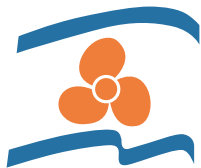


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Courage Marine Group Limited
(勇利航業集團有限公司)

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: E91)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board (the “**Board**”) of directors (the “**Directors**”) of Courage Marine Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended	
		30 June 2013	30 June 2012
		(Unaudited)	(Unaudited)
	<i>Notes</i>	US\$'000	<i>US\$'000</i>
Revenue	6	10,256	9,956
Cost of sales		<u>(10,018)</u>	<u>(11,320)</u>
Gross profit (loss)		238	(1,364)
Other income		350	146
Other gains and losses	7	(62)	(3,260)
Administrative expenses		(1,517)	(1,472)
Impairment loss on property, plant and equipment	12	–	(3,464)
Finance costs		<u>(625)</u>	<u>(448)</u>
Loss before tax		(1,616)	(9,862)
Income tax credit (expense)	8	<u>56</u>	<u>(20)</u>
Loss for the period	9	(1,560)	(9,882)
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of owner-occupied property		2	190
Deferred tax credit arising on revaluation of leasehold land and building		<u>6</u>	<u>–</u>
		<u>8</u>	<u>190</u>
Total comprehensive expense for the period attributable to owners of the Company		<u>(1,552)</u>	<u>(9,692)</u>
Loss per share (US cents)	11		
– basic		<u>(0.15)</u>	<u>(0.93)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		30 June	31 December
		2013	2012
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>12</i>	69,062	62,029
Investment property	<i>12</i>	2,332	2,355
Interest in a joint venture		5,330	32
Long-term receivables and deposits	<i>13</i>	4,601	7,679
		<hr/>	<hr/>
Total non-current assets		81,325	72,095
		<hr/>	<hr/>
Current assets			
Trade receivables	<i>14</i>	139	891
Other receivables and prepayments	<i>13</i>	4,907	3,652
Amount due from a joint venture		412	412
Tax recoverable		58	58
Held-for-trading investments		314	391
Pledged bank deposits		4,317	4,298
Structured deposit		–	962
Cash and cash equivalents		16,560	21,872
		<hr/>	<hr/>
Total current assets		26,707	32,536
		<hr/>	<hr/>
Total assets		108,032	104,631
		<hr/> <hr/>	<hr/> <hr/>

		30 June 2013 (Unaudited) US\$'000	31 December 2012 (Audited) US\$'000
	<i>Notes</i>		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other payables and accruals		2,688	1,775
Borrowings	<i>15</i>	5,614	5,098
Total current liabilities		8,302	6,873
Capital and reserves			
Share capital	<i>16</i>	19,059	19,059
Share premium		28,027	28,027
Revaluation reserve		1,125	1,117
Other reserve		1,531	–
Retained profits		17,910	19,470
Total equity		67,652	67,673
Non-current liabilities			
Borrowings	<i>15</i>	31,926	29,871
Deferred tax liabilities		152	214
Total non-current liabilities		32,078	30,085
Total liabilities and equity		108,032	104,631
Net current assets		18,405	25,663
Total assets less current liabilities		99,730	97,758

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months period ended 30 June 2013

	Share capital US\$'000	Share revaluation premium US\$'000	Property revaluation reserve US\$'000	Other reserve US\$'000	Retained profits US\$'000	Total US\$'000
Balance at 1 January 2012 (Audited)	19,059	28,027	802	–	30,147	78,035
Loss for the period	–	–	–	–	(9,882)	(9,882)
Gain on revaluation of owner-occupied property	–	–	190	–	–	190
Total comprehensive income (expense) for the period	–	–	190	–	(9,882)	(9,692)
Balance at 30 June 2012 (Unaudited)	<u>19,059</u>	<u>28,027</u>	<u>992</u>	<u>–</u>	<u>20,265</u>	<u>68,343</u>
Balance at 1 January 2013 (Audited)	19,059	28,027	1,117	–	19,470	67,673
Loss for the period	–	–	–	–	(1,560)	(1,560)
Gain on revaluation of owner-occupied property	–	–	2	–	–	2
Deferred tax credit arising on revaluation of leasehold of leasehold land and building	–	–	6	–	–	6
Total comprehensive income (expense) for the period	–	–	8	–	(1,560)	(1,552)
Reserve arising from the settlement of deferred consideration by way of transfer of property interest to a joint venture (Note 13(i))	–	–	–	1,531	–	1,531
Balance at 30 June 2013 (Unaudited)	<u>19,059</u>	<u>28,027</u>	<u>1,125</u>	<u>1,531</u>	<u>17,910</u>	<u>67,652</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended	
	30 June	30 June
	2013	2012
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities		
Loss before tax	(1,616)	(9,862)
Adjustments for:		
Dividends from held-for-trading investments	(20)	–
Depreciation of property, plant and equipment	814	1,438
Change in fair value of investment property	23	(106)
Change in fair value of held-for-trading investments	77	(40)
Change in fair value of structured deposit	(38)	–
Loss on disposal of property, plant and equipment	–	3,409
Interest income	(50)	(77)
Finance costs	625	448
Impairment loss in respect of property, plant and equipment	–	3,464
Imputed interest income on long-term receivable	(112)	–
Operating cash flows before movements in working capital	(297)	(1,326)
Decrease (increase) in trade receivables	752	(175)
Increase in other receivables and prepayments	(1,255)	(3,204)
Increase (decrease) in other payables and accruals	913	(958)
Increase in amount due to a joint venture	–	30
Cash generated from (used in) operating activities	113	(5,633)
Interest expense paid	(625)	(448)
Interest income received	50	62
Income tax paid	–	(20)
Dividend received from held-for-trading investment	20	–
Net cash used in operating activities	(442)	(6,039)

Six months ended	
30 June	30 June
2013	2012
(Unaudited)	(Unaudited)
US\$'000	US\$'000

Investing activities

Deposits for acquisition of property, plant and equipment and investment properties	(577)	–
Purchase of property, plant and equipment	(7,845)	(37,425)
Proceeds on disposal of property, plant and equipment	–	20,782
Acquisition of investment in a joint venture	–	(32)
Placement of pledged bank deposits	(19)	–
Withdrawal of structured deposit	<u>1,000</u>	<u>–</u>
Net cash used in investing activities	<u>(7,441)</u>	<u>(16,675)</u>

Financing activities

Repayment of loans	(1,465)	(673)
New loans raised	4,000	34,580
Increase in bank overdraft	<u>36</u>	<u>1,668</u>
Net cash from financing activities	<u>2,571</u>	<u>35,575</u>
Net (decrease) increase in cash and cash equivalents	(5,312)	12,861
Cash and cash equivalents at the beginning of the period	<u>21,872</u>	<u>16,671</u>

Cash and cash equivalents at the end of the period, represented by Bank balances and cash

<u>16,560</u>	<u>29,532</u>
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 Mainboard of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the Main Board of The Stock Exchange of Hong Kong Limited (“**HKEx**”). The condensed consolidated 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 that of an investment holding company and the principal activities of the Group are provision of marine transportation services, property holding, investment holding and provision of administration services.

There are no significant changes to the principal activities of the Company and the Group for the six months ended 30 June 2013.

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx and SGX-ST Listing Manual.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, leasehold land and building and investment property, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards (“**IFRSs**”) that are effective for the Group’s accounting periods beginning on 1 January 2013:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the preparation of the Group's annual financial statements for the year ended 31 December 2012.

4 PROFITABILITY

For the six months ended 30 June 2013, revenue rose by 3%, while the Group's cost of sales decreased by 12% due to the reduction of high fixed overhead costs (i.e. depreciation) as a result of the disposal of certain old vessels by the Group during the preceding period. As such, the Group recorded a gross profit of approximately US\$238,000.

5 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation service. The executive Director 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 executive Director).

The executive Director reviews the loss for the period of the Group prepared in accordance with accounting policies set out in Note 2 as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive Director.

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

Vessel voyage charter

	Six months ended	
	30 June 2013 (Unaudited) US\$'000	30 June 2012 (Unaudited) US\$'000
Dry bulk carriers		
– Capesize	4,215	2,644
– Handysize	–	230
– Panamax	–	1,430
– Supermax	5,996	5,607
	10,211	9,911

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.

6 REVENUE

	Six months ended	
	30 June 2013 (Unaudited) US\$'000	30 June 2012 (Unaudited) US\$'000
Marine transportation services income		
– Vessel voyage charter	10,211	9,911
Ship management income	45	45
	10,256	9,956

7 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2013 (Unaudited) <i>US\$'000</i>	30 June 2012 (Unaudited) <i>US\$'000</i>
Loss on disposal of property, plant and equipment	–	(3,409)
Change in fair value of structured deposit	38	–
Change in fair value of held-for-trading investments	(77)	40
Change in fair value of investment property	(23)	106
Net foreign exchange gains	–	3
	<u>–</u>	<u>3</u>
	<u>(62)</u>	<u>(3,260)</u>

8 INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30 June 2013 (Unaudited) <i>US\$'000</i>	30 June 2012 (Unaudited) <i>US\$'000</i>
Current tax:		
Enterprise income tax of the People's Republic of China ("PRC")	–	8
Republic of China income tax	–	12
		<u>20</u>
Deferred tax:		
Current year	(56)	–
	<u>(56)</u>	<u>20</u>

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

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

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

9 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended	
	30 June	30 June
	2013	2012
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Interest income	<u>(50)</u>	<u>(77)</u>
Imputed interest income on long-term receivable	<u>(112)</u>	<u>–</u>
Directors' remuneration (including Directors' fee)	<u>60</u>	<u>114</u>
Employee benefits expense (including Directors' remuneration):		
– Contributions to retirement benefits scheme	18	3
– Salaries and other benefits	<u>505</u>	<u>372</u>
Total employee benefits expense	<u>523</u>	<u>375</u>
Marine crew expenses	<u>1,209</u>	<u>1,931</u>
Depreciation of property, plant and equipment	<u>814</u>	<u>1,438</u>

10 DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

11 LOSS PER SHARE

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

	Six months ended	
	30 June	30 June
	2013	2012
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(1,560)</u>	<u>(9,882)</u>

Six months ended	
30 June	30 June
2013	2012
(Unaudited)	(Unaudited)
'000	'000

Number of ordinary shares in issue during the period, for the purpose of calculation of basic loss per share	1,058,829	1,058,829
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No diluted loss per share were presented for both periods as there were no potential ordinary shares outstanding during both periods and at the end of each reporting period.

12 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the current interim period, the Group paid US\$7,845,000 (six months ended 30 June 2012: US\$37,425,000) on additions to vessels, furniture, fixtures and equipment.

No impairment loss is recognised during the six months ended 30 June 2013 (six months ended 30 June 2012: US\$3,464,000) because the recoverable amount of the vessels, which were determined on the basis of their value-in-use, were higher than their carrying amount at the end of the reporting period.

The Group's leasehold land and building classified as property, plant and equipment were revalued by RHL Appraisal Limited ("RHL"), who has 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 as at the end of the current interim period. The resulting revaluation gain of US\$2,000 (six months ended 30 June 2012: revaluation gain of US\$190,000) has been recognised in the property revaluation reserve during the six months ended 30 June 2013.

The fair value of the Group's investment property at 30 June 2013 was determined by RHL. The resulting decrease in fair value of investment property of US\$23,000 (six months ended 30 June 2012: increase in fair value of US\$106,000) has been recognised in other gains and losses in profit or loss for the six months ended 30 June 2013.

13 OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM RECEIVABLES AND DEPOSITS

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

	30 June 2013 (Unaudited) US\$'000	31 December 2012 (Audited) US\$'000
Deferred consideration for disposal of investment in associate (<i>note i</i>)	–	3,767
Interest-free loan to Santarli Corporation Pte Ltd (“ Santarli Corp ”) and deposit for acquisition of investment (<i>note ii</i>)	4,024	3,912
Deposits for acquisition of property, plant and equipment and investment properties	577	–
Other receivables	234	173
Prepayments	2,283	1,089
Deposits (<i>note iii</i>)	2,390	2,390
Less: Non-current portion	(4,601)	(7,679)
	4,907	3,652
Amounts due within one year shown under current assets	4,907	3,652

- (i) The amount of deferred consideration for disposal of investment in an associate of US\$3,767,000 was due from Mr. Jason Chang, an independent third party. Background of this deferred consideration was detailed in Note 23 to the consolidated financial statements as at and for the year ended 31 December 2012.

On 18 May 2012, 上海悦勇投资管理有限公司(“上海悦勇”) was established in the PRC which was owned as to 41.7% by the Group and 58.3% by 上海悦嘉金屬工業有限公司(“上海悦嘉”) (formerly known as 悦軒(上海)金屬工業有限公司), a foreign enterprise established in the PRC which was wholly owned by Pure Casual Inc., a company controlled by Mr. Jason Chang. The Group’s investment in 上海悦勇 was accounted for as a joint venture of the Group because decisions about the relevant activities of 上海悦嘉 require the unanimous consent of the parties sharing control.

On the same day, a supplemental settlement agreement and property transfer agreement were entered into between the Group and the relevant parties, under which the receivables due from Mr. Jason Chang were agreed to be settled by way of transferring a property interest in an industrial building, which is held by 上海悦嘉 and situated in Shanghai, to 上海悦勇. After completion of the property transfer, the Group would, through 上海悦勇, hold effectively 41.7% interest in the industrial building.

As agreed among all parties, the completion date of the property transfer should not be later than 31 December 2012.

In addition, on 18 May 2012, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien, two of the Directors and shareholders of the Company, signed a second deed of indemnity (“**Second Indemnity**”) pursuant to which they will jointly and severally indemnify the Group against all the losses, costs and expenses the Group may suffer from the default of Mr. Jason Chang, provided that the total liability thereunder shall not exceed US\$3,803,000.

On 31 January 2013, a third supplemental settlement agreement and second supplemental property transfer agreement were entered into between the Group and the relevant parties, under which the completion date of the property transfer is further extended from 31 December 2012 to 31 March 2013.

Furthermore, on 31 January 2013, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien signed a third deed of indemnity to confirm with the Group that the indemnity and covenants provided by them under the Second Indemnity shall remain in full force and effect.

In March 2013, the real estate ownership certificate of the industrial building has been granted to 上海悦勇, the joint venture, by the Housing Security and Administration Bureau of Qingpu District. Accordingly, the transfer of the property interest in the industrial building to 上海悦勇 for the settlement of the receivables due from Mr. Jason Chang has been completed. The deferred consideration for disposal of investment in associate amounting to US\$3,767,000 was derecognised and the carrying amount of the interest in joint venture increased by US\$5,298,000, which represented the fair value of the property interest attributable to the Group, which is arrived at on the basis of a valuation carried out on the date of transfer of the property interest by RHL. The fair value of the property interest in the industrial building attributable to the Group, over the carrying amount of the deferred consideration amounting to US\$1,531,000 is recognised in other reserve.

- (ii) On 14 September 2012, Courage Marine Overseas Ltd., (“**CM Overseas**”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Santarli Corp, an independent third party, to purchase from Santarli Corp 100,000 shares in Santarli Realty Pte Ltd., (which constitutes 10% of the issued share capital of Santarli Realty Pte Ltd.) at a cash consideration of S\$100,000 and shareholder’s loans of not exceeding the principal amount of S\$5,400,000 (collectively referred to as the “**Consideration**”). Santarli Realty Pte Ltd. is a subsidiary of Santarli Corp and is engaged in property development business in Singapore. At 30 June 2013, CM Overseas has advanced an interest-free loan amounting to S\$5,500,000 (equivalent to US\$4,373,000) (31 December 2012 S\$5,500,000 (equivalent to US\$4,373,000)) to Santarli Corp and this interest-free loan will be used to offset the Consideration. On 14 September 2012, Santarli Holdings Pte Ltd., the holding company of Santarli Corp has executed a guarantee in favour of CM Overseas of all the liabilities due by Santarli Corp to CM Overseas.

The acquisition was approved by the independent shareholders of the Company at the special general meeting held on 16 July 2013 and was completed on that day accordingly.

As the interest-free loan will be accounted for as the shareholders’ loan to Santarli Realty Pte Ltd., for its property development which is expected by the Group to be repaid over 1 year from the end of the reporting period, the balance is classified as non-current receivable and is carried at an effective interest rate of 5.73% per annum. Imputed interest income on the long-term receivable of US\$112,000 is recognised in profit or loss for the period ended 30 June 2013.

- (iii) Deposits included US\$2,353,000 (31 December 2012: US\$2,353,000) paid to a third party, representing 80% (31 December 2012: 80%) of consideration for the purchase of coal.

14 TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (31 December 2012: 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:

	30 June 2013 (Unaudited) US\$'000	31 December 2012 (Audited) US\$'000
0 – 30 days	<u>139</u>	<u>891</u>

15 BORROWINGS

During the current interim period, the Group obtained new loans and bank overdrafts amounting to US\$4,000,000 (31 December 2012: US\$34,580,000) and US\$36,000 (31 December 2012: US\$1,668,000) respectively and repaid loans of US\$1,465,000 (31 December 2012: US\$673,000). The bank loans carry interest at London Interbank Offered Bank (“LIBOR”) plus certain basis points and are repayable over a period ranging from 7-10 years.

The borrowings at the end of the reporting period are secured by the followings:–

- (i) Corporate guarantee from the Company on the outstanding loan balance;
- (ii) First preferred mortgage over the vessels held by Zorina Navigation Corp., Heroic Marine Corp. and Cape Ore Marine Corp., named “ZORINA”, “HEROIC” and “CAPE WARRIOR”, respectively; and
- (iii) Assignment of insurance proceeds in respect of ZORINA, HEROIC and CAPE WARRIOR.

The proceeds arising from the loans were used to finance the acquisition of vessels included in property, plant and equipment while bank overdrafts were for daily operating use.

16 SHARE CAPITAL

	Number of ordinary shares of US\$0.018 each	US\$'000
Authorised:		
At 1 January 2012, 31 December 2012 and 30 June 2013	<u>10,000,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 30 June 2013	<u>1,058,829,308</u>	<u>19,059</u>

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.

17 PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks a ship leasing company and a financial institution to secure against the loan facilities granted to the Group:

	30 June 2013 (Unaudited) US\$'000	31 December 2012 (Audited) US\$'000
Property, plant and equipment	57,569	55,275
Investment property	2,332	2,355
Pledged bank deposits	4,317	4,298
Structured deposit	—	962
	<u>64,218</u>	<u>62,890</u>

18 RELATED PARTY TRANSACTIONS

a) Trading transactions

The Group has the following transactions with related parties who are not members of the Group:

Nature of transaction	Six months ended	
	30 June 2013 (Unaudited) US\$'000	30 June 2012 (Unaudited) US\$'000
Rental expense paid (i)	<u>14</u>	<u>14</u>
Commission on disposal of vessels paid (ii)	<u>—</u>	<u>94</u>

- (i) Ms. Chou Hsiu-Ma is the spouse of Mr. Chang Shun-Chi, a non-executive Director. In the opinion of the Directors, the monthly rental was renegotiated between Ms. Chou Hsiu-Ma and the Group by reference to the market rent.

At the end of the reporting period, the Group had commitments of US\$14,000 (31 December 2012: US\$20,000) for future minimum lease payments under non-cancellable operating leases which fall due within one year (31 December 2012: one year).

- (ii) Mr. Chang Shun-Chi, a non-executive Director, is the sole director and a controlling shareholder of Maxmart Shipping & Trading Co., Ltd. (“**Maxmart**”). The related party transactions were conducted in accordance with the terms of an agreement entered into between the Group and Maxmart.

b) Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in Note 9.

c) Guarantees

Details of the guarantees provided by the Company for security of the borrowings granted to the Group are disclosed in Note 15.

The Company also provided corporate guarantee in favour of a bank in relation to general banking facilities granted to the Group.

19 CAPITAL COMMITMENTS

	30 June 2013 (Unaudited) US\$'000	31 December 2012 (Audited) US\$'000
Capital expenditure in respect of contract commitments		
for acquisition of investment properties	1,206	–
for acquisition of property, plant and equipment	1,251	–
	<u>2,457</u>	<u>–</u>

20 CONTINGENT LIABILITIES

As at the end of the current interim period, the Group has contingent liabilities in respect of joint and several back-to-back guarantee with other shareholders of Santarli Realty Pte Ltd. in proportion to their respective equity holdings in favour of bank covering the loan granted to Santarli Realty Pte Ltd..

The Group’s portion of this guarantee amounted to S\$12,250,000 (equivalent to US\$9,678,000) (31 December 2012: US\$9,678,000).

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Business review

Revenue

The Group's turnover increased by 3% from approximately US\$10 million in the six months ended 30 June 2012 to approximately US\$10.3 million in the six months ended 30 June 2013. The dry bulk market remains under intense pressure although the BDI has gradually increased from 700 level in January 2013 to 1000 level currently.

Profitability

Although there was an increase in turnover of 3%, the Group's cost of sales decreased by 12% from approximately US\$11.3 million in 1H12 to approximately US\$10 million in 1H13. This was mainly due to lower fixed costs, including insurance, crew fees and depreciation arising from the disposal of aged vessels during FY2012. The Group recorded a gross profit for approximately US\$238,000 in 1H13 compared to a gross loss of approximately US\$1.4 million in 1H12.

Other income

Other income consists of interest income from banks, sundry income, and other one-off income. The Group recorded other income of US\$350,000 in 1H13, an increase of 140% compared to 1H12. This was largely due to an one-off insurance claim received in 1H13.

Other gains and losses

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\$62,000 in 1H13 compared to approximately US\$3.3 million in 1H12 which was due to the disposal losses of aged vessels, namely MV Raffles, MV Valour, MV Cape Warrior and MV Courage.

Administrative expenses

Administrative expenses increased by about 3% as the Group maintained a relatively stable administrative cost.

Impairment loss

The Group recorded impairment loss of approximately US\$3.5 million in 1H12 and did not record such expense in 1H13.

Finance costs

The Group recorded finance costs of approximately US\$0.6 million in 1H13 compared to US\$0.4 million in 1H12 mainly due to bank borrowings.

Income tax expenses

The Company's subsidiaries recorded an income tax credit of US\$56,000 during 1H13 compared to income tax expense of approximately US\$20,000 in 1H12. It was mainly due to the over provision of the deferred tax liability in the previous year.

Net loss

Overall, the Group recorded a lower net loss of approximately US\$1.6 million in 1H13 compared to US\$9.9 million in 1H12 due to lower fixed costs, including insurance crew fees and depreciation arising from the disposal of aged vessels during FY2012.

Other comprehensive income

The Group recorded a gain on revaluation of the leasehold land and building for approximately US\$2,000 in 1H13 compared to a gain of US\$190,000 in 1H12.

The Group recorded a deferred tax credit on revaluation of leasehold land and building for approximately US\$6,000 in 1H13. The Group did not record such tax credit in 1H12.

(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 first half of 2013 and 2012 were approximately 59.7% and 54.6% respectively. The increase of the Group's gearing ratio was mainly due to the Group's new bank borrowing for the amount of US\$4 million obtained for working capital purposes during such period.

	As at June 30, 2013 US\$'000 (Unaudited)	As at Dec 31, 2012 US\$'000 (Unaudited)
Other payables and accruals	2,688	1,775
Borrowings – due within one year	5,614	5,098
Borrowings – due after one year	31,926	29,871
Deferred tax liabilities	152	214
	<hr/>	<hr/>
Total liabilities	40,380	36,958
	<hr/>	<hr/>
Total equity	67,652	67,673
Gearing ratio	59.7%	54.6%

Bank borrowings

	June 30, 2013 US\$'000	Dec 31, 2012 US\$'000
Secured bank overdraft	2,443	2,407
Secured other loans	35,097	32,562
	<hr/>	<hr/>
	37,540	34,969
Carrying amount repayable:		
Within one year	5,614	5,098
More than one year, but not exceeding two years	3,171	2,691
More than two years, but not exceeding five years	9,512	8,073
More than five years	19,243	19,107
	<hr/>	<hr/>
	37,540	34,969

(III) PROSPECTS

The dry bulk market remains weak and the BDI, which has a close correlation to freight rates, is low at around the 1000 level. Low demand of commodities in the Greater China Region, and the over-supply of vessels has led to pressure on the freight rates in the dry bulk market. The Group remains cautious on the outlook for 2013.

The Group acquired and took delivery of another vessel in February and the updated tonnage of the Group's fleet is approximately 410,000 dwt. Following the replacement of the older vessels, the Group is well placed to operate more efficiently in the event the dry bulk market recovers in full.

On July 2013, for the Group's investment in a 10% equity interest in Santarli Realty Pte. Ltd. and the Group's diversification into the property investment business were approved by shareholders of the Company at the special general meeting held on 16 July 2013. In light of the weak dry bulk market, the Groups needs and shall continue to adopt a diversification approach in its long-term growth strategy, in order to diversify its income base and reduce its dependence on freight income, with a view to sustaining and enhancing shareholders' value and return.

The Group expects the financial performance for 2013 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 and in the meantime continue to identify any other investment opportunities under its diversification approach.

(IV) SUPPLEMENTARY INFORMATION

1. *Contingent liabilities*

As at the end of the current interim period, the Group has contingent liabilities in respect of joint and several back-to-back guarantee with other shareholders of Santarli Realty Pte Ltd. in proportion to their respective equity holdings in favour of bank covering the loan granted to Santarli Realty Pte Ltd.

The Group's portion of this guarantee amounted to S\$12,250,000 (equivalent to US\$9,678,000) (31 December 2012: US\$9,678,000).

2. *Material Litigation and Arbitration*

As at 30 June 2013, 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 interim results for the six months ended 30 June 2013 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 six months ended 30 June 2013, 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 six months ended 30 June 2013, 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 six months ended 30 June 2013, 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 30 June 2013, there were 24 (2012: 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 HKEx (www.hkex.com.hk), SGX-ST (www.sgx.com) and the Company (www.couragemarine.com). The interim report for the six months ended 30 June 2013 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, 14 August 2013

As at the date of this announcement, the managing Director is Mr. Wu Chao-Huan, 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.