

## COURAGE MARINE GROUP LIMITED

(勇利航業集團有限公司)  
(Incorporated in Bermuda)  
(Company Registration No. 36692)

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

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#### 1. INTRODUCTION

The Board of Directors of Courage Marine Group Limited (the “**Company**”) is pleased to announce that pursuant to an agreement dated 18 May 2012 (“**Second Supplemental AIC-SP Agreement**”) between Courage-New Amego Shipping Corp. (“**Courage Amego**”), a wholly-owned subsidiary of the Company and Jason Chang, 上海吉進管理諮詢有限公司 (“**Shanghai Ji Jin**”) and 上海悅嘉金屬工業有限公司 (formerly known as 悅軒(上海)金屬工業有限公司) (the “**Seller**”) have formed 上海悅勇投資管理有限公司, a joint-venture company (“**JV Company**”). The JV Company is owned as to 41.7% by Shanghai Ji Jin and as to 58.3% by the Seller.

On 18 May 2012, the JV Company and the Seller entered into the Property Transfer Agreement (as defined below), pursuant to which the JV Company shall acquire from the Seller an industrial complex situated at 中國上海青浦區工業園區2街坊19/6丘 (上海市房地產權証編號：滬房地青字(2008)第010072號) (“**PRC Property**”) at a consideration to be based on an independent valuation of the PRC Property as at 31 March 2012.

The Seller, a wholly-owned foreign enterprise incorporated under the laws of the PRC, is wholly-owned by Pure Casual Inc. (“**Pure Casual**”), which is controlled by Jason Chang.

Jason Chang shall procure the Seller to waive the whole consideration which the Seller is entitled to receive for the transfer of the PRC Property in favour of the JV Company as settlement of the Outstanding Debt (as defined below).

Accordingly, the Group shall acquire an investment in the PRC Property through the formation of the JV Company and the acquisition of the PRC Property by the JV Company (“**PRC Property Investment**”).

As the relevant percentage ratios of the Company in respect of the PRC Property Investment exceed 5% but are less than 20%, the PRC Property Investment constitutes a discloseable transaction of the Company under Chapter 10 of the SGX-ST Listing Manual.

#### 2. BACKGROUND

Pursuant to a sale and purchase agreement dated 14 October 2010 (the “**AIC-SP Agreement**”) entered into between Courage Amego as vendor and Jason Chang as purchaser in relation to the disposal of the entire issued share capital of Airline Investment Corp. (“**AIC**”) in consideration of approximately US\$3.8 million pursuant to the exercise of a put option by Courage Amego, Courage Amego agreed to transfer the entire issued share capital of AIC to Jason Chang in consideration of approximately US\$3.8 million. AIC holds 25% of the shareholding in Sunrise Airlines Co. Ltd. (“**Sunrise**”). Jason Chang may pay this consideration to Courage Amego by procuring the transfer of the PRC Property to a wholly-owned foreign enterprise established in the People's Republic of China (“**PRC**”), which in turn be wholly-owned by a joint venture company owned as to 41.7% by Courage Amego and 58.3% by Jason Chang. However, if such “in kind” completion could not take place by 13 April 2011, Jason Chang had to pay the consideration in cash. As contemplated, Harmony Century Group Limited (“**Harmony**”), was established as the joint venture company (Harmony has been dormant since its incorporation).

Pursuant to an agreement dated 22 March 2011 entered into between Courage Amego and Jason Chang to supplement the AIC-SP Agreement (“**First Supplemental AIC-SP Agreement**”), Jason Chang and Courage Amego had agreed to extend the long stop date for completion to 31 March 2012.

Pursuant to a deed of indemnity dated 22 March 2011 (“**First Indemnity**”) made by Wu Chao-Huan and Hsu Chih-Chien (the “**Covenantors**”) in favour of Courage Amego, the Covenantors, both Directors and substantial shareholders of the Company had agreed to jointly and severally indemnify Courage Amego against all losses, costs and expenses which Courage Amego may suffer as a result of any default on the part of Jason Chang under the AIC-SP Agreement as amended by the AIC Confirmation and the First Supplemental AIC-SP Agreement provided always that the liability of the Covenantors under the First Indemnity shall not exceed US\$3,803,381.00.

### 3. **SECOND SUPPLEMENTAL AIC-SP AGREEMENT**

On 18 May 2012, Courage Amego had entered into the Second Supplemental AIC-SP Agreement with Jason Chang under which, for the purpose of achieving “in-kind” completion, they agree, *inter alia*, that:

- (i) the long stop date for completion under the AIC-SP Agreement (as amended by a written confirmation dated 24 February 2011 made by Courage Amego and Jason Chang to supplement the AIC-SP Agreement by confirming that for accounting purposes, the transfer of the AIC shares had been regarded as having taken place (the “**AIC Confirmation**”) and the First Supplemental AIC-SP Agreement) shall be further extended to 31 December 2012;
- (ii) the JV Company be formed which will be owned as to 41.7% by Shanghai Ji Jin, a wholly-owned subsidiary of the Company, and as to 58.3% by the Seller;
- (iii) Jason Chang shall procure that the PRC Property be transferred by the Seller to the JV Company at a consideration to be based on an independent valuation of the PRC Property as at 31 March 2012;
- (iv) Jason Chang shall procure that the Seller shall irrevocably waive the whole consideration which the Seller is entitled to receive for the transfer of the PRC Property in favour of the JV Company;
- (v) all taxes arising out of the transfer of the PRC Property and the Seller’s Waiver (a defined below) shall be borne by the Group and Jason Chang in the ratio 41.7% and 58.3% respectively, provided that any of these taxes in excess of RMB13,500,000.00 shall be solely borne by Jason Chang; and
- (vi) the JV Company replaces Harmony as the joint venture company to acquire and hold the PRC Property.

The PRC Property Investment will supersede the JV Company Acquisition as defined under the Company’s announcements dated 3 December 2010 and 10 December 2010. The Company will decide on the appropriate action or steps to be taken in relation to its 41.7% interest in Harmony Century Group Limited, which was established as the JV Company contemplated under the JV Company Acquisition, and will make the appropriate announcements in relation thereto in due course.

### 4. **PROPERTY TRANSFER AGREEMENT**

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

## 5. WAIVER

On 18 May 2012, the Seller has executed an undertaking ("**Seller's Undertaking**") pursuant to which it had, *inter alia*, irrevocably waived in favour of the JV Company all the consideration which the Seller was entitled to receive for the transfer of the PRC Property ("**Seller's Waiver**").

## 6. CANCELLATION RIGHT

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

## 7. PROTECTION FROM THE EXERCISE OF THE CANCELLATION RIGHT

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

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

## 8. JV COMPANY

The JV Company is a domestic enterprise of the PRC incorporated on 19 April 2012 for the sole purpose of acquiring and holding the PRC Property.

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

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

Certain key matters including acquisitions or disposals by the JV Company of its major assets (any

single transaction or series of transaction involving assets with value exceeding RMB1,000,000.00 in aggregate shall be regarded as a transaction of major assets) and the provision of guarantees or loans by the JV Company have to be approved by all shareholders of the JV Company.

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

The Company's shareholding interest in the JV Company is held by Shanghai Ji Jin, a company incorporated in the PRC on 13 December 2011 with an issued and paid-up share capital of RMB150,000.

Shanghai Ji Jin is a wholly-owned subsidiary of Jade Management and Consultant (Shanghai) Co. Ltd., a company incorporated in the PRC on 21 October 2011 with an issued and paid-up share capital of US\$100,000.

Jade Management and Consultant (Shanghai) Co. Ltd. is in turned wholly-owned by Courage Marine (Holdings) Co., Ltd.

## **9. INFORMATION ON PRC PROPERTY**

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

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

## **10. TAXES**

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

## **11. CONSIDERATION FOR PRC PROPERTY INVESTMENT**

The Group shall undertake the PRC Property Investment by way of an acquisition of a 41.7% interest in the JV Company which will in turn acquire and own the PRC Property with no cash outlay by the JV Company to the Seller (due to the Seller's Waiver).

In consideration of the PRC Property Investment, the outstanding debt due from Jason Chang to the Group in the sum of US\$3,803,381.00 for the purchase of the Group's earlier interest in Sunrise ("**Outstanding Debt**") will be deemed settled and satisfied upon completion of the PRC Property Investment, and as such, the amount of such Outstanding Debt is the deemed value or quantum of consideration to be given by the Group for the PRC Property Investment.

Apart from the foregoing, the Group has, through Shanghai Ji Jin, made a capital contribution of RMB 208,500 to the registered capital of the JV Company, and has agreed to bear its 41.7% share of all taxes arising out of the transfer of the PRC Property and the Seller's Waiver, subject to a maximum limit of RMB 13,500,000.

Accordingly, the total consideration for the PRC Property Investment deemed to be paid or payable by the Group (“**Aggregate Consideration Value**”) is estimated to be not more than US\$4,730,047.67 (based on the exchange rate of RMB6.30 : US\$1.00 as at 18 May 2012 (the “**Exchange Rate**”)), based on the aggregate of the following:

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

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

## 12. INFORMATION ON THE GROUP, SHANGHAI JI JIN AND THE SELLER

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

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

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

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

## 13. RATIONALE FOR THE PRC PROPERTY INVESTMENT

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

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

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

The Directors, including the independent non-executive Directors but excluding the Covenantors, consider the PRC Property Investment and the terms of the Second Supplemental AIC-SP

Agreement, the Property Transfer Agreement, the Seller's Undertaking and the Second Indemnity are entered into upon normal commercial terms following arm's length negotiation among the parties and that such terms are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

#### 14. RELATIVE FIGURES OF PRC PROPERTY INVESTMENT COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures for the PRC Property Investment computed on the bases set out in Rule 1006(a) to (d) of the SGX-ST Listing Manual (based on the latest announced audited full year financial statements for the period ended 31 December 2011) are as follows:-

Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	Not applicable
Rule 1006(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	Not applicable
Rule 1006(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	6.53%
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

As the Aggregate Consideration Value compared to the Company's market capitalisation as at 18 May 2012 is approximately 6.53%, the PRC Property Investment is a discloseable transaction under Chapter 10 of the SGX-Listing Manual.

#### 15. FINANCIAL EFFECTS OF THE PRC PROPERTY INVESTMENT

The table below illustrates the effect of the PRC Property Investment on the (i) net tangible assets ("NTA") per share ("Share") of the Group (assuming that the PRC Property Investment had been completed at the end of FY2011); and (ii) earnings per Share ("EPS") of the Group (assuming that the PRC Property Investment had been completed at the beginning of FY2011) based on the audited financial statements of the Group for FY2011:

##### (i) NTA

	Before PRC Property Investment	After PRC Property Investment
NTA (US\$'000)	77,945	77,945
NTA per Share (US Cents /share)	7.37	7.37

(ii) **EPS**

	<b>Before PRC Property Investment</b>	<b>After PRC Property Investment</b>
Loss after tax and minority interests (US\$ '000)	29,604	29,604
Weighted average number of Shares ('000)	1,058,829	1,058,829
Basic loss per Share (US Cents)	2.80	2.80

**16. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PRC PROPERTY INVESTMENT**

Save for the Covenantors, none of the substantial shareholders or directors of the Company has an interest, direct or indirect, in the PRC Property Investment, save through their shareholdings in the Company.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents may be inspected at the Company's office at Suite 1801, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, during normal business hours for three months from the date of this announcement:-

- (a) AIC-SP Agreement;
- (b) AIC Confirmation;
- (c) First Supplemental AIC-SP Agreement;
- (d) Second Supplemental AIC-SP Agreement;
- (e) Property Transfer Agreement;
- (f) Seller's Undertaking;
- (g) First Indemnity;
- (h) Second Indemnity; and
- (i) valuation report by RHL Appraisal Limited of the PRC Property dated 22 February 2012 .

BY ORDER OF THE BOARD

HSU CHIH-CHIEN  
CHAIRMAN  
18 May 2012