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)

Enter a New Era

INTERIM REPORT 2011

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Hsu Chih-Chien
Chairman and Non-Executive Director

Wu Chao-Huan
Managing Director

Chen Shin-Yung
Executive 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

PRINCIPAL SHARE REGISTRAR

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

SINGAPORE SHARE TRANSFER OFFICE

Unit Trust/Share Registration
Boardroom Corporate & Advisory Services Pte. Ltd.
(a member of Boardroom Limited)
50 Raffles Place #32-00
DBS Building Tower Two
Singapore 068809

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISERS

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

AUDITOR

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
PT. Bank Negara Indonesia (Persero) Tbk
Aozora Bank, Ltd.

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 the Courage Marine Group Limited (the "Company") and its subsidiaries (collective referred to the "Group") as set out on pages 7 to 19 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, 2011, 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 12, 2011

Independent Auditor's Review Report

INDEPENDENT AUDITOR'S 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, 2011, and the related condensed consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months period then ended, and selected explanatory notes as set out on pages 7 to 19.

RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of the Company is responsible for the preparation and fair 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 Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial information 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 consolidated financial statements does not give a true and fair view of the financial position of the Group as at June 30, 2011 and of its financial performance and its cash flows for the six months period then ended in accordance with IAS 34.

Independent Auditor's Review Report

OTHER MATTERS

We have not carried out an audit or review in accordance with International Standards on Auditing or International Standard on Review Engagements on the financial information for the six months period ended June 30, 2010 included as comparatives in the condensed consolidated financial statements for the period ended June 30, 2011 and, accordingly, we do not express any assurance on the comparative financial information.

This report has been prepared solely for the use by the directors. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
August 12, 2011

Condensed Consolidated Statement of Financial Position

As at June 30, 2011

	Note	As at June 30, 2011 US$'000 (Unaudited)	As at December 31, 2010 US$'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**14,363**	29,929
Trade receivables	6	**1,059**	1,257
Other receivables and prepayments		**3,811**	3,440
Held-for-trading investments		**590**	742
Pledged deposits		**7,696**	5,674
Total current assets		**27,519**	41,042
Non-current assets			
Property, plant and equipment	7	**67,645**	70,070
Investment property	7	**2,191**	1,671
Other receivables		**3,767**	3,767
Deposit paid for drydocking of vessels		**–**	2,000
Structured deposit		**1,000**	1,000
Held-to-maturity financial asset		**1,074**	1,074
Total non-current assets		**75,677**	79,582
Total assets		**103,196**	120,624
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other payables and accruals		**3,340**	2,607
Bank borrowing – due within one year	8	**2,000**	3,600
Total current liabilities		**5,340**	6,207
Capital and reserves			
Share capital	9	**19,059**	19,059
Share premium		**28,027**	28,027
Revaluation reserve		**979**	152
Retained earnings		**49,791**	67,179
Total		**97,856**	114,417
Total liabilities and equity		**103,196**	120,624

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, 2011

	Note	Six months ended June 30, 2011 US$'000 (Unaudited)	June 30, 2010 US$'000 (Unaudited)
Revenue	*10*	**10,105**	29,130
Cost of sales		**(17,190)**	(20,009)
Gross (loss) profit		**(7,085)**	9,121
Other income		**424**	279
Other gains and losses		**363**	273
Administrative expenses		**(1,471)**	(1,395)
Other expenses	*11*	**(2,054)**	–
Finance costs		**(31)**	(67)
(Loss) profit before income tax		**(9,854)**	8,211
Income tax expense	*12*	**(16)**	(10)
(Loss) profit for the period	*13*	**(9,870)**	8,201
Other comprehensive income:			
Gain on revaluation of leasehold land and building		**827**	–
Total comprehensive (expense) income for the period attributable to owners of the Company		**(9,043)**	8,201
(Loss) earnings per share (US cent)	*15*		
– basic		**(0.93)**	0.77

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, 2011

	Share capital US$'000	Share premium US$'000	Revaluation reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at January 1, 2010 (Audited)	19,059	28,027	–	63,153	110,239
Total comprehensive income for the period	–	–	–	8,201	8,201
Dividend *(Note 14)*	–	–	–	(4,998)	(4,998)
Balance at June 30, 2010 (Unaudited)	19,059	28,027	–	66,356	113,442
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 14)*	**–**	**–**	**–**	**(7,518)**	**(7,518)**
Balance at June 30, 2011 (Unaudited)	**19,059**	**28,027**	**979**	**49,791**	**97,856**

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, 2011

	Six months ended June 30, 2011 US$'000 (Unaudited)	June 30, 2010 US$'000 (Unaudited)
Operating activities		
(Loss) profit before income tax	**(9,854)**	8,211
Adjustments for:		
Depreciation expense	**4,200**	4,665
Change in fair value of investment property	**(520)**	–
Change in fair value of held-for-trading investment	**152**	–
Gain on disposal of plant and equipment	**–**	(242)
Interest income	**(59)**	(31)
Interest expense	**17**	31
Operating profit before movements in working capital	**(6,064)**	12,634
Decrease in trade receivables	**198**	11
Increase in other receivables and prepayments	**(371)**	(1,703)
Increase in other payables and accruals	**733**	1
Cash (used in) from operating activities	**(5,504)**	10,943
Interest income received	**59**	31
Income tax paid	**(16)**	(10)
Net cash (used in) from operating activities	**(5,461)**	10,964
Investing activities		
Purchase of plant and equipment	**(948)**	(35,176)
Proceeds on disposal of plant and equipment	**2,000**	9,514
Purchase of structured deposit	**–**	(1,000)
Addition of pledged deposits	**(2,022)**	–
Net cash used in investing activities	**(970)**	(26,662)
Financing activities		
Interest paid	**(17)**	(31)
Dividends paid	**(7,518)**	(4,998)
Repayment of bank borrowing	**(1,600)**	(1,600)
Cash used in financing activities	**(9,135)**	(6,629)
Net decrease in cash and cash equivalents	**(15,566)**	(22,327)
Cash and cash equivalents at beginning of the period	**29,929**	43,159
Cash and cash equivalents at end of the period	**14,363**	20,832

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, 2011

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, 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION – The condensed consolidated financial statements for the six months period ended June 30, 2011 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.

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, 2011 as the most recent audited financial statements as at and for the year ended December 31, 2010.

In the current period, 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 including the Interpretations thereof issued by the IFRS Interpretations Committee ("IFRIC"):

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised IFRSs and Interpretations 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]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[4]
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]

1 Effective for annual periods beginning on or after July 1, 2011
2 Effective for annual periods beginning on or after January 1, 2012
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2013

Except as described below, the directors of the Company anticipate that the application of other amendments or interpretation that have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.

IFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 "Financial Instruments" (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The application of the new standard might affect the classification and measurement of the Group's held-to-maturity financial asset in the future periods.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and shall be read in conjunction with the Group's annual financial statements for December 31, 2010.

The condensed consolidated financial statements are presented in United States dollars, which is the functional currency of the Company, and all values in the tables are rounded to the nearest thousand (US$'000) as indicated.

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, 2010.

4 SEASONALITY

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

5 RELATED PARTY TRANSACTIONS

a) TRADING TRANSACTIONS

The Group has the following transaction with a related party who is not member of the Group:

		Six months ended	
Nature of transaction	*Note*	**June 30, 2011 *US$'000* (Unaudited)**	June 30, 2010 *US$'000* (Unaudited)
Rental expense	*(i)*	**13**	–

Note:

(i) During the period, the Group paid rental expense of US$13,000 (1.1.2010 to 6.30.2010: nil) to Chou Hsiu-Ma (周秀曼), who is the spouse of Mr. Chang Shun-Chi, a non-executive director of the Company.

b) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in Note 13.

c) GUARANTEES

Details of the guarantees provided by subsidiaries, related parties and the directors of the Group for security of the borrowing granted to the Group are disclosed in Note 8.

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:

	As at June 30, 2011 *US$'000* (Unaudited)	As at December 31, 2010 *US$'000* (Audited)
0 – 30 days	**412**	1,257
31 – 60 days	**100**	–
Over 60 days	**547**	–
	1,059	1,257

7 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period, the Group spent US$948,000 (1.1.2010 to 6.30.2010: US$35,176,000) on additions to vessels and furniture, fixtures and equipment.

The Group's leasehold land and building was revalued by the directors of the Company as at June 30, 2011. The resulting revaluation gain of US$827,000 has been credited to the revaluation reserve during the six months ended June 30, 2011 (1.1.2010 to 6.30.2010: nil).

The Group's investment property was fair valued by the directors of the Company as at June 30, 2011. The resulting increase in fair value of investment property of US$520,000 has been recognised directly in profit or loss (recorded in other gains and losses) for the six months ended June 30, 2011 (1.1.2010 to 6.30.2010: nil).

8 BANK BORROWING

On October 27, 2008, a bank loan of US$10,000,000 was granted to Zorina Navigation Corp., a subsidiary of the Company, under a loan agreement. The loan was interest bearing at 2% per annum above London Interbank Offered Rates and repayable by 11 consecutive fixed US$800,000 quarterly instalments commencing from January 31, 2009 followed by a final payment of US$1,200,000 in October 2011. During the period, the Group repaid an amount of US$1,600,000 (1.1.2010 to 6.30.2010: US$1,600,000).

The bank loan is secured by the followings:

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

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

(iii) Assignment of insurance in respect of ZORINA.

9 SHARE CAPITAL

	Number of ordinary shares of US$0.018 each	Amount *US$'000*
Authorised:		
At January 1, 2010, December 31, 2010 and June 30, 2011	10,000,000,000	180,000
Issued and fully paid:		
At January 1, 2010, December 31, 2010 and June 30, 2011	1,058,829,308	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.

10 REVENUE

	Six months ended June 30, 2011 US$'000 (Unaudited)	June 30, 2010 US$'000 (Unaudited)
Marine transportation services income		
– Vessel voyage charter	**9,009**	22,257
– Time charter	**1,072**	6,693
	10,081	28,950
Ship management income	**24**	180
	10,105	29,130

11 OTHER EXPENSES

The amount represented professional fee and other expenses relating to the listing by way of introduction on June 24, 2011 on the HKSE of the entire issued share capital of the Company presently listed on SGX-ST. No new shares were issued by the Company. Such costs were recognised as expenses when incurred.

12 INCOME TAX EXPENSE

	Six months ended June 30, 2011 US$'000 (Unaudited)	June 30, 2010 US$'000 (Unaudited)
Current tax:		
People's Republic of China ("PRC") income tax	**5**	–
Republic of China income tax	**11**	10
	16	10

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.

12 INCOME TAX EXPENSE *(Continued)*

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 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 each reporting period.

13 (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended	
	June 30, 2011	June 30, 2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration (including directors' fee)	**114**	162
Employee benefits expense (including directors' remuneration):		
– Defined contribution	**15**	18
– Staff costs	**445**	542
Total employee benefits expense	**460**	560
Crew costs	**2,677**	2,357
Depreciation of plant and equipment	**4,200**	4,665

14 DIVIDEND

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.

In 2010, a final dividend of approximately US$4,998,000 representing US 0.472 cent per ordinary share was paid in respect of the financial year ended December 31, 2009.

The directors do not recommend the payment of any interim dividend for the six months ended June 30 2011.

15 (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per ordinary share for the financial period is based on the (loss) profit 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 ended	
	June 30, 2011	June 30, 2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net (loss) profit attributable to owners of the Company	**(9,870)**	8,201

	Six months ended	
	June 30, 2011	June 30, 2010
	Number of shares	Number of shares
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares in issue	**1,058,829**	1,058,829

No diluted (loss) earnings 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.

16 SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on provision of marine transportation services. The chief operating decision maker (that is the executive directors of the Company) 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 (1.1.2010 to 6.30.2010: profit) 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.

16 SEGMENT INFORMATION (Continued)

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

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

For the six months period ended June 30, 2010

	Voyage charter US$'000 (Unaudited)	Time charter US$'000 (Unaudited)	Total US$'000 (Unaudited)
Dry bulk carriers			
– Capsize	1,211	–	1,211
– Handysize	7,141	1,160	8,301
– Handymax	5,997	1,095	7,092
– Panamax	7,908	4,438	12,346
	22,257	6,693	28,950

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.

17 AUTHORISATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR ISSUE

The unaudited condensed consolidated financial statements for the six months period ended June 30, 2011 were authorised for issue in accordance with the resolution of the directors dated August 12, 2011.

Management Discussion and Analysis

(I) BUSINESS REVIEW

REVENUE

The Group's revenue decreased by approximately 65% from approximately US$29.1 million in the six months ended 30 June 2010 to approximately US$10.1 million in the six months ended 30 June 2011.

The vessel chartering services of the Group rely heavily 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 caused by cutting of cargo shipment to and from Japan as a result of the Japanese earthquake, tsunami and nuclear pollution breakout leads 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. Given the approximate 57% decrease in the Baltic Dry Index ("BDI") from the average of approximately 3,100 points for the first half of 2010 to the average of approximately 1,400 points for the first half of 2011, our revenue decreased by 65% in the first half of 2011 compared to the same period in 2010 because of the decrease in freight rates.

PROFITABILITY

Despite the decrease in revenue by 65%, the Group's cost of sales decreased by only 14% to approximately US$17.2 million in the first half of 2011 from US$20 million in the first half of 2010 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$7.1 million in the first half of 2011 compared to gross profit of US$9.1 million in the first half of 2010.

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$0.4 million in the first half of 2011, an increase of 52% compared to the first half of 2010. This was mainly attributable 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 in disposal of fixed assets and exchange gain. For the first half of 2011, the Group recorded other gains for approximately US$0.4 million due to higher fair value of the Hong Kong premises. In the same period of 2010, the Group disposed a Capesize vessel, MV Cape Ore, and recorded a gain on disposal for approximately US$0.2 million.

ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise salary and bonus, directors' remuneration, office rental, legal and professional fees and travelling. The Group recorded an approximately 5% increase for the administrative expenses in the first half of 2011 compared to the first half of 2010.

(I) BUSINESS REVIEW *(Continued)*

OTHER EXPENSES

Other expenses for the first half of 2011 was approximately US$2.1 million, where the Group did not have such other expenses for the first half of 2010. Such amount was mainly 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 HKSE on 24 June 2011.

FINANCE COSTS

The Group recorded a finance cost of approximately US$31,000 for the first half of 2011 compared to US$67,000 in the first half of 2010. The decrease was mainly due to the reduced balance of outstanding bank borrowing as a result of the repayment of part of the bank loan.

INCOME TAX EXPENSES

The Group's subsidiaries recorded an income tax expense of US$16,000 during the first half of 2011, compared to US$10,000 in the first half of 2010.

NET LOSS

The Group recorded an approximately 65% decrease in revenue due to the 50% decrease in BDI which adversely affected our freight rates during the first half of 2011. However, the Group's cost of services for the first half 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$2.1 million other expenses (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$9.9 million for the first half of 2011 as compared to the Group's net profit of approximately US$8.2 million for the first half of 2010.

OTHER COMPREHENSIVE INCOME

The Group recorded other comprehensive income of approximately US$0.8 million for the first half of 2011 due to the surplus on revaluation of the Group's leasehold land and building.

CASH FLOW

There was a net decrease in cash and cash equivalents of approximately US$15.6 million for the first half of 2011 arising from the repayment of the bank borrowing, and dividend paid of approximately US$7.5 million for the period. However, the Group remains in a net cash position, with cash and bank balances of approximately US$14.4 million as at 30 June 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 2011 and 2010 were approximately 5.5% and 5.4% respectively.

	As at 30 June 2011 ***US$'000*** **(Unaudited)**	As at 31 December 2010 *US$'000* (Unaudited)
Other payables and accruals	**3,340**	2,607
Bank borrowing – due within one year	**2,000**	3,600
Total liabilities	**5,340**	6,207
Total equity	**97,856**	114,417
Gearing ratio	**5.5%**	5.4%

LOAN

Amount payable in six months or less, or on demand

	As at 30 June 2011		As at 31 December 2010	
	Secured (unaudited)	**Unsecured (unaudited)**	Secured (unaudited)	Unsecured (unaudited)
Bank loan	**US$2,000,000**	**–**	US$1,600,000	–

Amount payable after six months

	As at 30 June 2011		As at 31 December 2010	
	Secured (unaudited)	**Unsecured (unaudited)**	Secured (unaudited)	Unsecured (unaudited)
Bank loan	**–**	**–**	US$2,000,000	–

(III) PROSPECTS

The global economy has not fully recovered and remains unstable in the past few months. The BDI, which has a close correlation to freight rates, remains flat in between 1,250 to 1,500 points since April 2011, and was only about 1,250 points in August 2011. The Group remains cautious on the outlook for this year.

The Group expects that the financial performance for the rest of 2011 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.

(IV) DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011.

(V) SUPPLEMENTARY INFORMATION

1. CONTINGENT LIABILITIES

As at 30 June 2011, the Group has no material contingent liabilities (2010: Nil).

2. MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2011, the Group was not involved in any material litigation or arbitration.

3. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 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.

Additional Information Required by The Listing Rules

1. 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 30 June 2011 and the interim report have been reviewed by the Audit Committee.

2. 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 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.

3. 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 2011, all Directors have complied with the required standards of the Model Code.

4. PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2011, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Additional Information Required by The Listing Rules

5. DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2011, the interests and short position of the directors and the 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 Directors	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%
Chen Shin-Yung	Interest in a controlled corporation	142,081,611 *(Note 3)*	13.419%
Sun Hsien-Long	Beneficial owner	6,334,936	0.598%
Chu Wen Yuan	Beneficial owner	40,000	0.004%

Additional Information Required by The Listing Rules

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. China Lion International Limited ("**China Lion**") was interested in these 142,081,611 Shares, of which 131,493,318 Shares were lent to BOCI Securities Limited (and/or its affiliates authorized to carry out arbitrage activities) (the "**Bridging Dealer**"), as bridging dealer pursuant to the stock borrowing and lending agreement dated 23 May 2011, and 10,588,293 Shares were subject to the sale and repurchase pursuant to the sale and repurchase agreement dated 23 May 2011 for the purpose of bridging arrangement. The bridging arrangement had come to an end and as at the date hereof, the 142,081,611 Shares were 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%. Wu Chao-Huan is deemed to be interested in the Shares held by China Lion under the SFO.

3. These Shares are registered in the name of China Harvest Enterprises Limited ("**China Harvest**"), the entire issued share capital of which is owned by Chen Shin-Yung. Chen Shin-Yung is deemed to be interested in the Shares held by China Harvest under the SFO.

Save as disclosed above, as at 30 June 2011, 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.

6. SUBSTANTIAL SHAREHOLDER' AND OTHER PERSONS' INTERESTS 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 2011, 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:

LONG POSITION IN SHARES OF THE COMPANY

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	Beneficial owner	142,081,611	13.419%
Pronto Star Limited ("**Pronto**")	Beneficial owner	135,451,611	12.793%
Chiu Chi-Shun *(Note 3)*	Interest in a controlled corporation	135,451,611	12.793%
Kuo Mei-Yuan *(Note 3)*	Interest of spouse	135,451,611	12.793%
Unit Century Enterprises Limited ("**Unit Century**")	Beneficial owner	94,676,874	8.942%
Wu Chao-Ping *(Note 4)*	Interest in a controlled corporation	94,676,874	8.942%
Hsuen A-Chou *(Note 4)*	Interest of spouse	94,676,874	8.942%

Additional Information Required by The Listing Rules

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. China Lion was interested in these 142,081,611 Shares, of which 131,493,318 Shares were lent to the Bridging Dealer pursuant to the stock borrowing and lending agreement dated 23 May 2011, and 10,588,293 Shares were subject to the sale and repurchase pursuant to the sale and repurchase agreement dated 23 May 2011 for the purpose of bridging arrangement. The bridging arrangement had come to an end and as at the date hereof, the 142,081,611 Shares were 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. 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.

4. 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, 12 August 2011