



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 Third Quarter And First Nine Months Ended 30 September 2015

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

(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

1(a)(i) Income Statement for the Third Quarter and First Nine Months Ended 30 September 2015:

	US\$'000		% Change	US\$'000		% Change
	Q3 2015	Q3 2014		9 months 2015	9 months 2014	
Turnover	2,424	2,646	(8)	5,374	12,491	(57)
Cost of sales	(2,752)	(4,040)	(32)	(8,790)	(14,826)	(41)
Gross loss	(328)	(1,394)	(76)	(3,416)	(2,335)	46
Other income	5	17	(71)	210	206	2
Other gains and losses	(55)	44	NM	(1,454)	1,471	NM
Administrative expenses	(537)	(630)	(15)	(1,682)	(1,993)	(16)
Other expenses	-	-	NM	(11,094)	(500)	2,119
Finance costs	(292)	(325)	(10)	(884)	(1,041)	(15)
Loss before income tax	(1,207)	(2,288)	(47)	(18,320)	(4,192)	337
Income tax credit	-	-	NM	41	21	95
Loss for the period	(1,207)	(2,288)	(47)	(18,279)	(4,171)	338
Other comprehensive income						
Gain on revaluation of leasehold land and building	-	-	NM	325	151	115
Deferred tax credit arising on revaluation of leasehold land and building	-	-	NM	(43)	(17)	153
Total comprehensive expense for the period attributable to owners of the Company	(1,207)	(2,288)	(47)	(17,997)	(4,037)	346

1(a)(ii) Additional Information

	US\$'000		% Change	US\$'000		% Change
	Q3 2015	Q3 2014		9 months 2015	9 months 2014	
Profit before tax is arrived after (charging) / crediting:						
Other income including interest income	5	17	(71)	210	206	2
Interest on borrowings	(292)	(325)	(10)	(884)	(1,041)	(15)
Depreciation and amortisation	(383)	(569)	(33)	(1,584)	(1,701)	(7)
(Loss) gain on disposal of plant and equipment	-	-	NM	(1,478)	1,475	NM
Gain on held-for-trading investments	-	25	NM	70	3	2,233
(Loss) gain on foreign exchange (net)	(24)	19	NM	(15)	(22)	(32)

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
	30/9/2015	31/12/2014	30/9/2015	31/12/2014
ASSETS				
Current assets				
Cash and cash equivalents	3,224	8,883	74	65
Trade receivables	146	156	-	-
Other receivables and prepayments	4,766	3,160	66	28
Amounts due from a joint venture	669	553	-	-
Held-for-trading investments	-	444	-	-
Pledged bank deposits	-	4,361	-	-
Total current assets	8,805	17,557	140	93
Non-current assets				
Property, plant and equipment	50,506	68,711	-	-
Interest in a joint venture	5,330	5,330	-	-
Interests in subsidiaries	-	-	8,023	8,023
Amounts due from subsidiaries	-	-	29,808	31,055
Long-term receivables and deposits	1,675	5,329	-	-
Available-for-sale investment	79	79	-	-
Total non-current assets	57,590	79,449	37,831	39,078
Total assets	66,395	97,006	37,971	39,171
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Other payables and accruals	595	2,193	12	860
Borrowings - due within one year	2,691	4,024	-	-
Total current liabilities	3,286	6,217	12	860
Non-current liabilities				
Deferred tax liabilities	311	311	-	-
Borrowings - due after one year	22,472	32,156	-	-
Total non-current liabilities	22,783	32,467	-	-
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	2,016	1,734	-	-
Other reserve	1,531	1,531	-	-
(Accumulated losses) retained profits	(10,307)	7,971	(9,127)	(8,775)
Total	40,326	58,322	37,959	38,311
Total liabilities and equity	66,395	97,006	37,971	39,171
Net current assets / (liabilities)	5,519	11,340	128	(767)
Total assets less current liabilities	63,109	90,789	37,959	38,311

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 30/09/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
US\$2,691,000	-	US\$4,024,000	-

Amount repayable after one year

As at 30/09/2015		As at 31/12/2014	
Secured	Unsecured	Secured	Unsecured
US\$22,472,000	-	US\$32,156,000	-

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 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	
	3Q of 2015	3Q of 2014
Operating activities		
Loss before income tax	(1,207)	(2,288)
Adjustments for:		
Depreciation of property, plant and equipment	383	569
Change in fair value of held-for-trading investments	-	(25)
Interest income	(4)	(15)
Finance costs	292	325
Operating loss before movements in working capital	(536)	(1,434)
Decrease in trade receivables	230	30
Decrease in other receivables and prepayments	234	272
Decrease in other payables and accruals	(247)	(470)
Cash (used in) operating activities	(319)	(1,602)
Interest expense paid	(292)	(325)
Interest income received	4	15
Net cash (used in) operating activities	(607)	(1,912)
Investing activities		
Deposit for acquisition of property, plant and equipment and investment properties	(73)	-
Purchase of property, plant and equipment	(115)	(462)
Withdrawal (placement) of pledged bank deposits	251	(10)
Net cash from (used in) investing activities	63	(472)
Financing activities		
Repayment of loans	(9,005)	(1,024)
Net cash (used in) financing activities	(9,005)	(1,024)
Net decrease in cash and cash equivalents	(9,549)	(3,408)
Cash and cash equivalents at the beginning of the period	12,773	13,809
Cash and cash equivalents at the end of the period	3,224	10,401

	Group	
	US\$'000	
	9 months of 2015	9 months of 2014
Operating activities		
Loss before income tax	(18,320)	(4,192)
Adjustments for:		
Dividends from held-for-trading investments	(20)	(20)
Depreciation of property, plant and equipment	1,584	1,701
Change in fair value of investment property	-	(15)
Change in fair value of held-for-trading investments	(70)	(3)
Loss (gain) on disposal of property, plant and equipment	1,478	(1,475)
Discount effect on long-term loan receivable	-	246
Interest income	(65)	(45)
Finance costs	884	1,041
Impairment loss on deposit paid	1,685	254
Impairment loss on property, plant and equipment	9,409	-
Imputed interest income on long-term receivables	(123)	(118)
Operating loss before movements in working capital	(3,558)	(2,626)
Decrease in trade receivables	10	1,008
Decrease (increase) in other receivables and prepayments	844	(99)
Decrease in other payables and accruals	(1,598)	(1,160)
Decrease in held-for-trading investments	514	-
Cash (used in) operating activities	(3,788)	(2,877)
Interest expense paid	(884)	(1,041)
Interest income received	65	45
Income tax paid	(2)	(9)
Dividend received from held-for-trading investments	20	20
Net cash (used in) operating activities	(4,589)	(3,862)
Investing activities		
Deposit for acquisition of property, plant and equipment and investment properties	(312)	(254)
Purchase of property, plant and equipment	(190)	(8,204)
Proceeds on disposal of plant and equipment	6,204	8,393
Withdrawal (placement) of pledged bank deposits	4,361	(24)
Advance to a joint venture	(116)	-
Net cash from (used in) investing activities	9,947	(89)
Financing activities		
Repayment of loans	(11,017)	(6,343)
New loans raised	-	10,000
Decrease in bank overdraft	-	(2,457)
Net cash (used in) from financing activities	(11,017)	1,200
Net decrease in cash and cash equivalents	(5,659)	(2,751)
Cash and cash equivalents at the beginning of the period	8,883	13,152
Cash and cash equivalents at the end of the period	3,224	10,401

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 (Accumulated losses) attributable to the shareholders	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group						
Balance at 1 July 2014	19,059	28,027	1,207	1,531	15,812	65,636
Loss for the period	-	-	-	-	(2,288)	(2,288)
Balance at 30 September 2014	19,059	28,027	1,207	1,531	13,524	63,348
Balance at 1 July 2015	19,059	28,027	2,016	1,531	(9,100)	41,533
Loss for the period	-	-	-	-	(1,207)	(1,207)
Balance at 30 September 2015	19,059	28,027	2,016	1,531	(10,307)	40,326
The Company						
Balance at 1 July 2014	19,059	28,027	-	-	25,530	72,616
Loss for the period	-	-	-	-	(160)	(160)
Balance at 30 September 2014	19,059	28,027	-	-	25,370	72,456
Balance at 1 July 2015	19,059	28,027	-	-	(8,964)	38,122
Loss for the period	-	-	-	-	(163)	(163)
Balance at 30 September 2015	19,059	28,027	-	-	(9,127)	37,959

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 were no changes to the Company's share capital since 30 June 2015.

The Company does not have any outstanding convertibles or treasury shares as at 30 September 2015 and 31 December 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 30/09/2015	As at 31/12/2014
105,882,928	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 as at 30 September 2015.

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

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not Applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has adopted the same accounting policies and method of computation in the financial statements for the current period compared with the audited financial statements for the financial year ended 31 December 2014.

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 (loss) 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			
	Q3 2015	Q3 2014	9 months 2015	9 months 2014
	US Cents	US Cents	US Cents	US Cents
a Based on the weighted average number of ordinary shares in issue	(1.14)	(2.16)	(17.26)	(3.94)
b On a fully diluted basis	(1.14)	(2.16)	(17.26)	(3.94)

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 options granted or outstanding during the financial period.

Comparative figures have been restated on the assumption that the share consolidation which took effect on 7 May 2015 had been effective in prior period.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year

	Group		Company	
	30/9/2015	31/12/2014	30/9/2015	31/12/2014
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	38.09	55.08	35.85	36.18

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

3Q2015

The Group's turnover decreased by 8% from approximately US\$2.6 million in 3Q14 to US\$2.4 million in 3Q15, reflecting low freight rates. The Baltic Dry Index (the "BDI") remained low and averaged around 1,000 during the quarter.

9m2015

The Group's turnover decreased by 57% from approximately US\$12.5 million in the nine months ended 30 September 2014 to approximately US\$5.4 million in the nine months ended 30 September 2015. The dry bulk market was under intense pressure and the BDI was below the 1,000 level for most of the time during the first nine months of this year.

Profitability

3Q2015

The Group's cost of sales decreased by 32% from approximately US\$4 million in 3Q14 to approximately US\$2.8 million in 3Q15. It was mainly due to less variable cost consumed with less vessels being operated. The Group recorded a gross loss of approximately US\$0.3 million in 3Q15 compared to a gross loss of US\$1.4 million in 3Q14.

Other income consists of interest income from banks and certificate of deposit, sundry income, and other one-off income. The Group recorded other income of US\$5,000 in 3Q15, a decrease of 71% compared to 3Q14. This was mainly due to less interest income received from bank deposits.

Other gains and losses consist of changes in fair value of investment property, changes in fair value of held-for-trading investments, gains and losses on the disposal of fixed assets and exchange gains and losses. The Group recorded other losses of approximately US\$55,000 in 3Q15 due to the disposal of fixed assets and exchange losses. The Group recorded other gains of approximately US\$44,000 in 3Q14.

Administrative expenses decreased by 15% from approximately US\$0.6 million in 3Q14 to approximately US\$0.5 million in 3Q15 as the Group had less legal and professional expenses during the quarter.

The Group recorded finance costs of approximately US\$0.29 million in 3Q15 compared to US\$0.33 million in 3Q14 due mainly to less bank borrowings.

Overall, the Group recorded a net loss of approximately US\$1.2 million in 3Q15 compared to approximately US\$2.3 million in 3Q14. This was mainly due to the less fixed costs consumed after the disposal of MV Cape Pioneer and better fleet utilisation during the quarter.

9m2015

The Group's cost of sales decreased by 41% from approximately US\$14.8 million in 9m14 to approximately US\$8.8 million in 9m15. The Group recorded a gross loss for approximately US\$3.4 million in 9m15 compared to a gross loss of approximately US\$2.3 million in 9m14.

Other income consists of interest income from banks and certificate of deposit, sundry income, and other one-off income. The Group recorded other income of approximately US\$0.2 million in 9m15, an increase of 2% compared to 9m14.

Other gains and losses consist of changes in fair value of investment property, changes in fair value of held-for-trading investments, gains and losses on the disposal of fixed assets and exchange gains and losses. The Group recorded other losses of approximately US\$1.5 million in 9m15 due to the disposal of MV Cape Pioneer. The Group recorded other gains of approximately US\$1.5 million in 9m14 due to the disposal of MV Cape Warrior.

Administrative expenses decreased by 16% from approximately US\$2 million in 9m14 to US\$1.7 million in 9m15 as the Group had less legal and professional expenses during the period.

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 approximately US\$11.1 million in 9m15 as there were further impairment loss on deposits paid and impairment loss in respect of the vessels in light of the decrease in revenue, utilisation rate, and market value of the vessels and scrap materials. The recoverable amount of the vessels has been determined on the basis of their value in use. The Group recorded other expenses of US\$0.5 million in 9m14 due to the impairment loss on deposits paid in connection with an earlier coal trading arrangement entered into by the Group and discount effect on the long-term loan advanced to a joint venture.

The Group recorded finance costs of approximately US\$0.9 million in 9m15 compared to US\$1 million in 9m14 due mainly to less bank borrowings.

The Group's subsidiaries recorded an income tax credit of US\$41,000 during 9m15 compared to approximately US\$21,000 in 9m14. It was due mainly to the over provision of the deferred tax liability in the previous year.

The Group recorded a gain on revaluation of owner-occupied property for approximately US\$0.3 million in 9m15 compared to a gain of US\$0.2 million in 9m14.

The Group recorded a deferred tax charge on revaluation of leasehold land and building of approximately US\$43,000 in 9m15 compared to a deferred tax charge of approximately US\$17,000 in 9m14.

Overall, the Group recorded a higher net loss of approximately US\$18 million in 9m15 compared to US\$4 million in 9m14 due to lower turnover with lower freight rates, disposal loss of MV Cape Pioneer, and the impairment loss of vessels' value in use and deposits paid in connection with an earlier coal trading arrangement entered into by the Group.

Cashflow

There was a net decrease in cash and cash equivalents of approximately US\$5.7 million in 9m15. Although the Group had received proceeds of approximately US\$6.2 million on the disposal of MV Cape Pioneer, and proceeds from the withdrawal of pledged bank deposits in the amount of US\$4.4 million, the Group had repaid approximately US\$11 million of bank borrowings. As at 30 September 2015, the Group had cash and bank balances of approximately US\$3.2 million.

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 remained poor during the recent months. The BDI, which has a close correlation to freight rates, climbed up to the 1,200 level in mid August but dropped back to the 600 level recently. Low demand for commodities in the Greater China Region, and over-supply of vessels has led to more pressure on the freight rates in the dry bulk market.

The updated tonnage of the Group's fleet is approximately 186,000 dwt. Fleet utilisation and freight rates are expected to remain low for the rest of the year. Due to the poor operating environment, the Group will continue to explore various options for reducing costs, including a restructuring/streamlining of its Taiwan office's operation. In addition, the Group will explore opportunities on the ship chartering service business and other business opportunities which may arise, and may also explore options for fund-raising, including equity and/or loan financing opportunities.

11. Dividend

(a) Whether an interim (final) ordinary dividend has been declared (recommended)

No.

(b)(i) Amount per share in cents

Not applicable.

(b)(ii) Previous corresponding period in cents

Not applicable.

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

Not applicable.

(d) The date the dividend is payable

Not applicable.

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

Not applicable.

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

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

13. Interested Person Transactions

The Group has not obtained a general mandate for interested person transactions. During the period under review, the following interested person transactions were entered into by the Group:

Interested Person	Aggregate value of all interested person transaction conducted for 3Q15
Hwalee Marine Co. Ltd (Owned and operated by Mr Hsu Chih-Chien's spouse)*	Commission expenses for vessel chartering - US\$7,000

*Mr Hsu Chih-Chien has resigned as a director of the Company with effect from 14 October 2015.

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 nine months and third quarter ended 30 September 2015 to be false or misleading in any material aspect.

By Order of the Board

Sue Ka Lok
Chairman and Director
12 November 2015

Lai Ming Wai
Director