



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 First Quarter Ended 31 March 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 First Quarter Ended 31 March 2014

	Group		
	US\$'000		%
	Q1 2014	Q1 2013	Change
Turnover	5,315	5,006	6
Cost of sales	(5,371)	(4,818)	11
Gross (loss) profit	(56)	188	NM
Other income	29	183	(84)
Other gains and losses	(54)	(7)	671
Administrative expenses	(643)	(671)	(4)
Finance cost	(286)	(315)	(9)
(Loss) before income tax	(1,010)	(622)	62
Income tax	(2)	-	NM
(Loss) for the period	(1,012)	(622)	63
Other comprehensive income - Gain on revaluation of leasehold and building	-	-	NM
Total comprehensive (expense) - attributable to owners of the Company	(1,012)	(622)	63

(ii) Additional Information

	Group		
	US\$'000		%
	Q1 2014	Q1 2013	Change
Profit before tax is arrived after (charging) / crediting:			
Other incomes including interest income	29	183	(84)
Interest on borrowings	(286)	(315)	(9)
Depreciation and amortisation	(573)	(400)	43
Loss on held-for-trading investment	(28)	(4)	600
Foreign exchange loss (net)	(26)	(3)	767

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
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
ASSETS				
Current assets				
Cash and cash equivalents	13,270	13,152	85	108
Trade receivables	925	1,329	-	-
Other receivables and prepayments	4,460	3,775	58	27
Amounts due from a joint venture	413	412	-	-
Held-for-trading investment	422	450	-	-
Pledged bank deposits	4,338	4,330	-	-
Total current assets	23,828	23,448	143	135
Non-current assets				
Property, plant and equipment	78,149	70,120	-	-
Investment property	914	914	-	-
Interest in a joint venture	5,330	5,330	-	-
Interests in subsidiaries	-	-	20,047	20,047
Amounts due from subsidiaries	-	-	52,677	53,584
Long-term receivables and deposits	5,015	5,015	-	-
Deposit paid for acquisition of a vessel	-	860	-	-
Available-for-sale investment	79	79	-	-
Total non-current assets	89,487	82,318	72,724	73,631
Total assets	113,315	105,766	72,867	73,766
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Other payables and accruals	1,539	2,205	101	892
Bank borrowings - due within one year	6,999	5,646	-	-
Total current liabilities	8,538	7,851	101	892
Non-current liabilities				
Deferred taxation	190	190	-	-
Bank borrowings - due after one year	38,214	30,340	-	-
Total non-current liabilities	38,404	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	1,073	1,073	-	-
Other reserve	1,531	1,531	-	-
Retained profits	16,683	17,695	25,680	25,788
Total	66,373	67,385	72,766	72,874
Total liabilities and equity	113,315	105,766	72,867	73,766
Net current assets / (liabilities)	15,290	15,597	42	(757)
Total assets less current liabilities	104,777	97,915	72,766	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 31/03/2014		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
US\$6,999,000	-	US\$5,598,000	-

Amount repayable after one year

As at 31/03/2014		As at 31/03/2013	
Secured	Unsecured	Secured	Unsecured
US\$38,214,000	-	US\$32,718,000	-

Details of any collateral

Secured borrowings are secured by:

- 1 Corporate guarantee from Courage Marine Group Limited on the outstanding loan balance;
- 2 First preferred mortgage over the vessels held by Cape Ore Marine Corp., Courage Marine Co. Ltd., Heroic Marine S.A., Sea Pioneer Marine Corp. and Zorina Navigation Corp., named "MV Cape Warrior", "MV Courage", "MV Heroic", "MV Cape Pioneer" and "MV Zorina", respectively; and
- 3 Assignment of insurance in respect of MV Cape Warrior, MV Courage, MV Heroic, MV Cape Pioneer 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	
	Q1 2014	Q1 2013
Operating activities		
Loss before income tax	(1,012)	(622)
Adjustments for		
Interest income	(15)	(29)
Interest expense	584	301
Change in fair value of held-for-trading investment	28	4
Depreciation of property, plant and equipment	573	400
Operating cash flows before movements in working capital	158	54
Decrease in trade receivables	404	395
(Increase) in other receivable and prepayments	(685)	(1,766)
(Decrease) in other payable and accruals	(666)	(521)
Cash (used in) operations	(789)	(1,838)
Income tax paid	(2)	-
Interest income received	15	29
Interest expense paid	(584)	(301)
Net cash (used in) operating activities	(1,360)	(2,110)
Investing activities		
Purchase of property, plant and equipment	(7,740)	(7,506)
Placement of pledged bank deposits	(8)	(8)
Advance to a joint venture	(1)	(1)
Net cash (used in) investing activities	(7,749)	(7,515)
Financing activities		
New loans raised	10,000	4,000
Repayment of loans	(793)	(674)
Increase in bank overdraft	20	21
Net cash generated from financing activities	9,227	3,347
Net increase (decrease) in cash and cash equivalents	118	(6,278)
Cash and cash equivalents at beginning of the period	13,152	21,872
Cash and cash equivalents at end of the period	13,270	15,594

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 January 2013	19,059	28,027	1,117	-	19,470	67,673
Loss for the period	-	-	-	-	(622)	(622)
Balance at 31 March 2013	19,059	28,027	1,117	-	18,848	67,050
Balance at 1 January 2014	19,059	28,027	1,073	1,531	17,695	67,385
Loss for the period	-	-	-	-	(1,012)	(1,012)
Balance at 31 March 2014	19,059	28,027	1,073	1,531	16,683	66,373

	Share Capital	Share Premium	Retained profits attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000
The Company				
Balance at 1 January 2013	19,059	28,027	25,356	72,442
Loss for the period	-	-	(115)	(115)
Balance at 31 March 2013	19,059	28,027	25,241	72,327
Balance at 1 January 2014	19,059	28,027	25,788	72,874
Loss for the period	-	-	(108)	(108)
Balance at 31 March 2014	19,059	28,027	25,680	72,766

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 31 March 2014.

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 31/03/2014	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 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 methods 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	
	Q1 2014	Q1 2013
	US Cents	US Cents
a Based on the weighted average number of ordinary shares on issue	(0.10)	(0.06)
b On a fully diluted basis	(0.10)	(0.06)

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	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	6.27	6.36	6.87	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

1Q2014

The Group's turnover increased by 6% from US\$5.0 million in 1Q13 to approximately US\$5.3 million in 1Q14, reflecting the higher capacity of the Group's fleet. However, the Baltic Dry Index (the "BDI") remained low at the 1,000 level during most of 1Q14.

Profitability

1Q2014

The Group's cost of sales increased by 11% from US\$4.8 million in 1Q13 to approximately US\$5.4 million in 1Q14. 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 approximately US\$56,000 in 1Q14 compared to a gross profit of US\$188,000 in 1Q13.

Other income consists of interest income from bank and certificates of deposit, sundry income, and other one-off income. The Group recorded other income of approximately US\$29,000 in 1Q14, a decrease of 84% compared to 1Q13 mainly due to a one-off insurance claim received in 1Q13.

Other gains and losses consist of changes in the 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 losses of approximately US\$54,000 in 1Q14 compared to a loss of approximately US\$7,000 in 1Q13. It was due mainly to the loss from changes in fair value of a held-for-trading investment and exchange loss.

Administrative expenses decreased by 4% from approximately US\$671,000 in 1Q13 to approximately US\$643,000 in 1Q14 as the Group maintained a relatively stable administrative cost.

The Group recorded finance costs of approximately US\$286,000 in 1Q14 compared to US\$315,000 in 1Q13 mainly due to the reduction of bank borrowings.

The Group's subsidiaries recorded an income tax expense of US\$2,000 during 1Q14 compared to none in 1Q13.

Overall, the Group recorded a higher net loss of approximately US\$1 million in 1Q14 due to higher crew fees and depreciation expenses arising from the operation of more vessels.

Cashflow

There was a net increase in cash and cash equivalents of approximately US\$118,000 in 1Q14. Although the Group had obtained a new bank loan of US\$10 million, cash was 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\$13.3 million as at 31 March 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, is low at the 1000 level. Low demand for commodities in the Greater China Region, in particular during the Chinese New Year period, and the 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.

During 1Q14, the Group took delivery of a Panamax-size vessel. Subsequently, the Group had also signed a Memorandum of Agreement for selling a Capesize vessel. This transaction had been completed and the Group will record a gain on disposal of approximately US\$1.5 million subject to the audit of FY2014. The updated tonnage of the Group's fleet is approximately 335,000 dwt. The Group had also obtained a term loan from a bank for the aggregate principal amount of US\$10.0 million for working capital purposes during 1Q14. With the current fleet, the Group is well placed to operate at a 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 the 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 1Q14
Ms. Chou (Spouse of Mr Chang Shun-Chi)*	Rental expenses for lease of Shanghai office - US\$7,000

* 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
14 May 2014



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 first quarter ended 31 March 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 first quarter of 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 14th day of May 2014