CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED
中海船舶重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00651)

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board of directors (the "Board") of China Ocean Shipbuilding Industry Group Limited (the "Company") announces the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with comparative figures as follows:-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009** *HK$'000*	**2008** *HK$'000*
Revenue	4	1,239,532	1,191,596
Cost of sales		(1,784,671)	(1,031,125)
		(545,139)	160,471
Other income		14,190	14,679
Other gains and losses		(340)	9,276
Loss on disposal of available-for-sale investments		—	(1,025)
Change in fair value of investments held for trading		(12,448)	(37,928)
Impairment loss on goodwill		(514,179)	(322,221)
Impairment loss on intangible assets		(940,000)	—
Distribution and selling expenses		(1,276)	(670)
Administrative expenses		(77,674)	(64,261)
Finance costs	5	(115,002)	(233,311)
Gain on disposal of subsidiaries		126	—
Loss before tax	6	(2,191,742)	(474,990)
Taxation	7	235,380	5,994
Loss for the year attributable to owners of the Company		(1,956,362)	(468,996)
Other comprehensive income (expense)			
Exchange difference arising on translation		—	84,956
Loss on change in fair value of available-for-sale investments		—	(1,286)
Release on disposal of available-for-sale investments		—	1,025
Other comprehensive income for the year		—	84,695
Total comprehensive loss for the year attributable to owners of the Company		(1,956,362)	(384,301)
Loss per share	8		
— basic and diluted		(HK$2.54)	(HK$1.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	**2009** *HK$'000*	**2008** *HK$'000*
Non-current assets			
Property, plant and equipment		1,071,307	916,871
Deposit paid for acquisition of property, plant and equipment		3,029	3,029
Prepaid lease payments — non current portion		337,899	345,004
Goodwill		—	514,179
Intangible assets		440,152	1,546,602
		1,852,387	3,325,685
Current assets			
Inventories		333,635	482,125
Trade and other receivables	10	615,640	562,518
Prepayment for purchase of raw materials		1,013,021	863,043
Prepaid lease payment — current portion		1,726	1,701
Tax recoverable		5,752	—
Amounts due from customers for contract work		34,292	—
Investments held for trading		1,609	18,423
Pledged bank deposits		387,031	176,648
Bank balances and cash		269,588	158,155
		2,662,294	2,262,613
Current liabilities			
Trade, bills and other payables	11	986,094	1,371,331
Amounts due to customers for contract work		1,411,870	358,079
Margin loan payable		—	32,499
Bank overdrafts		—	4,521
Bank borrowings — due within one year		511,364	113,637
Provision for warranty		33,025	2,974
Deferred consideration		200,000	173,447
		3,142,353	2,056,488
Net current (liabilities) assets		(480,059)	206,125
		1,372,328	3,531,810
Capital and reserves			
Share capital		45,105	33,740
Reserves		461,711	2,259,669
		506,816	2,293,409
Non-current liabilities			
Bank borrowings — due after one year		113,636	227,273
Convertible notes payable		416,168	421,440
Deferred tax liabilities		335,708	589,688
		865,512	1,238,401
		1,372,328	3,531,810

Notes:

1. GENERAL

The functional currency of the Company was originally Hong Kong dollars. On 16 April 2008, the Company acquired INPAX Technology Limited and its subsidiary 江西江州聯合造船有限責任公司 ("Union Shipbuilding Co.") (collectively the "INPAX Group"), both of which have Renminbi ("RMB") as their functional currency. The directors are of the opinion that after the acquisition of INPAX Group, the primary economic environment in which the Company operates is the People's Republic of China (the "PRC"), taking into consideration that the Company's principal activity is holding of investments in subsidiaries. The directors have therefore determined that the functional currency of the Company is changed to RMB from 16 April 2008, being the date when INPAX Group was acquired.

2 BASIS OF PREPARATION

In preparing the consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$1,956 million for the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceeded its current assets by HK$480 million. In addition, the following circumstances may affect the Group's financial position:

a) deferred consideration of HK$200 million which was due for payment on 31 January 2011;

b) convertible notes payable with an aggregate carrying amount of approximately HK$416 million as at 31 December 2009 which will mature on 15 April 2011. The Group is required to redeem the convertible notes at their principal amount of HK$508 million upon maturity; and

c) The Group breached several loan covenants for two of the bank loans with an aggregate amount of HK$136 million. The amount was presented as current liabilities in the consolidated statement of financial position at 31 December 2009 .

In order to improve the Group's operating and financial position, the directors have been implementing various operating and financing measures as follows:

a) The Group has been actively pursuing new customers so as to enlarge its customer base. In addition, taking advantage of its expanded operation capacity which allows a better negotiating position, the Group places more stringent selection criteria for new sales orders with better margin from potential customers. At the same time, the Group has tightened cost control so as to reduce unnecessary expenditure. With all these measures, the Group is expecting to improve its performance in the coming years;

b) On 23 April 2010, the Group entered into an agreement to extend the payment of the deferred consideration of HK$200 million from 31 January 2011 to 31 January 2012;

c) On 26 April 2010, the Group entered into a loan agreement with China MinSheng Banking Corp., Ltd and the bank agreed to grant a loan of RMB80 million for the operational requirements of the Group. The loan is interest bearing at 5.84% per annum and has a maturity date on 26 April 2011. The Group has not yet drawn the loan at the date of this report;

d) On 27 April 2010, the Group announced to have entered into an extension letter with each of the holders of the Group's convertible notes whereby the parties agreed to extend the maturity date of the outstanding convertible notes from 15 April 2011 to 15 April 2012. Except for the extension of the maturity date of the outstanding convertible notes, each and every term and condition under the existing convertible notes shall remain unchanged. The extension of the Group's convertible notes is conditional, among other things, on the approval by the shareholders of the Company at a special general meeting and the necessary consents and approvals by the Stock Exchange. Details of the extension of the maturity date of the convertible notes were set out in the Company's announcement dated 27 April 2010. The extension of the Group's convertible notes has not yet been completed at the date of this report;

e) The Group is in negotiation with potential convertible note holders to issue new convertible notes ("CBIII") to increase the Group's liquidity. The proceeds from CBIII will be used to finance the operations of the Group. As at the date of this report, the Group has not yet finalised CBIII in terms of, inter-alia, the principal amount and the conversion price; and

f) The Group has obtained a waiver letter from one of the banks in relation to the breach of covenants for one of its bank loans amounting to HK$23 million. The Group has not obtained any waiver letter in respect of another loan of HK$113 million.

The directors are of the opinion that, taking into account the measures as above, the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations

HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

2009

	Shipbuilding *HK$'000*	**Metal trading** *HK$'000*	**Total** *HK$'000*
Segment revenue	1,239,532	—	1,239,532
Segment result	(2,045,287)	(599)	(2,045,886)
Other income			733
Change in fair value of investment held for trading			(12,448)
Unallocated corporate expenses			(15,359)
Share-based payment expenses			(3,780)
Finance costs			(115,002)
Loss before tax			(2,191,742)

2008

	Shipbuilding *HK$'000*	Metal trading *HK$'000*	Total *HK$'000*
Segment revenue	1,190,824	772	1,191,596
Segment result	(151,405)	(34)	(151,439)
Other income			12,891
Change in fair value of investment held for trading			(37,928)
Loss on disposal of available-for-sale investments			(1,025)
Unallocated corporate expenses			(49,953)
Share-based payment expenses			(14,225)
Finance costs			(233,311)
Loss before tax			(474,990)

5. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Interest on borrowings wholly repayable within five years:		
Convertible notes payable at effective interest rates	57,559	188,188
Imputed interest expense on deferred consideration	26,553	18,809
Bank borrowings	28,443	19,353
Other borrowings	2,447	6,961
	115,002	233,311

6. LOSS BEFORE TAX

	2009	2008
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Directors' emoluments	8,638	19,591
Other staff costs (including share-based payment of HK$984,000 (2008: HK$2,416,000))	52,686	39,314
Contributions to retirement benefits scheme, excluding directors'	4,484	4,187
Total staff costs	65,808	63,092
Share-based payment expense (included in cost of sales)	—	22,842
Auditors' remuneration	1,268	1,150
Amortisation of intangibles assets (included in cost of sales)	166,450	115,199
Depreciation of property, plant and equipment	52,222	33,959
Release of prepaid lease payments	7,080	4,812
Minimum lease payments under operating leases in respect of rented premises	1,575	1,427
Claims and additional repair cost arising from a delivered vessel's defects (included in cost of sales)	40,092	—
Penalties and associated additional costs arising from delay in vessel delivery due to prolonged shipbuilding process (included in cost of sales)	82,019	—
Expected losses recognised in respect of foreseeable delay in vessel delivery due to prolonged shipbuilding process (included in cost of sales)	339,718	—

7. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	14,701	—
Deferred tax	(250,081)	(5,994)
	(235,380)	(5,994)

No provision for Hong Kong Profits Tax has been made since the Group has no assessable profits for both years.

In accordance with Article 8 of the Foreign Enterprise Income Tax ("FEIT') law of the PRC, foreign investment enterprises ("FIEs") of production nature are eligible to enjoy two years of exemption and three years of 50% deduction in FEIT starting from the first profit - making year (the "2+3 tax holidays"). The fully exempted financial years of Union Shipbuilding Co. were the years ended 31 December 2007 and 2008, respectively.

Under the Law of the PRC on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, Union Shipbuilding Co. continues to enjoy the preferential tax treatment (12.5% effective tax rate, i.e. 50% of the applicable tax rate of 25%) for each of the years from 2009 to 2011. Thereafter, the tax rate will ratchet up to 25% from 2012.

8. LOSS PER SHARE

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

	2009	**2008**
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(1,956,362)	(468,996)

	2009	**2008**
	'000	*'000*
		(restated)
Number of shares (Note)		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	769,465	383,202

The computation of diluted loss per share for the years ended 31 December 2009 and 2008 does not include the share options and convertible notes as the exercise of these share options and convertible notes has an anti-dilutive effect.

Note: The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2008 have been adjusted retrospectively for the effect of share consolidation completed in 2009.

9. DIVIDEND

No dividends were paid during the year. The directors do not recommend the payment of a dividend.

10. TRADE AND OTHER RECEIVABLES

	2009	**2008**
	HK$'000	*HK$'000*
Trade receivables	39,475	3,053
Value-added tax recoverable	195,423	109,385
Deposits placed with a stakeholder	338,382	426,004
Others	42,360	24,076
Total trade and other receivables	615,640	562,518

Trade receivables at the end of the reporting period represent the final instalment receivable from ship buyers which is due in August 2010. Credit period was based on mutual agreements reached between the entity and ship buyers which varies case by case.

Included in the Group's trade receivable balances at 31 December 2008 was a debtor with aggregate carrying amount of HK$3,053,000 which was past due but not provided for impairment loss. The amount was fully settled during year 2009.

The Group did not have trade receivables that were due but not impaired as at 31 December 2009.

11. TRADE, BILLS AND OTHER PAYABLES

	2009	**2008**
	HK$'000	*HK$'000*
Trade payable	36,413	40,753
Bills payable	346,023	204,545
Advances from customers for ship construction contracts	476,084	1,024,767
Interest payable	30,095	20,160
Dividend payable to former equity holders of a subsidiary	21,757	21,757
Consideration payable for acquisition of property, plant and equipment	42,859	42,859
Other payable and accruals	32,863	16,490
	986,094	1,371,331

The following is an aged analysis of trade and bills payables at the end of the reporting periods:

	2009	**2008**
	HK$'000	*HK$'000*
0 - 30 days	79,409	79,538
30 - 60 days	154,705	25,757
61 - 90 days	9,781	1,916
Over 90 days	138,541	138,087
	382,436	245,298

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payable is settled within the credit timeframe.

Bills payable are secured by pledged bank deposits.

EXTRACT OF AUDIT OPINION FROM THE INDEPENDENT AUDITORS' REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 which indicates that the Group incurred a net loss of HK$1,956 million for the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceeded its current assets by HK$480 million. The directors have been implementing various operating and financing measures as disclosed in note 2 to improve the Group's financial position. The directors of the Company consider after taking into account these steps, the Group will have sufficient working capital to finance its operations and its financial obligations as and when they fall due. However, certain of these measures have not yet been successfully completed and accordingly, these conditions, along with other matters set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Management Discussion and Analysis

Overview

The Group is engaged in the production and operation of shipbuilding and trading business. For the year ended 31 December 2009, the Group recorded a revenue of HK$1,239.53 million (2008: HK$1,191.60 million), an increase of approximately 4.02% over the year 2008. The increase in revenues was due to the Group recorded full year revenues of shipbuilding business while it only recorded the revenues after the completion of acquisition of Inpax Group in 2008. The gross loss *(before deducting the amortisation of intangible assets of HK$166.45 million (2008: HK$115.20 million)* was HK$378.69 million (2008: gross profit of HK$275.67 million). The reasons of the gross loss of the group are as follows:

(i) The shrank of new orders, the decrease in the price of new-build vessel, exchange difference arising from appreciation in the value of RMB, drastic fluctuations in the price of raw materials costs which reduce the overall gross profit of the Group for the year ended 31 December 2009.

(ii) During the year, the Group incurred modification costs to amend the defects for a new model of vessel. The modification works led to delay in delivery and claims by the customer. The claim and modification costs amounted to approximately HK$40.09 million (2008: nil) in aggregate.

(iii) The modification works, among other matters, prolonged the Group's overall shipbuilding process and led to a general delay for vessel production and delivery. Penalties and associated additional costs arising from delay in vessel delivery amounting to approximately HK$82.02 million.

Furthermore, the Group also provided the estimated foreseeable losses of approximately HK$339.72 million in respect of the foreseeable delay, which were also included in costs of goods sold for the year ended 31 December 2009.

The impairment loss in goodwill and intangible assets recognised for the year ended 31 December 2009 was HK$1,454.18 million in aggregate (2008: HK$322.22 million). The significant increase in impairment loss has reflected the continuous effect of financial crisis occurred in September 2008. The new-orders shrank, the vessel price dropped and a strong recovery of shipbuilding industry seems remote, which cast doubt on the potential profitability of the shipbuilding segment.

The administrative expense was HK$77.67 million, up HK$13.41 million versus the corresponding period last year. The Group recorded finance costs of HK$115.00 million versus HK$233.31million for the corresponding period last year, reflecting a significant decrease in effective interest expenses. The decrease of effective interest was due to a majority of convertible notes which has been converted into shares.

To sum up, the loss for the year ended 31 December 2009 amounted to approximately HK$1,956.36 million (2008: HK$469.00 million, it significantly increased by 317.13 % in comparing with year 2008.

Shipbuilding business

The China's Shipbuilding industry has swung sharply from rapid growth to uncertainty in the late 2008. After that, the industry faced a grim situation but shows signs of recovery in or about June 2009. However this recovery cannot be sustained, given the potentially excess in shipbuilding capacity. The ship-owners are very cautious on placing new orders, negotiating on lowering ship building price, deferring ship delivery or payment.

During the year ended 31 December 2009, the performance of shipbuilding sector of the Group was unsatisfactory. The shipbuilding business generated revenue of approximately HK$1,239.53 million to the Group, which representing an increase of approximately of 4.09% as compared to approximately HK$1,190.82 million in 2008. The increase in revenues was due to the Group recorded full year revenues during the year ended 31 December 2009 while it only recorded the revenues after the completion of acquisition of Inpax Group in 2008. The shipbuilding business recorded a loss before tax of HK$424.66 million *(before deducting amortisation of intangible assets ,impairment cost on goodwill and impairment cost on intangible costs)* (2008: Profit of HK$286.01 million *(before deducting amortisation of intangible assets and impairment cost on goodwill)* .The poor performance of shipbuilding business were mainly due to the following factors: (i) deferred delivery of vessels (ii) exchange difference arising from appreciation in the value of RMB; (iii) drastic fluctuations of the price of raw materials and (iv) the modification costs. The details are disclosed above in the overall review section. As at 31 December 2009, the order in hand of the Group reached 35 vessels with shipbuilding work arranged to the mid of 2012.

Trading business

For year ended 31 December 2009, the trading businesses recorded a insignificant loss of approximately HK$599,000 (2008: HK$34,000).

LIQUIDITY AND FINANCIAL RESOURCES

On 21 May 2009, the Company entered into a placing agreement with a placing agent for placement of 3,400,000,000 ordinary shares of HK$0.001 each of the Company on a best-efforts basis at the price of HK$0.013 per share to independent third parties. The placement was completed on 5 June 2009 and the net proceeds of the placing amounted to approximately HK$43.00 million.

On 20 August 2009, the Company entered into a placing agreement with a placing agent for placement of 150,000,000 ordinary shares of HK$0.05 each of the Company on a best-efforts basis at the price of HK$0.43 per share to independent third parties. The placement was completed on 31 August 2009 and the net proceeds of the placing amounted to approximately HK$63.43 million.

As at 31 December 2009, the Group had cash and bank balances of approximately HK$656.62 million (31 December 2008: HK$334.80 million) in which HK$387.03 million was pledged (31 December 2008: HK$176.65 million); unsecured short term margin loan of HK$0 (31 December 2008: HK$32.50 million); short term bank loan of HK$511.36 million (31 December 2008: HK$113.64 million); long term bank borrowing of HK$113.64 million (31 December 2008: HK$227.27 million); long term convertible notes payable amounted to approximately HK$416.17 million (31 December 2008:HK$421.44million) represented liabilities component of principal amount of HK$507.00 million (31 December 2008: HK$577.00 million). The gearing ratio defined as non-current liabilities and short term loans divided by total shareholders' equity was 2.72 at 31 December 2009 (31 December 2008: 0.61).

CHARGES ON GROUP ASSETS

As at 31 December 2009, HK$387.03million (31 December 2008: 176.65 million) of bank deposit, HK$53.29 million (31 December 2008: nil) of inventories, HK$79.42 million (31 December 2008: nil) of property, plant and equipment were pledged to banks for banking facilities granted by banks to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in RMB, Hong Kong Dollars, United States Dollars and EURO. As at 31 December 2009, the Group does not hedge its exposure to foreign exchange risk profile. The Boards will consider appropriate hedging measure in future as may be necessary.

POST BALANCE SHEET EVENTS

As at 31 December 2009, the Group had no significant post balance sheet events.

LITIGATION

During the year ended 31 December 2009, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group. After the year end, a customer served a notice on Jiangxi Jiangzhou Union shipbuilding Co., Ltd, a wholly-owned subsidiary of the Company, among other things, to rescind the relevant sale contract, and the aforesaid matter was referred to the agreed arbitration proceeding.

HUMAN RESOURCES

The Group had around 1,350 employees as at 31 December 2009. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

At 31 December 2009, the Group has no material contingent liabilities.

CAPITAL COMMITTMENT

At 31 December 2009, the Group has capital expenditure of approximately HK$45.91million (31 December 2008: HK$40.59million) in respect of acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements and no capital expenditure (31 December 2008: HK$79.42 million) a in respect of acquisition of property, plant and equipment authorised but not contracted for.

CHANGE OF COMPANY NAME

The Board announced on 22 December 2009 that the change of the English name of the Company from "Wonson International Holdings Limited" to "China Ocean Shipbuilding Industry Group Limited" and adopt the Chinese name "中海船舶重工集團有限公司" as the secondary name of the Company. The Board considered that the change of the Company name will benefit its future business development as the new name of the Company will better reflect the new development focus of the shipbuilding related business of the Group and provide the Company with a new corporate identity and image.

PROSPECTS

The unprecedented financial crisis has led to a sharp contraction in world economy in the late of 2008. While initially shipbuilding was to some degree insulated from these effects because of very strong order books. However, new orders have fallen significantly, and the cancellations or deferral orders were increasing in 2009. There is therefore growing concern about overcapacity. Looking into the year 2010, the directors expect that the conditions of shipbuilding industry remain challenging. In the imbalanced supply and demand market, it would be very difficult to get new orders without offering competitive price. The Group has adjusted its strategy to intensify its effort on the special vessels markets which was hit lightly by the industry downturn. On the other hand, the Group continues to close negotiation with the ship-owners, takes a more flexible attitude to prices and delivery and actively assists the financing of ship-owners to ensure performance of secured orders. The effect of re-negotiation with the ship-owners is likely to adversely affect the profit earning capacity.

The Directors will continue to reinforce the Group's financial position to leave the Group well placed when the recovery begins.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rule regarding Directors' securities transactions. Based on specific enquiry of all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2009.

CORPORATE GOVERNANCE

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can be benefited from good corporate governance. The Company aims to achieve good standard of corporate governance. The Company has complied with most of the code provisions ("Code Provision") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") except for the deviation from Code Provision A.2.1. as the roles of the Chairman and Chief Executive Officer are not separated. On 3 February 2009, Mr. Li Ming has been appointed as the CEO of the Company. Accordingly, such deviation was remedies.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

AUDIT COMMITTEE REVIEW OF ACCOUNTS

The Audit Committee of the Company, which comprises the four independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the annual financial results of the Group for the year ended 31 December 2009.

PUBLICATION OF ANNUAL REPORT

The announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.wonsonintl.com).

BOARD OF DIRECTORS

The Board of the Company as at the date of report comprise Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Wang San Long as executive directors, Mr. Hu Bai He, Ms. Xiang Siying, Mr. Zhang Xi Ping and Ms. Xiang Ying as independent non-executive directors.

By order of the Board
Chau On Ta Yuen
Chairman

Hong Kong, 28 April 2010