INTERIM REPORT 2012

Courage Marine

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.SI)

CONTENTS

Corporate Information

BOARD OF DIRECTORS

HSU Chih-Chien
Chairman and Non-Executive Director

WU Chao-Huan
Managing Director

SUN Hsien-Long
Non- Executive Director

CHANG Shun-Chi
Non-Executive Director

CHU Wen Yuan
Independent Non-Executive Director

LUI Chun Kin, Gary
Independent Non-Executive Director

SIN Boon Ann
Independent Non-Executive Director

AUDIT COMMITTEE

LUI Chun Kin, Gary *(Chairman)*
CHU Wen Yuan
SIN Boon Ann

REMUNERATION COMMITTEE

CHU Wen Yuan *(Chairman)*
HSU Chih-Chien
SIN Boon Ann

NOMINATING COMMITTEE

SIN Boon Ann *(Chairman)*
HSU Chih-Chien
LUI Chun Kin, Gary

PRINCIPAL PLACE OF BUSINESS

Suite 1801
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

JOINT COMPANY SECRETARY

LEE Pih Peng
HON Kwok Ping Lawrence

ASSISTANT COMPANY SECRETARY

Codan Services Limited

BERMUDA REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

SHARE REGISTRARS

Unit Trust / Share Registration
Boardroom Corporate & Advisory Services Pte. Ltd.
(a member of Boardroom Limited)
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Tricor Investor Services Limited
26th Floor,
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Corporate Information

LEGAL ADVISERS

Conyers Bill & Pearman Pte. Ltd.
Lee & Lee
Li, Wong, Lam & W.I.Cheung

AUDITORS

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

COMPLIANCE ADVISER

Haitong International Capital Limited
25th Floor, New World Tower I
16-18 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial & Commercial Bank of China (Asia) Ltd.
Bank of Communications

STOCK EXCHANGE LISTED

Singapore Exchange Securities Trading Limited
Stock Code: E91.SI

The Stock Exchange of Hong Kong Limited
Stock Code: 1145

WEBSITE

www.couragemarine.com

Statement of Directors

In the opinion of the directors, the condensed consolidated financial statements of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") as set out on pages 6 to 22 are drawn up to the best of our knowledge and nothing has come to the attention of the board of directors of the Company which may render the condensed consolidated statement of financial position as at June 30, 2012, and of the results, changes in equity and cash flows of the Group for the six months period then ended to be false or misleading in any material aspects.

ON BEHALF OF THE DIRECTORS

Hsu Chih-Chien
Director

Wu Chao-Huan
Director

August 14, 2012

Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS OF COURAGE MARINE GROUP LIMITED

INTRODUCTION

We have reviewed the accompanying condensed consolidated statement of financial position of Courage Marine Group Limited (the "Company") and its subsidiaries (collectively referred to the "Group") as of June 30, 2012, and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months period then ended, and selected explanatory notes as set out on pages 10 to 22.

RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with the International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion to these condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
August 14, 2012

Condensed Consolidated Statement of Financial Position

As at June 30, 2012

	Notes	As at June 30, 2012 US$'000 (Unaudited)	As at December 31, 2011 US$'000 (Restated)
ASSETS			
Current assets			
Cash and cash equivalents		**29,532**	16,671
Trade receivables	*6*	**242**	67
Other receivables and prepayments	*7*	**4,856**	1,652
Held-for-trading investments		**392**	352
Pledged deposits		**4,282**	4,267
Certificate of deposit		**1,074**	1,074
Total current assets		**40,378**	24,083
Non-current assets			
Property, plant and equipment	*8*	**58,574**	60,692
Investment property	*8*	**2,165**	2,059
Interest in an associate		**32**	–
Long-term receivables	*7*	**3,767**	3,767
Deposit paid for acquisition of a vessel		**–**	5,320
Structured deposit		**1,000**	1,000
Total non-current assets		**65,538**	72,838
Total assets		**105,916**	96,921
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other payables and accruals		**971**	17,889
Amount due to an associate		**30**	–
Bank borrowings – due within one year	*9*	**5,354**	996
Total current liabilities		**6,355**	18,885
Non-current liabilities			
Bank borrowings – due more than one year	*9*	**31,217**	–
Deferred tax liabilities		**1**	1
Total non-current liabilities		**31,218**	1
Capital and reserves			
Share capital	*10*	**19,059**	19,059
Share premium		**28,027**	28,027
Revaluation reserve		**992**	802
Retained earnings		**20,265**	30,147
Total		**68,343**	78,035
Total liabilities and equity		**105,916**	96,921
Net current assets		**34,023**	5,198
Total assets less current liabilities		**99,561**	78,036

The accompanying accounting policies and explanatory notes form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

Six months period ended June 30, 2012

	Notes	Six months period ended June 30, 2012 US$'000 (Unaudited)	June 30, 2011 US$'000 (Unaudited)
Revenue	11	**9,956**	10,105
Cost of sales		**(11,320)**	(17,190)
Gross loss		**(1,364)**	(7,085)
Other income		**146**	424
Other (losses) gains	12	**(3,260)**	363
Administrative expenses		**(1,472)**	(1,471)
Other expenses	13	**–**	(2,054)
Impairment loss on property, plant and equipment	8	**(3,464)**	–
Finance costs		**(448)**	(31)
Loss before income tax		**(9,862)**	(9,854)
Income tax expense	14	**(20)**	(16)
Loss for the period	15	**(9,882)**	(9,870)
Other comprehensive income:			
Gain on revaluation of leasehold land and building		**190**	827
Total comprehensive expense for the period attributable to owners of the Company		**(9,692)**	(9,043)
Loss per share (US cents)	17		
– basic		**(0.93)**	(0.93)

The accompanying accounting policies and explanatory notes form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

Six months period ended June 30, 2012

	Share capital *US$'000*	Share premium *US$'000*	Revaluation reserve *US$'000*	Retained earnings *US$'000*	Total *US$'000*
Balance at January 1, 2011 (Audited)	19,059	28,027	152	67,179	114,417
Total comprehensive expense for the period	–	–	827	(9,870)	(9,043)
Dividend *(Note 16)*	–	–	–	(7,518)	(7,518)
Balance at June 30, 2011 (Unaudited)	19,059	28,027	979	49,791	97,856
Balance at January 1, 2012 (Audited)	**19,059**	**28,027**	**802**	**30,057**	**77,945**
Prior year adjustment in respect of change in accounting policy	**–**	**–**	**–**	**90**	**90**
Balance at January 1, 2012 (Restated)	**19,059**	**28,027**	**802**	**30,147**	**78,035**
Total comprehensive expense for the period	**–**	**–**	**190**	**(9,882)**	**(9,692)**
Dividend *(Note 16)*	**–**	**–**	**–**	**–**	**–**
Balance at June 30, 2012 (Unaudited)	**19,059**	**28,027**	**992**	**20,265**	**68,343**

The accompanying accounting policies and explanatory notes form an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

Six months period ended June 30, 2012

	Six months period ended June 30, 2012 US$'000 (Unaudited)	June 30, 2011 US$'000 (Unaudited)
Operating activities		
Loss before income tax	**(9,862)**	(9,854)
Adjustments for:		
Depreciation of property, plant and equipment	**1,438**	4,200
Change in fair value of investment property	**(106)**	(520)
Change in fair value of held-for-trading investments	**(40)**	152
Loss on disposal of property, plant and equipment	**3,409**	–
Interest income	**(77)**	(59)
Interest expense	**448**	17
Impairment loss on property, plant and equipment	**3,464**	–
Operating cash flows before movements in working capital	**(1,326)**	(6,064)
(Increase) decrease in trade receivables	**(175)**	198
Increase in other receivables and prepayments	**(3,204)**	(371)
(Decrease) increase in other payables and accruals	**(958)**	733
Increase in amount due to an associate	**30**	–
Cash used in operating activities	**(5,633)**	(5,504)
Interest received	**62**	59
Income tax paid	**(20)**	(16)
Net cash used in operating activities	**(5,591)**	(5,461)
Investing activities		
Purchase of property, plant and equipment	**(37,425)**	(948)
Proceeds on disposal of property, plant and equipment	**20,782**	2,000
Acquisition of investment in an associate	**(32)**	–
Addition of pledged deposits	**–**	(2,022)
Net cash used in investing activities	**(16,675)**	(970)
Financing activities		
Interest paid	**(448)**	(17)
Dividend paid	**–**	(7,518)
Repayment of bank borrowings	**(673)**	(1,600)
Addition of bank borrowings	**34,580**	–
Increase in bank overdraft	**1,668**	–
Net cash from (used in) financing activities	**35,127**	(9,135)
Net increase (decrease) in cash and cash equivalents	**12,861**	(15,566)
Cash and cash equivalents at the beginning of the period	**16,671**	29,929
Cash and cash equivalents at the end of the period	**29,532**	14,363

The accompanying accounting policies and explanatory notes form an integral part of the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Six months period ended June 30, 2012

1 GENERAL

The Company (Registration No. 36692) was incorporated in Bermuda on April 5, 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's shares are 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 ("HKSE").

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 period ended June 30, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION – The condensed consolidated financial statements for the six months period ended June 30, 2012 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE and by the disclosure requirements of the Hong Kong Companies Ordinance 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.

The same accounting policies and methods of computation have been applied in the preparation of the condensed consolidated financial statements for the six months period ended June 30, 2012 as the most recent audited financial statements as at and for the year ended December 31, 2011.

For the six months period ended June 30, 2012, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRS(s)") issued by the International Accounting Standards Board:

– amendment to IFRS 7	*Financial Instruments: Disclosures – Transfers of Financial Assets*; and
– amendment to IAS 12	*Deferred Tax: Recovery of Underlying Assets.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Except as disclosed below, the adoption of these new or revised IFRSs in the current period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

AMENDMENTS TO IAS 12 *DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS*

Under the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets,* investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, and that the presumption set out in the amendments to IAS 12 is not rebutted.

As a result of the application of the amendments to IAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of its investment property. Previously, the Group recognised deferred taxes on change in fair value of investment property on the basis that the carrying amount of the property was mainly recovered through use.

The amendments to IAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by US$90,000 as at December 31, 2011, with the corresponding adjustment being recognised in retained earnings.

In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended June 30, 2012 being reduced by US$17,000 and hence resulted in the loss for the six months ended June 30, 2012 being decreased by US$17,000 and there was no material impact to the loss per share attributable to the owners of the Company for the six months period ended June 30, 2012.

SUMMARY OF THE EFFECT OF THE ABOVE CHANGE IN ACCOUNTING POLICY

The effect of the change in accounting policy described above on the financial position of the Group on January 1, 2012 is as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

	As at January 1, 2012 (previously reported)	Adjustment	As at January 1, 2012 (restated)
	US$'000	*US$'000*	*US$'000*
Deferred tax liabilities	91	(90)	1
Total effects on net assets	77,945	90	78,035
Retained earnings, total effects on equity	30,057	90	30,147

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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.

In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2011.

4 SEASONALITY

For the six months period ended June 30, 2012, revenue declined by 1.5%, while the Group's cost of sales decreased by 34.1% due to the reduction of high fixed overhead costs (i.e. depreciation) and fuel expense as a result of the disposal of certain old vessels by the Group during the period. As such, the Group recorded a gross loss of approximately US$1.4 million.

For the six months period ended June 30, 2011, despite a 65% decline in revenue, the Group's cost of sales only declined by 14% due to high fixed overhead costs such as depreciation. As such, the Group recorded a gross loss of approximately US$7 million.

5 RELATED PARTY TRANSACTIONS

a) TRADING TRANSACTIONS

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

	Six months ended	
	June 30, 2012	June 30, 2011
Nature of transaction	***US$'000***	*US$'000*
	(Unaudited)	(Unaudited)
Rental expense *(i)*	**14**	13
Commission on disposal of vessels paid *(ii)*	**94**	–

(i) During the period, the Group paid rental expense of US$14,000 (1.1.2011 to 6.30.2011: US$13,000) to Chou Hsiu-Ma (周秀曼), who is the spouse of Mr. Chang Shun-Chi, a non-executive director of the Company.

(ii) Mr. Chang Shun-Chi, a non-executive director of the Company, is a director and the sole shareholder of Maxmart Shipping & Trading Co., Ltd. ("Maxmart"). In the opinion of the directors of the Company, the related party transactions were conducted in accordance with terms of an agreement entered into between the Group and Maxmart.

5 RELATED PARTY TRANSACTIONS *(Continued)*

b) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in Note 15.

c) GUARANTEES AND INDEMNITY

Details of the guarantees provided by the Company for security of the borrowings granted to the Group are disclosed in Note 9.

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

Details of indemnity provided by two of the directors and controlling shareholders of the Company to the Group in respect of all losses, costs and expenses the Group may suffer from the default of Jason Chang are disclosed in Note 7.

6 TRADE RECEIVABLES

The credit period granted by the Group to certain customers of voyage charter is within 2 weeks (December 31, 2011: 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:

	As at June 30, 2012 *US$'000* **(Unaudited)**	As at December 31, 2011 *US$'000* (Audited)
0 – 30 days	**242**	67

7 OTHER RECEIVABLES AND PREPAYMENTS/LONG-TERM RECEIVABLES

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

	As at June 30, 2012 ***US$'000*** **(Unaudited)**	As at December 31, 2011 *US$'000* (Audited)
Deferred consideration for disposal of investment in an associate *(note i)*	**3,767**	3,767
Other receivables	**476**	508
Prepayments	**1,697**	109
Deposits *(note ii)*	**2,683**	1,035
Less: Non-current portion	**(3,767)**	(3,767)
	4,856	1,652

Notes:

(i) The amount of deferred consideration for disposal of investment in an associate of US$3,767,000 was due from Jason Chang, an independent third party. Background of this deferred consideration was detailed in Note 9 to the consolidated financial statements as at and for the year ended December 31, 2011.

On May 18, 2012, 上海悦勇投資管理有限公司 ("上海悦勇") was established in the People's Republic of China (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 Jason Chang. The Group's investment in 上海悦勇 was accounted for as an associate of the Group at June 30, 2012.

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 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 its associate, 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 December 31, 2012.

In addition, on May 18, 2012, Mr. Wu Chao-Huan and Mr. Hsu Chih-Chien, two of the directors and controlling shareholders of the Company, signed a second deed of 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 Jason Chang, provided that the total liability thereunder shall not exceed US$3,803,381.00.

(ii) The amount represented mainly the deposits paid for the purchase of coal. During the year ended December 31, 2011, the Group entered into an agreement with an independent third party for sourcing of coals and delivery of coals to a customer. For the six months period ended June 30, 2012, deposits totalling US$2,646,000 (December 31, 2011: US$997,000) were paid to the third party, representing 90% (December 31, 2011: 30%) of total consideration for the purchase of coal. The delivery quantity may be varied within a determined range and the unit price is determined.

8 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period, the Group disposed of certain vessels with an aggregate carrying amount of US$24,191,000, resulting in a loss on disposal of US$3,409,000 recognised in other gains and losses in profit or loss.

During the period, the Group spent US$37,425,000 (six months period ended June 30, 2011: US$948,000) on additions to vessels and furniture, fixtures and equipment.

An impairment loss of US$3,464,000 (six months period ended June 30, 2011: nil) has been recognised in respect of the vessels in profit or loss during the interim period in light of decrease in revenue, utilisation rate and market value of the vessels and scrap materials of the vessels of the Group. The recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell.

The Group's leasehold land and building was revalued by the directors of the Company as at June 30, 2012. The resulting revaluation gain of US$190,000 (six months period ended June 30, 2011: US$827,000) has been credited to the revaluation reserve during the six months period ended June 30, 2012.

The Group's investment property was fair valued by the directors of the Company as at June 30, 2012. The resulting increase in fair value of investment property of US$106,000 (six months period ended June 30, 2011: US$520,000) has been recognised in profit or loss (recorded in other gains and losses) for the six months ended June 30, 2012.

As at June 30, 2012, the cost and valuation amount of the property, plant and equipment in aggregate amounted to US$69,995,000 (December 31, 2011: US$90,653,000) and the accumulated depreciation and accumulated impairment loss in aggregate amounted to US$2,444,000 (December 31, 2011: US$20,469,000) and US$8,977,000 (December 31, 2011: US$9,492,000), respectively.

9 BANK BORROWINGS

During the interim period, the Group obtained new bank loans and bank overdrafts amounting to US$34,580,000 (December 31, 2011: nil) and US$1,668,000 (December 31, 2011: US$996,000), respectively. 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 Group placed fixed deposits of US$2,024,000 (December 31, 2011: US$2,017,000) in a bank, which was secured against the short-term banking facilities of US$2,000,000 available to the Group. The bank overdrafts carried interest at the higher of LIBOR or deposit rate plus certain basis points for the pledged deposits.

9 BANK BORROWINGS *(Continued)*

The bank loans 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. and Heroic Marine Corp., named "ZORINA" and "HEROIC", respectively; and

(iii) Assignment of insurance in respect of ZORINA and HEROIC.

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

10 SHARE CAPITAL

	Number of ordinary shares of US$0.018 each	***US$'000***
Authorised:		
At January 1, 2011, December 31, 2011 and June 30, 2012	10,000,000,000	180,000
Issued and fully paid:		
At January 1, 2011, December 31, 2011 and June 30, 2012	1,058,829,308	19,059

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.

11 REVENUE

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Marine transportation services income		
– Vessel voyage charter	**9,911**	9,009
– Time charter	**–**	1,072
	9,911	10,081
Ship management income	**45**	24
	9,956	10,105

12 OTHER (LOSSES) GAINS

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	**(3,409)**	–
Change in fair value of held-for-trading investments	**40**	(152)
Change in fair value of investment property	**106**	520
Exchange gain (loss), net	**3**	(5)
	(3,260)	363

13 OTHER EXPENSES

Other expenses for the six months period ended June 30, 2011 were mainly attributable to the professional fee and other expenses in relation to the listing by way of introduction on June 24, 2011 on HKSE of the entire issued share capital of the Company presently listed on SGX-ST.

14 INCOME TAX EXPENSE

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC income tax	**8**	5
Republic of China income tax	**12**	11
	20	16

No Hong Kong Profits Tax has been recognised as there is no assessable profit derived in Hong Kong for both periods.

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

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

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

No deferred tax has been provided as the Group did not have any significant temporary difference during both periods and at the end of the reporting period.

15 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration (including directors' fee)	**114**	114
Employee benefits expense (including directors' remuneration):		
– Defined contribution plans	**3**	15
– Staff costs	**372**	445
Total employee benefits expense	**375**	460
Crew costs	**1,931**	2,677
Depreciation of property, plant and equipment	**1,438**	4,200

16 DIVIDEND

No dividends were paid, declared or proposed during the six months period ended June 30, 2012.

In 2011, a final dividend of US$0.71 cent per ordinary share was paid in respect of the financial year ended December 31, 2010. The total dividend paid is approximately US$7,518,000.

The directors do not recommend the payment of any interim dividend for the six months period ended June 30, 2012.

17 LOSS PER SHARE

The calculation of the basic loss per ordinary share for the financial period is based on the loss for the financial period attributable to owners of the Company divided by the number of ordinary shares of the Company in issue during the financial period as shown below.

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net loss attributable to owners of the Company	**(9,882)**	(9,870)

	Six months period ended	
	June 30, 2012	June 30, 2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares in issue	**1,058,829**	1,058,829

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.

18 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation services. The executive director, which is the chief operating decision maker, monitors the revenue of marine transportation services 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 are not regularly reviewed by the chief operating decision maker.

The chief operating decision maker reviews the loss for the period 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 chief operating decision maker.

18 SEGMENT INFORMATION *(Continued)*

The revenue of the dry bulk carriers of different sizes in respect of marine transportation services income is analysed as follows:

For the six months period ended June 30, 2012

	Voyage charter *US$'000* **(Unaudited)**	**Time charter** *US$'000* **(Unaudited)**	**Total** *US$'000* **(Unaudited)**
Dry bulk carriers			
– Capsize	**2,644**	**–**	**2,644**
– Handysize	**230**	**–**	**230**
– Panamax	**1,430**	**–**	**1,430**
– Supermax	**5,607**	**–**	**5,607**
	9,911	**–**	**9,911**

For the six months period ended June 30, 2011

	Voyage charter *US$'000* (Unaudited)	Time charter *US$'000* (Unaudited)	Total *US$'000* (Unaudited)
Dry bulk carriers			
– Capsize	–	319	319
– Handysize	1,182	156	1,338
– Handymax	2,406	434	2,840
– Panamax	5,421	163	5,584
	9,009	1,072	10,081

Due to the nature of the provision of vessel chartering services, which are carried out internationally, the directors of the Company 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.

19 PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks as securities against general banking facilities granted to the Group:

	June 30, 2012	December 31, 2011
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Investment property	**2,165**	2,059
Property, plant and equipment	**55,712**	29,753
	57,877	31,812

20 EVENTS AFTER THE REPORTING PERIOD

(a) Courage Marine Overseas Limited ("Courage Marine Overseas"), an indirect wholly owned subsidiary of the Company, had entered into a memorandum of understanding dated July 11, 2012 (the "MOU"), pursuant to which Courage Marine Overseas agreed to take a 10% shareholding equity interest in Santarli Realty Pte. Ltd., a joint venture company incorporated in Singapore for the purpose of a property development project (the "JV Participation"). The JV Participation is subject to, inter alia, shareholders' approval being obtained by the Company at a general meeting of its shareholders as the JV Participation is regarded as a 'major transaction' under Chapter 10 of the listing manual (the "SGX-ST Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") and a waiver was not granted by the SGX-ST to waive the requirement under Rule 1014(2) of the SGX-ST Listing Manual.

(b) On August 7, 2012, the Group entered into a memorandum of agreement ("MOA") with an independent third party to acquire a vessel for a cash consideration of US$6,650,000. The Group expects to fund the consideration by internal resources. The vessel is to be delivered during the period from August 24, 2012 to September 30, 2012. The Group has an option to cancel the MOA if delivery of the vessel shall not take place by September 30, 2012.

21 AUTHORISATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The unaudited condensed consolidated financial statements for the six months period ended June 30, 2012 were authorised for issue in accordance with the resolution of the directors dated August 14, 2012.

Management Discussion and Analysis

(I) BUSINESS REVIEW

REVENUE

The Group turnover decreased by 1% from approximately US$10.1 million in the six months ended June 30, 2011 to approximately US$10 million in the six months ended June 30, 2012. The dry bulk market was still poor. The demand for commodities, especially in the Greater China region, slowed down in the first half of 2012. In addition, the financial crisis in the Euro zone has still not been resolved yet. These factors led to the low demand for commodities trading and affected the freight rate adversely.

PROFITABILITY

Despite decrease in turnover by 1%, the Group's cost of sales decreased by 34% from approximately US$17.2 million in the first half of 2011 to approximately US$11.3 million in the first half of 2012. It was mainly due to lower fixed costs, including insurance, crew fees and depreciation arising from the disposal of aged vessels during the second half of 2011 and the first half of 2012. The Group recorded a decrease of 81% on gross loss from approximately US$7.1 million in the first half of 2011 to US$1.4 million in the first half of 2012.

OTHER INCOME

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$146,000 in the first half of 2012, a decrease of 66% compared to the first half of 2011. This was largely due to a one-off insurance claim received in the first half of 2011.

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$3.3 million in the first half of 2012 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 less than 1% as the Group maintained a relatively stable administrative cost.

OTHER EXPENSES

The Group recorded listing expenses of approximately US$2.1 million as other expenses in the first half of 2011 and did not record such expenses in the first half of 2012.

IMPAIRMENT LOSS

An impairment loss of approximately US$3.5 million has been recognised in respect of the vessels to profit or loss during the interim period in light of decrease in revenue, utilisation rate, market value of the vessels and scrap materials of the vessels of the Group. The recoverable amount of the vessels has been determined on the basis of their fair value less cost to sell.

(I) BUSINESS REVIEW *(Continued)*

FINANCE COSTS

The Group recorded finance costs of approximately US$0.4 million in the first half of 2012 compared to US$0.03 million in the first half of 2011 mainly due to new bank borrowings for the acquisition of two new vessels.

INCOME TAX EXPENSES

The Group's subsidiaries recorded an income tax expense of US$20,000 during the first half of 2012 compared to approximately US$16,000 in the first half of 2011.

NET LOSS

Overall, since the Group recorded losses on disposal of fixed assets and impairment loss in respect of the vessels for a total amount of approximately US$7 million, the Group recorded a net loss of US$9.88 million in the first half of 2012 compared to US$9.87 million in the first half of 2011.

OTHER COMPREHENSIVE INCOME

The Group recorded a gain on revaluation of leasehold land and building for approximately US$0.2 million in the first half of 2012 compared to US$0.8 million in the first half of 2011.

(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 2012 and the year of 2011 were approximately 55% and 24.2% respectively. The higher level of the Group's gearing ratio was mainly due to the Group's obtaining two new bank loans for the acquisition of MV Zorina and MV Heroic during such period.

	As at June 30, 2012 ***US$'000*** **(Unaudited)**	As at December 31, 2011 *US$'000* (Unaudited)
Other payables and accruals	**971**	17,889
Amount due to an associate	**30**	–
Borrowings – due within one year	**5,354**	996
Deferred tax liabilities	**1**	1
Borrowings – due after one year	**31,217**	–
Total liabilities	**37,573**	18,886
Total equity	**68,343**	78,035
Gearing ratio	**55%**	24.2%

(II) FINANCIAL REVIEW *(Continued)*

LOANS

Amount payable in six months or less, or on demand

	As at June 30, 2012 Secured (unaudited)	As at June 30, 2012 Unsecured (unaudited)	As at December 31, 2011 Secured (unaudited)	As at December 31, 2011 Unsecured (unaudited)
Bank loans	**US$4,010,000**	**–**	US$996,000	–

Amount payable after six months

	As at June 30, 2012 Secured (unaudited)	As at June 30, 2012 Unsecured (unaudited)	As at December 31, 2011 Secured (unaudited)	As at December 31, 2011 Unsecured (unaudited)
Bank loans	**US$32,561,000**	**–**	–	–

(III) PROSPECTS

The dry bulk market remains weak over the past few months. The Baltic Dry Index (BDI), which has a close correlation to freight rates, has dropped to 700 level recently. Low demand of commodities in the Greater China Region, over-supply of vessels and lingering financial crisis of the Euro zone led to the pressure on the freight rate of dry bulk market. The Group remains cautious on the outlook for the year.

The Group took delivery of two new supermax vessels, MV Zorina and MV Heroic in December 2011 and February 2012 respectively, and had disposed of four aged vessels, MV Raffles, MV Valour, MV Cape Warrior and MV Courage. Besides, the Group had entered into the MOA for acquiring a second hand capesize vessel in early August 2012. This capesize vessel is expected to be delivered in late August 2012. After completion of this acquisition, the new tonnage of the Group's fleet will be approximately 330,000 dwt. Following the replacement of the vessels, the Group expects to be able to operate with higher efficiency when the dry bulk market recovers in full.

In the light of the weak dry bulk market, the Group is taking opportunities to diversify its income base to reduce its dependence on freight income. The Group had entered into the MOU dated 11 July 2012 with certain other joint ventures partners in respect of the JV Participation. The Group is optimistic about the residential property market in Singapore and the JV Participation represents an opportunity for the Group to diversify from its principal activity of providing vessel chartering services to charterers. The JV Participation is subject to, inter alia, shareholders' approval being obtained by the Company at a general meeting of its shareholders.

The Group expects the financial performance for 2012 to continue to be adversely affected by the current challenging economic conditions and uncertain outlook.

(IV) SUPPLEMENTARY INFORMATION

1. CONTINGENT LIABILITIES

As at June 30, 2012, the Group has no material contingent liabilities (2011: Nil).

2. MATERIAL LITIGATION AND ARBITRATION

As at June 30, 2012, 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, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended June 30, 2012 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 ("Old Code") for the period from January 1, 2012 to March 31, 2012 and the Corporate Governance Code and Corporate Governance Report (the "Revised Code") for the period from April 1, 2012 to June 30, 2012, both of which as set out in Appendix 14 to the Rules Governing the Listing of Securities on HKSE (the "Listing Rules"), except for the following deviation:

Under the code provision A.4.1 of both the Old and Revised Codes, 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 to the 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 June 30, 2012, 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 June 30, 2012, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

7. EMPLOYEES AND REMUNERATION POLICY

As at June 30, 2012, there were 24 (2011: 22) 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. DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

At 30 June, 2012, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code were as follows:

LONG POSITION IN ORDINARY SHARES (THE "SHARES") OF US$0.018 EACH OF THE COMPANY

Name of Director	Capacity	Number of issued Shares	Approximate percentage of issued Shares *(%)*
Hsu Chih-Chien	Founder of a discretionary trust	142,081,611 *(Note 1)*	13.419%
Wu Chao-Huan	Interest in a controlled corporation	142,081,611 *(Note 2)*	13.419%
Sun Hsien-Long	Beneficial owner	6,334,936	0.598%
Chu Wen Yuan	Beneficial owner	40,000	0.004%

Notes:

1. These Shares are registered in the name of Sea-Sea Marine Company Limited ("Sea-Sea Marine"), the entire issued share capital of which is owned by Besco Holdings Limited ("Besco"), which in turn is wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") in its capacity as trustee of a discretionary trust with Hsu Chih-Chien as settlor. Hsu Chih-Chien is deemed to be interested in the Shares held by Sea-Sea Marine under the SFO.

2. These Shares are registered in the name of China Lion International Limited ("China Lion"), the entire issued share capital of which is owned by Wu Chao-Huan as to 60% and by Wang Ho as to 40%. Wu Chao-Huan is deemed to be interested in the Shares held by China Lion under the SFO.

Save as disclosed above, as at 30 June, 2012, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under Section 352 of the SFO.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

9. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SECURITIES

Save as disclosed below, the directors of the Company are not aware of any other person (other than a director or chief executive of the Company or his/her respective associate(s)) who, at 30 June, 2012, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of issued Shares	Approximate percentage of issued Shares *(%)*
Sea-Sea Marine	Beneficial owner	142,081,611	13.419%
Besco *(Note 1)*	Interest in a controlled corporation	142,081,611	13.419%
HSBC Trustee *(Note 1)*	Trustee	142,081,611	13.419%
Yeh Wen-Yao *(Note 1)*	Interest of spouse	142,081,611	13.419%
China Lion *(Note 2)*	Beneficial owner	142,081,611	13.419%
Wang Ho *(Note 2)*	Interest of spouse	142,081,611	13.419%
China Harvest Enterprise Limited ("China Harvest")	Beneficial owner	142,081,611	13.419%
Chen Shin-Yung *(Note 3)*	Interest in controlled corporation	142,081,611	13.419%
Pronto Star Limited ("Pronto")	Beneficial owner	135,431,611	12.791%
Chiu Chi-Shun *(Note 4)*	Interest in a controlled corporation	135,431,611	12.791%
Kuo Mei-Yuan *(Note 4)*	Interest of spouse	135,431,611	12.791%
Unit Century Enterprises Limited ("Unit Century")	Beneficial owner	94,676,874	8.942%
Wu Chao-Ping *(Note 5)*	Interest in a controlled corporation	94,676,874	8.942%
Hsuen A-Chou *(Note 5)*	Interest of spouse	94,676,874	8.942%

Notes:

1. Sea-Sea Marine is wholly-owned by Besco which in turn is wholly-owned by HSBC Trustee in its capacity as trustee of The Lowndes Foundation with Hsu Chih-Chien as settlor of the trust. Yeh Wen-Yao is the spouse of Hsu Chih-Chien. Besco, HSBC Trustee in its capacity as trustee of a discretionary trust with Hsu Chih-Chien as settlor of the trust and Yeh Wen-Yao are all deemed to be interested in the Shares held by Sea-Sea Marine under the SFO.

2. These Shares are registered in the name of China Lion, the entire issued share capital of which is owned by Wu Chao-Huan as to 60% and by Wang Ho as to 40%. Wang Ho is the spouse of Wu Chao-Huan. Wang Ho is deemed to be interested in the Shares held by China Lion under the SFO.

3. China Harvest is wholly-owned by Chen Shin-Yung. Chen Shin-Yung is deemed to be interested in the Shares held by China Harvest under the SFO.

4. Pronto is wholly-owned by Chiu Chi-Shun. Kuo Mei-Yuan is the spouse of Chiu Chi-Shun. Chiu Chi-Shun and Kuo Mei-Yuan are deemed to be interested in the Shares held by Pronto under the SFO.

5. Unit Century is owned as to 52% by Wu Chao-Ping. Hsuen A-Chou is the spouse of Wu Chao-Ping. Wu Chao-Ping and Hsuen A-Chou are deemed to be interested in the Shares held by Unit Century under the SFO.

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

Hong Kong, August 14, 2012