Courage Marine Group Limited
（勇利航業集團有限公司）

(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 1145)
(Singapore Stock Code: E91)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board (the ("**Board**") of directors (the "**Directors**") of Courage Marine Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2011 together with the comparative figures for the previous year as follows:

STATEMENTS OF FINANCIAL POSITION
At 31 December 2011

	Notes	**2011** **US$'000**	2010 US$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	**16,671**	29,929
Trade receivables	6	**67**	1,257
Other receivables and prepayments	7	**1,594**	3,382
Held-for-trading investments	8	**352**	742
Pledged bank deposits	9	**4,267**	5,674
Tax recoverable		**58**	58
Certificate of deposit	10	**1,074**	–
Total current assets		**24,083**	41,042
Non-current Assets			
Property, plant and equipment	11	**60,692**	70,070
Investment property	12	**2,059**	1,671
Long-term receivables	7	**3,767**	3,767
Deposit paid for acquisition of a vessel		**5,320**	–
Deposit paid for drydocking of vessels		**–**	2,000
Structured deposit		**1,000**	1,000
Certificate of deposit	10	**–**	1,074
Total non-current assets		**72,838**	79,582
Total Assets		**96,921**	120,624

	Notes	**2011**	2010
		US$'000	*US$'000*
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Other payables and accruals		**17,889**	2,607
Bank borrowings – due within one year	*13*	**996**	3,600
Total current liabilities		**18,885**	6,207
Non-current Liability			
Deferred tax liabilities		**91**	–
Capital and Reserves			
Share capital	*14*	**19,059**	19,059
Share premium		**28,027**	28,027
Revaluation reserve	*15*	**802**	152
Retained profits		**30,057**	67,179
Total		**77,945**	114,417
Total liabilities and equity		**96,921**	120,624
Net current assets		**5,198**	34,835
Total assets less current liabilities		**78,036**	114,417

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Revenue	16	**21,691**	46,521
Cost of sales		**(32,593)**	(35,192)
Gross (loss) profit		**(10,902)**	11,329
Other income	17	**517**	399
Other gains and losses	18	**(3,526)**	973
Administrative expenses		**(3,466)**	(3,487)
Listing expenses		**(2,227)**	–
Impairment loss on property, plant and equipment	11	**(9,492)**	–
Finance costs	19	**(392)**	(119)
(Loss) profit before income tax		**(29,488)**	9,095
Income tax expense	20	**(116)**	(71)
(Loss) profit for the year	21	**(29,604)**	9,024
Other comprehensive income:			
Gain on revaluation of leasehold land and building		**650**	152
Total comprehensive (expense) income – attributable to owners of the Company		**(28,954)**	9,176
(Loss) earnings per share (US cents)	22		
– basic		**(2.80)**	0.85

See accompanying notes to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL

The Company (Registration No. 36692) was incorporated in Bermuda on 5 April 2005 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at Suite 1801, West Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE"). The financial statements are presented in United States dollars ("US$"), which is the functional currency of the Company, and all values in the tables are rounded to the nearest thousand (US$'000) as indicated.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are mainly engaged in provision of marine transportation services.

There are no significant changes to the principal activities of the Company and the Group for the year ended 31 December 2011.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 29 February 2012.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") and interpretations ("new and revised IFRS") issued by the International Accounting Standards Board including the Interpretations thereof issued by the IFRS Interpretations Committee ("IFRIC"):

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Int 14	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new or revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
IAS 19 (as revised in 2011)	Employee Benefits[4]
IAS 27 (as revised in 2011)	Separate Financial Statements[4]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015
[6] Effective for annual periods beginning on or after 1 January 2014

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The consolidated financial statements have been prepared in accordance with IFRSs as published by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and the disclosure requirements by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, leasehold land and building and investment property that are measured at revalued amounts or fair values, as explained in the accounting policies set out below, and are drawn up in accordance with the provision of IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors of the Company are of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise cash held by the Group of approximately US$11,642,000 (2010: US$19,862,000) and short-term bank deposits of approximately US$5,029,000 (2010: US$10,067,000) with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the Group carry interest at prevailing market deposit rates which range from 0.10% to 1.02% (2010: 0.10% to 0.66%) per annum and for a tenure of approximately 34 days (2010: 54 days).

The Group's cash and cash equivalents that are not denominated in the functional currencies of the respective entities in the Group are as follows:

	2011	2010
	US$'000	*US$'000*
Hong Kong dollars	**169**	87
New Taiwan Dollar ("NTD")	**49**	494
Singapore dollars	**115**	242
Renminbi	**142**	62

6 TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks after the receipt of invoices while other customers are requested to prepay the charter-hire income in full before discharging for voyage charter. Customers of time charter are requested to prepay the charter-hire income for time charter. An aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period is as follows:

	2011	2010
	US$'000	*US$'000*
0 to 30 days	**67**	1,257

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$67,000 (2010: US$1,000,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. For the remaining trade debtor balances which are neither past due nor impaired, the Group considered that they have good credit quality in view of their good settlement track record.

Aging of trade receivables which are past due but not impaired:

	2011	2010
	US$'000	*US$'000*
0 to 30 days	**67**	1,000

The Group has not provided for the trade receivables which are past due but not impaired because the management of the Group consider that those receivables are recoverable based on the good settlement track record of the customers. No interest is charged on the outstanding trade receivables. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts:

	2011	2010
	US$'000	*US$'000*
1 January	**133**	–
Impairment losses recognised on receivables	**–**	133
31 December	**133**	133

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of US$133,000 (2010: US$133,000) which are overdue over one year. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting date. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period and considers to make impairment losses for irrecoverable amount, if necessary.

The Group's trade receivables are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group.

7 OTHER RECEIVABLES AND PREPAYMENTS/LONG TERM RECEIVABLES

Details of other receivables and prepayments/long-term receivables are as follows:

	Notes	**2011** *US$'000*	2010 *US$'000*
Deferred consideration for disposal of a vessel – MV Panamax Mars	*(i)*	**–**	2,000
Deferred consideration for disposal of investment in associate	*(ii)*	**3,767**	3,767
Other receivables	*(iii)*	**450**	879
Prepayment		**109**	459
Deposits		**1,035**	44
		5,361	7,149
Less: Non-current portion		**(3,767)**	(3,767)
		1,594	3,382

(i) On 18 December 2008, the Group entered into a memorandum of agreement with Goldcapital Asia management Limited ("Goldcapital") an independent third party, to dispose of a vessel, MV Panamax Mars, at a cash consideration of US$7,000,000. The disposal of the vessel was completed in January 2009 by the delivery of the vessel to Goldcapital. Out of the total cash consideration, US$500,000 was received by the Group in January 2009 and for the remaining consideration of US$6,500,000, it was settled over 9 instalments commencing from March 2009 with a quarterly payment of US$750,000 in the first 8 instalments and followed by the final payment of US$500,000 in the 9th instalment according to the agreed repayment schedule.

At 31 December 2010, US$1,500,000 was past due but no impairment was made as the outstanding balance of the deferred consideration of US$2,000,000 was fully settled in March 2011.

(ii) In August 2007, Courage-New Amego Shipping Corp. ("Courage-New Amego"), a subsidiary of the Company, acquired 11,200,420 ordinary shares of Sunrise Airlines Co. Ltd. ("Sunrise"), representing 25% of the issued share capital of Sunrise from Jason Chang, an independent third party, at a cash consideration of NTD111,444,179 (equivalent to US$3,390,000). In connection with the purchase of the shares, the vendor had granted to Courage-New Amego a put option whereby Courage-New Amego was entitled to sell the purchased shares to the vendor at the original purchase price together with interest charge of 6% per annum amounted to NTD123,609,896 (equivalent to US$3,767,000) within a period of two years after the completion of the acquisition i.e. by August 2009. This put option had been exercised by Courage-New Amego in May 2009 at a cash consideration of US$3,767,000 and had been accepted by the vendor in July 2009. The cash consideration of US$3,767,000 would be settled by 8 equal instalments with a quarterly payment of US$471,000 commencing from 3 May 2010.

In October 2010, the Group entered into a settlement agreement ("Settlement Agreement") with Jason Chang pursuant to which the outstanding balance of US$3,767,000 will be settled by way of 41.7% property interest in an industrial building in Shanghai, the People's Republic of China (the "PRC"), beneficially owned by Jason Chang. According to the Settlement Agreement, the date of completion of the transfer of property interest should not be later than 14 April 2011. On 22 March 2011, the Group entered into an extension agreement with Jason Chang such that the completion date of the transfer of property interest has been extended to 31 March 2012 and on the same time, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien, the directors and shareholders of the Company signed a deed of indemnity pursuant to which they will 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 his obligations under the Settlement Agreement to the extent of the outstanding balance due from Jason Chang. At 31 December 2011, the process of transferring the equitable interest of the property to the Group was still in progress.

The fair value of property interest in the industrial building at 31 December 2011 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("RHL"), 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 valuation report on the 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. The fair value of property interest in the industrial building at 31 December 2011 attributable to the Group exceeded the outstanding balance due from Jason Chang. In addition, as the two directors and shareholders of the Company have jointly and severally indemnify the Group against all losses that the Group may suffer from the default of Jason Chang, the management of the Group considers the Group's recoverability risk of the receivables is significantly reduced.

(iii) Other receivables included ship management income receivables in respect of the provision of vessel management service to various independent third parties.

The Group's significant other receivables are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group.

8 HELD-FOR-TRADING INVESTMENTS

	2011	2010
	US$'000	*US$'000*
Listed securities:		
– Equity securities listed in Republic of China	**352**	742

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gain. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The held-for-trading investments are denominated in NTD.

9 PLEDGED BANK DEPOSITS

As at 31 December 2011, the Group has placed a fixed deposit of US$2,000,000 (2010: US$5,424,000) in the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") with a term of one year, which is secured against the ICBC short-term banking facilities of US$2,000,000 (2010: US$5,000,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.45% (2010: 0.58%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2011, the Group has placed a fixed deposit of US$250,000 (2010: US$250,000) in PT Bank Negara Indonesia ("BNI"), which is secured against short-time banking facilities of US$2,500,000 (2010: US$2,500,000) available to the Group. The fixed deposit is carried at prevailing market deposit rate of 0.1% (2010: 0.1%) per annum. The Group has not drawn down the banking facilities at the end of the reporting period.

As at 31 December 2011, the Group has placed a fixed deposit of US$2,017,000 (2010: Nil) in Bank of Communications ("BOC"), which is secured against short-time banking facilities of US$2,000,000 available to the Group. The fixed deposit is carried at prevailing market deposit rate of 1.02% per annum. US$996,000 (2010: Nil) was drawn by the Group as bank overdraft at 31 December 2011.

10 CERTIFICATE OF DEPOSIT

	2011 ***US$'000***	2010 *US$'000*
Certificate of deposit with coupon interest rate of 2.1% per annum and maturity date on 13 September 2012, arrived at amortised cost	**1,074**	1,074

At 31 December 2010 and 31 December 2011, the fair value of certificate of deposit approximates to its carrying amount.

The held-to-maturity financial asset is denominated in Renminbi.

11 PROPERTY, PLANT AND EQUIPMENT

	Vessels *US$'000*	Dry-docking *US$'000*	Furniture, fixtures and equipment *US$'000*	Leasehold improvement *US$'000*	Leasehold land and buildings *US$'000*	Total *US$'000*
COST OR VALUATION						
At 1 January 2010	61,786	14,967	1,432	186	–	78,371
Additions	30,332	1,028	34	131	2,437	33,962
Disposals	(8,883)	(2,793)	(11)	(45)	–	(11,732)
Gain on revaluation	–	–	–	–	126	126
At 31 December 2010	83,235	13,202	1,455	272	2,563	100,727
Additions	26,600	1,144	18	–	–	27,762
Disposals	(33,750)	(4,670)	(5)	–	–	(38,425)
Gain on revaluation	–	–	–	–	590	590
At 31 December 2011	76,085	9,676	1,468	272	3,153	90,654
Comprising						
At cost	76,085	9,676	1,468	272	–	87,501
At valuation 2011	–	–	–	–	3,153	3,153
	76,085	9,676	1,468	272	3,153	90,654
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	14,413	8,697	200	185	–	23,495
Depreciation expense	6,118	2,706	279	9	26	9,138
Eliminated on disposals	(92)	(1,802)	(11)	(45)	–	(1,950)
Eliminated on revaluation	–	–	–	–	(26)	(26)
At 31 December 2010	20,439	9,601	468	149	–	30,657
Depreciation expense	5,616	1,416	281	26	60	7,399
Impairment loss recognised in profits or loss	9,492	–	–	–	–	9,492
Eliminated on disposals	(13,508)	(4,016)	(2)	–	–	(17,526)
Eliminated on revaluation	–	–	–	–	(60)	(60)
At 31 December 2011	22,039	7,001	747	175	–	29,962
CARRYING VALUES:						
At 31 December 2011	54,046	2,675	721	97	3,153	60,692
At 31 December 2010	62,796	3,601	987	123	2,563	70,070

The allocation of leasehold land and building elements cannot be made reliably, hence the leasehold interests in land is accounted for as property, plant and equipment.

The Group's leasehold land and building are situated in Hong Kong on land held under medium term lease.

The carrying amount of a vessel included an amount of US$26,600,000 (2010: nil) in respect of assets held under first preferred mortgage from the shipbuilder.

The carrying amount of a vessel of the Group at 31 December 2010 amounting to US$10,301,000 was pledged against the bank loan granted to a subsidiary as disclosed in Note 13. The pledge was released during the year ended 31 December 2011.

During the year, the business of the Group has experienced negative impact as demonstrated by the decrease in Baltic Dry Index for the year 2011 as compared to that for the year 2010, which also brought decrease in revenue and utilisation rate of the vessels of the Group. In light of these considerations the directors of the Company conducted a review of the Group's vessels and impairment loss of US$9,492,000 has been recognised in respect of the vessels. The recoverable amount of the vessels has been determined on the basis of their fair value less costs to sell.

The fair value of the Group's leasehold land and building at 31 December 2011 and 31 December 2010 has been arrived at on the basis of a valuation carried out on that date by RHL, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL 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. A gain of US$650,000 (2010: US$152,000) arising on revaluation has been recognised in other comprehensive income and accumulated in equity.

Had the leasehold land and building been carried of historical cost less accumulated depreciation, their carrying amount would have been US$2,377,000 (2010: US$2,411,000).

12 INVESTMENT PROPERTY

	US$'000
FAIR VALUE	
At 1 January 2010	–
Additions	1,589
Increase in fair value recognised in profit or loss	82
At 31 December 2010	1,671
Increase in fair value recognised in profit or loss	388
At 31 December 2011	2,059

The Group's investment property is situated in Hong Kong on land held under medium term lease.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2011 and 31 December 2010 has been arrived at on the basis of a valuation carried out on that date by RHL, who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant location. The valuation report on these properties is signed by a director of RHL 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.

The primary rental income from the Group's investment property which is carried not under operating leases amounted to US$43,000 (2010: US$14,000) for the year. No direct operating expense arising from the investment property.

13 BANK BORROWINGS

	2011	2010
	US$'000	*US$'000*
Secured bank overdraft	**996**	–
Secured bank loan	**–**	3,600
	996	3,600
Less: Amount due within one year shown under current liabilities	**(996)**	(3,600)
Amount shown under non-current liabilities	**–**	–
Effective interest rate (%) per annum	**1.81**	2.29

The carrying amounts of bank borrowings approximate their fair value.

The Group's bank borrowings are mainly denominated in the United States dollars which is also the functional currency of the respective entities in the Group. On 27 October 2008, a bank loan of US$10,000,000 was granted to Zorina Navigation, a subsidiary of the Company, under a loan agreement. The loan was interest bearing at the rate of 2% per annum above LIBOR and repayable by 11 consecutive fixed US$800,000 quarterly instalments commencing from 31 January 2009 followed by a final payment of US$1,200,000 in October, 2011. The loan was fully repaid during the year ended 31 December 2011.

The bank loan was secured by the following:

(i) Corporate guarantee from the Company on the outstanding loan balance;

(ii) First preferred mortgage over the vessel held by Zorina Navigation, named "ZORINA"; and

(iii) Assignment of insurance in respect of the vessel named "ZORINA".

14 SHARE CAPITAL

Ordinary shares of US$0.018 each	Number of shares	Amount
	'000	*US$'000*
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	10,000,000	180,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	1,058,829	19,059

These are all fully paid ordinary shares, which have a par value of US$0.018 each, carry one vote per share and carry a right to dividends as and when declared by the Company.

15 REVALUATION RESERVE

The property revaluation reserve arises on the revaluation of leasehold land and building. Where revalued land or building is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

16 REVENUE

	2011	2010
	US$'000	*US$'000*
Marine transportation services income:		
– Vessel voyage charter	**19,843**	31,787
– Time charter	**1,848**	14,470
	21,691	46,257
Ship management income	**–**	264
	21,691	46,521

17 OTHER INCOME

	2011	2010
	US$'000	*US$'000*
Dividend income, from listed investments	**18**	–
Rental income	**43**	14
Interest income from banks	**90**	73
Interest income from certificate of deposit	**23**	14
Insurance refund	**281**	252
Sundry income	**62**	46
	517	399

18 OTHER GAINS AND LOSSES

	2011	2010
	US$'000	*US$'000*
(Loss) gain on disposal of property, plant and equipment	**(3,595)**	805
Change in fair value of held-for-trading investments	**(308)**	154
Change in fair value of investment property	**388**	82
Net foreign exchange (losses) gains	**(11)**	65
Allowance for doubtful debts	**–**	(133)
	(3,526)	973

19 FINANCE COSTS

	2011	2010
	US$'000	*US$'000*
Interest expenses from bank borrowings wholly repayable within one year:		
– Bank loan	**41**	119
– Bank overdraft	**5**	–
Bank facility fee	**346**	–
	392	119

20 INCOME TAX EXPENSE

	2011 *US$'000*	2010 *US$'000*
Current tax:		
Hong Kong Profits Tax	**–**	41
PRC income tax	**10**	4
Republic of China income tax	**15**	26
	25	71
Deferred tax		
Current year	**91**	–
	116	71

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong in current year. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit of a subsidiary for the year ended 31 December 2010.

PRC income tax is calculated at 25% of the assessable profit of a representative office in Shanghai, PRC for both years.

Income tax in Republic of China is calculated at 25% of the assessable profit of a subsidiary for both years.

In the opinion of the directors of the Company, there is no taxation arising in other jurisdictions.

The tax charge for the financial year can be reconciled to profit before income tax per the Group results as follows:

	2011 *US$'000*	2010 *US$'000*
(Loss) profit before income tax	**(29,488)**	9,095
Tax at the applicable income tax rate of 16.5% *(Note)*	**(4,866)**	1,501
Tax effect of offshore income not taxable for tax purpose	**(4,130)**	(2,166)
Tax effect of expenses not deductible for tax purpose	**8,977**	644
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8**	10
Tax losses not recognised	**32**	42
Others	**95**	40
Income tax expense for the year	**116**	71

Note: The Hong Kong Profits Tax rate is used for the tax reconciliation as the Group is considered to be normally controlled or managed in Hong Kong.

21 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2011	2010
	US$'000	*US$'000*
Auditors' remuneration	**263**	280
Employee benefits expense (including directors' emoluments):		
– Contributions to retirement benefits scheme	**29**	31
– Salaries and other benefits	**1,205**	1,453
Total employee benefits expense	**1,234**	1,484
Marine crew expenses	**5,256**	5,035
Fuel expenses	**12,396**	12,116
Depreciation for property, plant and equipment	**7,399**	9,138

22 (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2011	2010
	US$'000	*US$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(29,604)**	9,024

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,058,829**	1,058,829

No diluted (loss) earnings per share were presented for both years as there were no potential ordinary shares outstanding during both years and at the end of each reporting period.

23 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation service. The board of directors monitors the revenue of marine transportation service based on the voyage charter and time charter service income of dry bulk carriers of different sizes and their utilisation rates for the purpose of making decisions about resource allocation and performance assessment. However, other than revenue analysis, no operating results and other discrete financial information is available for the resource allocation and performance assessment. The results of ship management service activities are insignificant to the Group and were not regularly reviewed by the chief operating decision maker (the board of directors).

The board of directors reviews the profit or loss for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the board of directors.

The revenue of the dry bulk carriers of different sizes is analysed as follows:

For the year ended 31 December 2011

	Voyage charter	**Time charter**	**Total**
	US$'000	***US$'000***	***US$'000***
Dry bulk carriers			
– Capsize	**3,975**	**634**	**4,609**
– Handysize	**3,146**	**156**	**3,302**
– Handymax	**3,022**	**471**	**3,493**
– Panamax	**9,700**	**587**	**10,287**
	19,843	**1,848**	**21,691**

For the year ended 31 December 2010

	Voyage charter	Time charter	Total
	US$'000	*US$'000*	*US$'000*
Dry bulk carriers			
– Capsize	1,213	1,643	2,856
– Handysize	10,446	2,644	13,090
– Handymax	11,502	1,297	12,799
– Panamax	8,626	8,886	17,512
	31,787	14,470	46,257

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors consider that it is not meaningful to provide geographical financial information concerning revenue and location of non-current assets of the Group. Accordingly, financial information about geographical areas is not presented.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business Review

Revenue

The Group's revenue decreased by approximately 53% from approximately US$46.5 million in FY10 to approximately US$21.7 million in FY11.

The vessel chartering services of the Group heavily rely on spot charter contracts. The decrease in revenue was mainly due to the political instability in the Middle East leading to concerns about global oil supply and substantial increase in bunker price, being one of the major variable costs, which discouraged the Group from taking orders negotiated with lower freight rates. The over-supply of vessels within the Asian region led to the decrease in the demand for the Group's chartering services since March 2011. The above led to a decrease in the overall utilisation rate of the Group's vessels. There was also a significant decrease in the Baltic Dry Index from the average of approximately 2,758 points for the year of 2010 to the average of approximately 1,549 points for the year of 2011, our revenue decreased by 53% in the year of 2011 compared to the same period in 2010 because of decrease in freight rates and utilisation rate of the fleet.

Profitability

Despite the decrease in revenue by 53%, the Group's cost of sales decreased by only 7% to approximately US$32.6 million in FY11 from US$35.2 million in FY10 due to the consumption of the fixed cost, including insurance, crews fee and depreciation expenses. As such, the Group recorded a gross loss of approximately US$10.9 million in FY11 compared to gross profit of US$11.3 million in FY10.

Other income

Other income mainly includes rental income, interest income from banks and certificate of deposit, insurance claims and sundry income. The Group recorded other income for US$0.5 million in the year of 2011, an increase of 30% compared to the year of 2010. This was mainly attributed to an one-off insurance claim received.

Other gains and losses

Other gains and losses mainly include change in fair value of investment property, change in fair value of held-for-trading investments, gains or loss in disposal of fixed assets and exchange gain or loss. For the year of 2011, the Group recorded other losses for approximately US$3.5 million due to the loss on disposal of two vessels, namely MV Heroic and MV Zorina. During the year of 2010, the Group disposed a Capesize vessel, MV Cape Ore, and recorded a gain on disposal.

Listing expenses

The Group recorded listing expenses of approximately US$2.2 million which was attributable to the professional fees and other expenses relating to the Group's Hong Kong listing exercise. The shares of the Company were successfully listed on the Main Board of HKEx on 24 June 2011. The Group did not have such expenses during the year of 2010.

Impairment loss on property, plant and equipment

The Group conducted a review of the Group's vessels and determined that a number of those assets were impaired, due to decrease in utilisation rate and corresponding fall in revenue. Accordingly, impairment losses of US$9.5 million have been recognised in respect of the vessels. The recoverable amount of the vessels has been determined on the basis of their fair value less costs to sell. The Group did not record such losses for the year of 2010.

Administrative expenses

The administrative expenses mainly comprised salary and bonus, directors' remuneration, office rent, legal and professional fees and travelling. The Group recorded an approximately 1% decrease for the administrative expenses in FY11 compared to FY10.

Finance costs

The Group recorded a finance cost of approximately US$0.4 million for the year of 2011 compared to US$0.1 million for the year of 2010. The increase was mainly due to the upfront fee for obtaining the bank borrowings for the acquisitions of the two new vessels.

Income tax expenses

The Group's subsidiaries recorded an income tax expense of US$116,000 during the year of 2011, compared to US$71,000 for the year of 2010.

Net loss

The Group recorded an approximately 53% decrease in revenue as mentioned above and as demonstrated by the approximately 45% decrease in Baltic Dry Index which adversely affected our freight rates during the year of 2011. However, the Group's cost of services for the year of 2011 had a relatively less decrease mainly due to certain fixed cost items including crew agency fees, maintenance fees, insurance and depreciation expenses coupled with the increase in per tonne market bunker price, despite the decrease in the Group's vessels' utilisation rate during such period. In addition, the Group incurred approximately US$3.5 million losses on disposal of two aged vessels, impairment losses of vessels of approximately US$9.5 million, and approximately

US$2.2 million listing expenses (which attributable to the professional fees and other expenses relating to the Hong Kong listing exercises), which is non-recurring in nature, during the period. As a result, the Group recorded a net loss of approximately US$29.6 million for the year of 2011 as compared to the Group's net profit of approximately US$9 million for the year of 2010.

Other comprehensive income

The Group recorded other comprehensive income of approximately US$0.7 million for the year of 2011 due to the surplus on revaluation of the Group's leasehold and building. The Group recorded such income of approximately US$0.2 million for the year of 2010.

(II) Financial Review

Gearing ratios

The Group's gearing ratios (being calculated as the Group's total liabilities divided by the Group's total equity) for the year of 2010 and 2011 were approximately 5.4% and 24.3% respectively. The increase of the Group's gearing ratio was mainly due to the Group's other payable in relation to the acquisition of the new vessel during such period.

	As at 31 December 2011 ***US$'000*** **(audited)**	As at 31 December 2010 *US$'000* (audited)
Other payables and accruals	**17,889**	2,607
Bank borrowings – due within one year	**996**	3,600
Deferred tax liabilities	**91**	–
Total liabilities	**18,976**	6,207
Total equity	**77,945**	114,417
Gearing ratio	**24.3%**	5.4%

Bank borrowings

Amount payable in six months or less, or on demand

	As at 31 December 2011		As at 31 December 2010	
	Secured (audited)	**Unsecured (audited)**	Secured (audited)	Unsecured (audited)
Bank loans	–	–	US$1,600,000	–
Bank overdraft	US$996,000	–	–	–

Amount payable after six months

	As at 31 December 2011		As at 31 December 2010	
	Secured (audited)	**Unsecured (audited)**	Secured (audited)	Unsecured (audited)
Bank borrowings	–	–	US$2,000,000	–

(III) Prospects

The global economy has been remains unstable in the past few months. The Baltic Dry Index ("BDI"), which has a close correlation to freight rates, remains low under 1,000 points since mid-January , and was only about 700 points recently.

As the Group took delivery of two new supermax vessels, MV Zorina and MV Heroic on December 2011 and February 2012, and disposed an aged Handysize vessel, MV Raffles, the updated tonnage of the fleet is about 460,000 dwt. With the replacement of the vessels, the Group is well placed to have higher efficiency in the event the dry bulk market recovers in full.

The Group expects that the financial performance for 2012 to be adversely affected by the continuing 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.

(IV) Dividend

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2011. (2010: US0.71 cent per share).

(V) Supplementary Information

1. Contingent Liabilities

As at 31 December 2011, the Group has no material contingent liabilities (2010: Nil)

2. Material Litigation and Arbitration

As at 31 December 2011, the Group was not involved in any material litigation or arbitration.

3. Audit Committee

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group, has discussed and reviewed the internal control and reporting matters. The final results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

4. Compliance with the Code on Corporate Governance Practices

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on HKSE (the "Listing Rules") for the year ended 31 December 2011, except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices.

5. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the year ended 31 December 2011, all Directors have complied with the required standards of the Model Code.

6. Purchase, Sales or Redemption of the Company's Listed Securities

For the year ended 31 December 2011, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

7. Employees and Remuneration Policy

As at 31 December 2011, there were 22 (2010: 24) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

8. Publication of Result Announcement and Interim Report

This result announcement shall be published on the website of the HKSE (www.hkex.com.hk), SGX-ST (www.sgx.com) and the Company (www.couragemarine.com). The annual report for the year ended 31 December 2011 of the Company containing all information required by the Listing Rules will be despatched to shareholders and available on the same websites in due course.

By order of the Board
Courage Marine Group Limited
Hsu Chih-Chien
Chairman

Hong Kong, 29 February 2012

As at the date of this announcement, the managing Director is Mr. Wu Chao-Huan, executive Director is Mr. Chen Shin-Yung, the Chairman and non-executive Director is Mr. Hsu Chih-Chien, the non-executive Directors are Mr. Sun Hsien-Long and Mr. Chang Shun-Chi, the independent non-executive Directors are Mr. Lui Chun Kin, Gary, Mr. Sin Boon Ann and Mr. Chu Wen Yuan.