMITED (Incorporated in Bermuda)**

To: All Shareholders

The Board of Directors of Courage Marine Group Limited wishes to make the following announcement:

#### **Financial Result**

The unaudited financial results of the Group for the six months and second quarter ended 30 June 2010 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 2010 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 Thirteen day of August 2010