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CHINA OCEAN INDUSTRY GROUP LIMITED
中海重工集團有限公司

(Formerly known as 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 2015

The board of directors (the "Board") of China Ocean 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 2015 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	4	**157,635**	104,880
Cost of sales		**(315,493)**	(261,353)
Gross loss		**(157,858)**	(156,473)
Other income	5	**4,643**	6,729
Other gains and losses	6	**(15,564)**	1,136
Change in fair value of contingent consideration payable		**25,478**	–
Change in fair value of investments held for trading		**(1,684)**	2,750
Change in fair value of convertible bonds payable		**(35,990)**	2,110
Gain on early redemption of promissory notes payable		**–**	2,927
Loss on settlement of loan by issuance of shares		**(10,755)**	–
Loss on modification of convertible bonds payable		**–**	(26,591)
Impairment loss recognised in respect of property, plant and equipment		**–**	(65,706)
Selling and distribution expenses		**(3,163)**	(2,412)
Administrative expenses		**(88,923)**	(111,454)
Share-based payments expenses		**(49,194)**	(42,163)
Finance costs	7	**(201,847)**	(247,943)
Share of profit of associates		**8,791**	1,586
Share of (loss) profit of joint ventures		**(1,054)**	1,206
Loss before tax		**(527,120)**	(634,298)
Income tax credit	8	**26,307**	1,121

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Loss for the year	*9*	**(500,813)**	(633,177)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**46,961**	14,230
Share of translation reserve of associates		**(5,998)**	(13)
Share of statutory reserve of associates		**980**	–
Share of translation reserve of joint ventures		**(30,291)**	(10)
Other comprehensive income for the year, net of income tax		**11,652**	14,207
Total comprehensive expenses for the year		**(489,161)**	(618,970)
Loss for the year attributable to:			
– Owners of the Company		**(500,799)**	(633,177)
– Non-controlling interests		**(14)**	–
		(500,813)	(633,177)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(489,131)**	(618,970)
– Non-controlling interests		**(30)**	–
		(489,161)	(618,970)
Loss per share			
– Basic and diluted	*11*	**(HK$0.05)**	(HK$0.12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**315,611**	417,500
Prepaid lease payments – non-current portion		**301,610**	313,171
Goodwill		**188,057**	–
Intangible assets		**245,680**	–
Interests in associates		**93,410**	58,621
Interests in joint ventures		**472,118**	503,463
Trade receivables – non-current portion	*12*	**622**	35,843
Finance lease receivables – non-current portion	*13*	**13,028**	26,123
Pledged bank deposits – non-current portion		**6,962**	–
		1,637,098	1,354,721
CURRENT ASSETS			
Inventories		**101,571**	49,671
Trade receivables	*12*	**38,157**	40,142
Other receivables	*12*	**200,743**	192,730
Prepayment for purchase of raw materials	*12*	**174,930**	73,118
Prepaid lease payments		**7,231**	7,358
Investments held for trading		**1,952**	3,636
Finance lease receivables	*13*	**15,390**	11,280
Pledged bank deposits		**74,571**	113,154
Bank balances and cash		**70,181**	13,934
		684,726	505,023
CURRENT LIABILITIES			
Trade, bills and other payables	*14*	**499,258**	672,339
Amounts due to customers for contract work		**272,647**	341,881
Amounts due to related parties		**4,163**	26,287
Amounts due to directors		**597**	2,754
Borrowings		**953,153**	711,254
Provision for warranty		**–**	142
Convertible bonds payable		**248,609**	–
Promissory notes payable		**–**	–
Tax liabilities		**112**	–
		1,978,539	1,754,657
NET CURRENT LIABILITIES		**(1,293,813)**	(1,249,634)
TOTAL ASSETS LESS CURRENT LIABILITIES		**343,285**	105,087

	2015	2014
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**597,899**	376,536
Reserves	**(985,315)**	(1,154,814)
Equity attributable to owners of the Company	**(387,416)**	(778,278)
Non-controlling interests	**644**	–
TOTAL DEFICITS	**(386,772)**	(778,278)
NON-CURRENT LIABILITIES		
Borrowings – non-current portion	**253,986**	219,238
Convertible bonds payable – non-current portion	**45,123**	572,935
Contingent consideration payable	**315,740**	–
Deferred tax liabilities	**115,208**	91,192
	730,057	883,365
	343,285	105,087

1. GENERAL

China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Units 1702-1703, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

Pursuant to the special resolution passed at the special general meeting of the Company on 23 February 2016, the Company's name has been changed from "China Ocean Shipbuilding Industry Group Limited 中海船舶重工集團有限公司" to "China Ocean Industry Group Limited 中海重工集團有限公司".

The functional currency of the Company and its subsidiaries (hereinafter collectively known as the "Group") was Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company's shares are listed in Hong Kong.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the director of the Company (the "Directors") have given consideration to the future liquidity of the Group.

The Group incurred a loss for the year attributable to owners of the Company of approximately HK$500,799,000 for the year ended 31 December 2015 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$1,293,813,000 and HK$386,772,000 respectively.

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 and new sales orders. At the same time, the Group has improved its production efficiency and tightened cost control so as to reduce unnecessary expenditure;

(b) the Group is in negotiation with banks to allow revolving of loans upon their due dates when the same renewal conditions entitling the past renewal are met;

(c) the Group is in negotiation with financial institutions such as finance leasing company to obtain new borrowings;

(d) the Group is seeking assistance from local government;

(e) the Group is in negotiation with its creditors to extend payment due date.

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 this consolidated financial statements were authorised to issue.

Accordingly, the consolidated financial statements have been prepared on a going concern basis. However, the eventual outcome is uncertain, should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

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

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to Hong Kong Accounting Standard ("HKAS") 19 (2011)	Defined Benefits Plans: Employee Contributions
Annual Improvements Project	Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011-2013 Cycle

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

New and revised HKFRSs in issued but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Annual Improvements Projects	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 are subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

– All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 that recognition 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. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 *Presentation of Financial Statements* give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKAS 1 will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets, respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors anticipate that the application of these amendments to HKAS 16 and HKAS 38 will not have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost;

– In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement for entities* that have not yet adopted HKFRS 9), or

– Using the equity method as described in HKAS 28 *Investment in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 11 until the Group performs a detailed review.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 10 and HKAS 28 until the Group performs a detailed review.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 *Investments in Associates and Joint Ventures* clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The Directors do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the board of Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2015, "Intelligent car parking and automotive device business" became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

a) Shipbuilding business – provision of shipbuilding services under shipbuilding construction contracts and operated in the People's Republic of China (the "PRC").

b) Trading business – provision of trading and operated in Hong Kong.

c) Finance leasing business – provision of direct finance leasing, sale and leaseback, advisory services and provision of factoring services in the PRC.

d) Intelligent car parking and automotive device business – manufacturing and sales of car parking equipment, investment, operation and management of car parks and electronic automotive device in the PRC.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2015

	Shipbuilding business *HK$'000*	Trading business *HK$'000*	Finance leasing business *HK$'000*	Intelligent car parking and automotive device business *HK$000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue						
– External sales	**143,187**	**–**	**3,442**	**11,006**	**–**	**157,635**
– Inter-segment sales	**–**	**–**	**9,315**	**–**	**(9,315)**	**–**
Total segment revenue	**143,187**	**–**	**12,757**	**11,006**	**(9,315)**	**157,635**
Segment result	**(350,647)**	**–**	**3,112**	**(4,936)**		**(352,471)**
Unallocated other income						**2,007**
Unallocated other gains and losses						**(14,968)**
Change in fair value of contingent consideration payable						**25,478**
Change in fair value of investments held for trading						**(1,684)**
Change in fair value of convertible bonds payable						**(35,990)**
Loss on settlement of loan by issuance of shares						**(10,755)**
Share-based payments expenses						**(49,194)**
Finance costs						**(71,171)**
Share of profit of associates						**8,791**
Share of loss of joint ventures						**(1,054)**
Unallocated corporate expenses						**(26,109)**
Loss before tax						**(527,120)**

For the year ended 31 December 2014

	Shipbuilding business *HK$'000*	Trading business *HK$'000*	Finance leasing business *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue					
– External sales	104,078	–	802	–	104,880
– Inter-segment sales	–	–	1,605	(1,605)	–
Total segment revenue	104,078	–	2,407	(1,605)	104,880
Segment result	(465,941)	–	(1,824)		(467,765)
Unallocated other income					5,549
Unallocated other gains and losses					3,128
Change in fair value of investments held for trading					2,750
Change in fair value of convertible bonds payable					2,110
Gain on early redemption of promissory notes payable					2,927
Loss on modification of convertible bonds payable					(26,591)
Share-based payments expenses					(42,163)
Finance costs					(99,103)
Share of profit of associates					1,586
Share of profit of joint ventures					1,206
Unallocated corporate expenses					(17,932)
Loss before tax					(634,298)

5. OTHER INCOME

	2015 **HK$'000**	2014 *HK$'000*
Interests on bank deposits	**2,007**	5,008
Gain on disposal of investments held for trading	**–**	541
Gain on disposal of property, plant and equipment	**1,743**	4
Others	**893**	1,176
	4,643	6,729

6. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Written-off of inventories	**–**	(124)
Loss on written-off of property, plant and equipment	**(9)**	(117)
Foreign exchange (loss) gain	**(14,968)**	3,128
Others	**(587)**	(1,751)
	(15,564)	1,136

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on borrowings wholly repayable within five years:		
Convertible bonds payable at effective interest rates	**71,171**	88,517
Promissory notes payable at effective interest rates	**–**	10,586
Interests on bank borrowings and bill payables	**38,072**	54,523
Interests on other borrowings	**73,950**	66,147
Guarantee fee and fund management fee incurred in connection with borrowings	**18,400**	27,899
Overdue interests	**–**	192
Others	**254**	79
	201,847	247,943

8. INCOME TAX CREDIT

	2015	2014
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**–**	–
– PRC tax	**395**	–
Deferred tax	**(26,702)**	(1,121)
	(26,307)	(1,121)

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made since the Group has no assessable profits for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% PRC Withholding Tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	**33,670**	21,115
Other staff costs:		
Salaries and other benefits	**34,569**	40,413
Contributions to retirement benefits scheme	**6,444**	9,775
Share-based payments expenses – employees	**21,247**	3,968
Total staff costs	**95,930**	75,271
Auditor's remuneration		
– Audit service	**1,555**	1,349
– Non-audit service	**923**	611
Depreciation of property, plant and equipment	**58,209**	60,195
Amortisation of prepaid lease payments	**7,231**	7,358
Amortisation of intangible assets	**3,320**	–
Minimum lease payments paid under operating leases in respect of rented premises	**5,437**	2,586
Shipbuilding contract costs recognised as cost of sales	**305,432**	261,330
Foreseeable losses recognised in respect of additional estimated costs (included in shipbuilding contract cost and recognised as cost of sales)	**25,373**	96,274
Impairment loss recognised in respect of trade receivables	**–**	8,245
Impairment loss recognised in respect of other receivables	**–**	320
Impairment loss recognised in respect of finance lease receivables	**–**	378
Reversal of impairment loss recognised in respect of finance lease receivables	**(70)**	–
Share-based payments expenses – consultants	**–**	22,775

10. DIVIDEND

No dividends were paid or proposed for ordinary shareholders of the Company during 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

11. 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:

	2015	2014
	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	**(500,799)**	(633,177)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,912,342**	5,352,746

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 does not assume i) the exercise of the Company's share options; and ii) the conversion of the Company's outstanding convertible bonds since their exercise or conversion would result in a decrease in loss per share for the year which is regarded as anti-dilutive.

12. TRADE RECEIVABLES / OTHER RECEIVABLES / PREPAYMENT FOR PURCHASE OF RAW MATERIALS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables – non-current portion	**622**	89,607
Less: Allowance for doubtful debts	**–**	(53,764)
Trade receivables – non-current portion, net	**622**	35,843
Trade receivables – current portion	**38,157**	78,722
Less: Allowance for doubtful debts	**–**	(38,580)
Trade receivables – current portion, net	**38,157**	40,142
Total trade receivables, net of allowance for doubtful debts *(Note a)*	**38,779**	75,985
Other receivables	**39,301**	41,904
Less: Allowance for doubtful debts	**(6,916)**	(6,916)
Other receivables, net	**32,385**	34,988
Value-added tax recoverable	**161,767**	149,026
Deposits placed to agents and a stakeholder	**6,591**	5,384
Deposit paid for acquisition of property, plant and equipment	**–**	3,332
Total other receivables, net	**200,743**	192,730
Prepayment for purchase of raw materials	**174,930**	73,118

Notes:

(a) At 31 December 2014, trade receivables of approximately HK$75,985,000 (equivalent to USD9,773,000) represented gross receivables of approximately HK$168,329,000 (equivalent to USD21,650,000), net of accumulated impairment loss of approximately HK$92,344,000. The balance represented the deferral final receivables from a ship buyer, an independent third party of the Group (the "Original Ship Buyer"), in relation to the final payment for the acquisition of nine vessels. Due to the financial difficulty encountered by the Original Ship Buyer, the Original Ship Buyer has defaulted the payment on settling the outstanding balance due from the Group since 2012.

In July 2015, the Original Ship Buyer has reached an agreement with a potential purchaser for the acquisition of the vessels owned by the Original Ship Buyer. Upon execution of the agreement, the Original Ship Buyer has settled the balances of approximately HK$75,985,000 due to the Group (the "Settlement Amount"). The Directors considered that accepting the Settlement Amount was the most cost-effective way to recover the outstanding receivables and hence was in the best interest to the Company and its shareholders. Therefore, during the year ended 31 December 2015, the outstanding balance of approximately HK$92,344,000, which had been fully impaired in prior years, has been written-off, and no further impairment loss (2014: HK$8,245,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on delivery date at the end of the reporting periods:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**38,157**	40,142
In more than one year	**622**	35,843
	38,779	75,985

The Group considered that no impairment loss on trade receivables is necessary as the trade receivables is not yet past due as at 31 December 2015.

The Group did not have any trade receivables that were overdue but not impaired as at 31 December 2014.

Movement in the allowance for doubtful debts for trade receivables:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**92,344**	84,760
Impairment loss recognised	**–**	8,245
Exchange realignment	**–**	146
Amounts written-off as uncollectible	**(92,344)**	(807)
At 31 December	**–**	92,344

13. FINANCE LEASE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Analysed as:		
Current	**15,390**	11,280
Non-current	**13,028**	26,123
	28,418	37,403

Amounts receivable under finance leases

	2015	2014
	HK$'000	*HK$'000*
Finance lease receivables	**32,033**	45,149
Less: Unearned finance income	**(3,328)**	(7,368)
Net finance lease receivables	**28,705**	37,781
Less: Accumulated impairment loss	**(287)**	(378)
	28,418	37,403

The maturity profile of these finance lease receivables from customers at the end of the reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Repayable (including interests)		
Within one year	**17,915**	15,237
One to two years	**14,118**	14,956
Two to three years	**–**	14,956
	32,033	45,149
Repayable (net of interests)		
Within one year	**15,390**	11,280
One to two years	**13,028**	12,447
Two to three years	**–**	13,676
	28,418	37,403
Accumulated impairment loss		
At the beginning of year	**378**	–
Exchange realignments	**(21)**	–
Charge for the year	**–**	378
Reversal for the year	**(70)**	–
At the end of year	**287**	378

14. TRADE, BILLS AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**54,192**	113,595
Bills payables	**141,600**	150,000
	195,792	263,595
Consideration payable for acquisition of prepaid lease payments	**44,505**	47,145
Payable to guarantors	**5,888**	37,812
Contribution payables to labour union and education funds	**12,491**	12,142
Accrual of contractor fees	**17,707**	33,632
Accrual of government funds	**30,680**	32,500
Other payables and accruals	**192,195**	245,513
	499,258	672,339

The following is an aged analysis of trade and bills payables presented based on invoice date or issue date, respectively, at the end of the reporting periods:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**56,526**	53,998
31 – 60 days	**25,156**	112,860
61 – 90 days	**72,634**	1,534
Over 90 days	**41,476**	95,203
	195,792	263,595

Bills payables are secured by pledged bank deposits.

Trade payables are unsecured, non-interest bearing and repayable on demand.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2015 which has included a disclaimer of opinion:

"BASIS FOR DISCLAIMER OF OPINION

(a) Limitation of scope on prior year's scope limitation affecting opening balances, comparative figures and related disclosures

As explained in our report dated 30 March 2015 on the Group's consolidated financial statements for the year ended 31 December 2014, we were not provided with sufficient evidence to enable us to assess as to the trade receivables would be recovered in full or to determine the amount of impairment, if any. We qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2014 in respect of this scope limitation accordingly.

Any adjustments found to be necessary to the opening balances as at 1 January 2015 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2015. The comparative figures for the year ended 31 December 2014 shown in these consolidated financial statement may not be comparable with the figures for the current year.

(b) Material fundamental uncertainties relating to going concern basis

As set out in the consolidated statement of profit or loss and other comprehensive income, the Group incurred a loss for the year attributable to owners of the Company of approximately HK$500,799,000 for the year ended 31 December 2015. Besides, as set out in Note 2 to the consolidated financial statements, the Group's current liabilities exceeded its current assets by approximately HK$1,293,813,000 and the Group had net liabilities of approximately HK$386,772,000 as at 31 December 2015. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As set out in Note 2 to the consolidated financial statements, the Directors have been implementing various operating and financing measures to improve the Group's operating and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of those operating and financing measures being implemented by the Directors. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

However, we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due, and we consider that due to the potential interaction of the above material uncertainties and their possible cumulative effect on the consolidated financial statements is extreme, we have disclaimed our opinion.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements for the year ended 31 December 2015. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

China Ocean Industry Group Limited is engaged in the production and operation of shipbuilding, securities trading, and providing financial services business and intelligent car-parking and automotive device business.

In 2015, the Group's shipbuilding business still faced severe challenges. The domestic shipbuilding industry came under intense pressure due to the slow recovery of international economy, continuing downturn of the marine market as well as the rising downward pressure on the Chinese economy. To cope with the challenges, the management of our Group has been seeking support from the local government and financial institutions actively, and devoted greater efforts to expand the market in order to secure a basic amount of newly obtained orders, and introduced an experienced and talented management team to optimise the shipbuilding business. In addition, the management of our Group has proactively seeked transformation of the Company's business by taking advantage of our existing resource and competitive edge. Following tapping into finance lease business, our business scope has expanded into manufacturing and sales of intelligent car park, investment and operation of car parks and electronic automotive device business during this year.

For the year ended 31 December 2015, the Group recorded revenue of HK$157.64 million (2014: HK$104.88 million), representing an increase of approximately 50.31% as compared to 2014. This increase was mainly due to the revenue of new shipbuilding orders commenced last year being recognised during the year. However, the Group recorded gross loss of HK$157.86 million in 2015 (2014: loss of HK$156.47 million) due to increased cost of sales brought by new orders.

In 2015, whilst we continued to maintain operation of shipbuilding business, our diversification strategy has shown positive results. China Ocean Shipbuilding (Shenzhen) Financial Leasing Company, an wholly-owned subsidiary of the Group established in 2014 in Qianhai, Shenzhen, recorded revenue of HK$3.44 million, representing an increase of approximately 330% as compared to HK$0.80 million in 2014. A well-established financial leasing company in Zhejiang province which is owned as to 20% by the Group has contributed profit of HK$8.79 million (2014: HK$1.59 million) this year, representing an increase of approximately 453% as compared to 2014. In December 2015, the Group completed the acquisition of Shandong Dereton and successfully expanded to the intelligent car-parking system business. Although no material contribution was booked from this business in 2015, it is expected to be a growth point in the Company's future business development.

For the year ended 31 December 2015, the Group recorded HK$4.64 million (2014: HK$6.73 million) in other income and HK$3.16 million (2014: HK$2.41 million) for selling and distribution expenses. These items did not record a significant change compared with last year.

During the year, the significant loss of approximately HK$15.56 million (2014: gain of HK$1.14 million) incurred in other gain and losses was mainly due to foreign exchange gain/loss has changed from gain of HK$3.13 million to loss of HK$14.97 million as a result of the depreciation of RMB. Administrative expenses of HK$88.92 million (2014: HK$111.45 million) recorded a significant decrease which was primarily due to the management improvement and payroll cost reduction of Jiangxi Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding"). In 2015, the administrative expenses of Jiangxi Shipbuilding were HK$44.53 million (2014: HK$75.99 million), HK$31.46 million less as compared to 2014.

During the year, the Group placed great effort in encouraging early conversion of convertible bonds and debt restructuring to improve financial position and reduce financial cost. Convertible bond of HK$948 million issued in 2014 and convertible bonds of HK$60 million issued in March 2015 have been converted into ordinary shares in full. In addition, in November 2015, the debts of Jiangxi Shipbuilding of HK$139.82 million (2014: Nil) were converted into ordinary shares after negotiation with its debtors. The financial cost of the Group in this year was HK$201.85 million (2014: HK$247.94 million), representing a decrease of 18.59% as compared to last year.

In conclusion, the Group recorded loss attributable to shareholders of the Company of HK$500.81 million (2014: loss of HK$633.18 million) for the year ended 31 December 2015. The loss decreased by approximately 20.91% as compared to last year.

Shipbuilding business

The lack of growth momentum in the world economy and the downturn in the domestic economy deteriorated the situation of entire shipbuilding industry. Though the newly obtained orders has been increased, the Group's shipbuilding business still faced great pressure due to low prices of new ships, tightened credit facilities to shipbuilding companies by financial institutions and rising labor cost. Nevertheless, the Group has successfully increased the new orders, revenue and gross profits of its shipbuilding business through improving its management, cutting staff and enhancing its efficiency as well as expanding the market.

During the year ended 31 December 2015, the revenue of the shipbuilding segment amounted to HK$143.19 million (2014: HK$104.08 million), representing an increase of 37.58% as compared with last year and the gross loss was HK$350.65 million (2014: HK$465.94 million), representing a reduction of 24.74% as compared with last year. In July 2015, the Group reached an agreement with a ship buyer and received final settlement of trade receivable of HK$75.99 million, which was the deferral final receivable by installments over 5.5 years. The accumulated impairment loss of HK$92.34 million had been fully provided in prior years.

Trading business

The trading business recorded insignificant losses in both 2015 and 2014.

Financial services business

In 2014, the Group established China Ocean Shipbuilding (Shenzhen) Financial Leasing Limited, a wholly owned subsidiary in Qianhai, Shenzhen. We have made progress in ship financial leasing which supported our shipbuilding business to go through the sluggish period. Besides, Zhejiang Ocean Leasing Company Limited which the Group holds equity has expanded its business and created synergies with the Group's other businesses. Financial service segment of the Group will continue play a more important role in supporting the business transformation of the Group and is expected to be a new profit growth point to the Group.

During the year ended 31 December 2015, the external sales of financial services segment contributed revenue of HK$3.44 million (2014: HK$0.80 million) and the entire financial leasing segment recorded a profit of HK$3.11 million (2014: loss HK$1.82 million). In addition, the Group also shared profits of HK$8.79 million (2014: HK$1.59 million) from the financial leasing company in Zhejiang province.

Intelligent car-parking system business

The intelligent car-parking system business mainly includes the manufacturing and sales of car-parking equipment, investment, operation and management of car parks and electronic automotive device business. During the year, this segment has yet to make contribution to the Group as its acquisition was just completed in December 2015. This business is crucial for the business transformation of the Group, also will be the key business of the Group in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$151.71 million (31 December 2014: HK$127.09 million) of which HK$81.53 million (31 December 2014: HK$113.15 million) was pledged; short-term borrowings of HK$953.15 million (31 December 2014: HK$711.25 million); long-term borrowings of HK$253.99 million (31 December 2014: HK$219.24 million); convertible bonds payable amounted to approximately HK$293.73 million (31 December 2014: HK$572.94 million) represented the principal amount of HK$252 million (31 December 2014: HK$718 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (4.35) as at 31 December 2015 (31 December 2014: (2.05)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

During the year ended 31 December 2015, 300,000,000 shares and 3,330,000,000 shares of HK$0.05 each were issued pursuant to the exercise of conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.20 per share. 537,761,685 shares of HK$0.05 each were issued pursuant to the conditional Subscription Agreement of the Company at subscription price of HK$0.26 per share.

On 16 February 2015, the Company entered into the Subscription Agreements with each of the subscribers, namely Jiang Liqun, Ma Xingqiao and Wan Zhangqing, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$60 million. The convertible bonds have an initial conversion price of HK$0.20 per share, which equal to the closing price of HK$0.20 per share as quoted on the Stock Exchange on 16 February 2015, and bear interest at 7.5% per annum on the principal amount of the convertible bonds outstanding. Upon full conversion of the convertible bonds, a total of 300,000,000 shares would be issued. The gross proceeds from the subscriptions were HK$60.00 million and the net proceeds were approximately HK$59.9 million. The subscriptions have been completed on 6 March 2015 and the convertible bonds were fully converted into 300,000,000 shares on 29 May 2015. As at the date of this announcement, approximately HK$31.1 million of the net proceeds has been used as capital contribution to Zhejiang Ocean Leasing Company Limited which is engaged in financial leasing business in the PRC; and approximately HK$28.8 million of the net proceeds used for general working capital purposes (including repayment of debts).

On 2 June 2015, the Company, Mr. Li Ming ("Mr. Li") and Prosper Talent Limited ("Prosper") which is indirectly and wholly-owned by CCB International (Holdings) Limited, entered into the subscription agreement. Pursuant to the subscription agreement, Prosper has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the aggregate principal amount of HK$200 million. The convertible bonds have an initial conversion price of HK$0.2481 per share, representing a discount of 19.97% to the closing price of HK$0.31 per share as quoted on the Stock Exchange on 2 June 2015, and bear interest at 7.5% per annum on the principal amount of the convertible bonds outstanding. Upon full conversion of the convertible bonds, a total of 806,126,561 shares would be issued. The gross proceeds from the issue of the Convertible Notes was HK$200 million. The net proceeds from the issue of the Convertible Notes amounted to approximately HK$198.4 million. As at the date of this announcement, approximately HK$126 million of the net proceeds has been used to pay up the capital contribution to China Ocean Shipbuilding (Shenzhen) Financial Leasing Company Limited which is engaged in financial leasing business in the PRC; and approximately HK$48.8 million of the net proceeds used for general working capital purposes (including repayment of debts).

On 25 September 2015, the Company, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (Jiangxi Shipbuilding), an wholly-owned subsidiary of the Company and the creditors of Jiangxi Shipbuilding (including 54 former employee creditors, 255 employee creditors and 32 contractors and suppliers) entered into the conditional subscription agreement pursuant to which the creditors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 537,761,685 subscription shares at the subscription price of HK$0.26 per share, representing a premium of 15.56% to the closing price as quoted on the Stock Exchange on the last trading day immediately prior to the date of the announcement. As consideration, the creditors agreed to waive the debts in an aggregate amount of approximately RMB114.94 million (equivalent to about HK$139.82 million) due from Jiangxi Shipbuilding together with all the rights and benefits attaching thereto and accruing thereon. On 13 November 2015, all conditions precedent to the subscription agreement had been fulfilled or waived and an aggregate of 537,761,685 shares were issued to the creditors in full.

CHARGES ON GROUP ASSETS

As at 31 December 2015, HK$81.53 million (31 December 2014: HK$113.15 million) of deposits, HK$309.65 million (31 December 2014: HK$377.56 million) of property, plant and equipment and HK$308.84 million (31 December 2014: HK$320.53 million) of prepaid lease payments were pledged to banks or other parties to secure borrowings, bills payable and facilities granted to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables and borrowings.

As at 31 December 2015, the Company pledged the entire equity interest of a wholly-owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Ltd., to secure an bank borrowing amounting to RMB107 million (31 December 2014: RMB107 million).

As at 31 December 2015, as security to the issue of HK$200 million convertible bond, the Company had pledged its shares in China Ocean Shipbuilding Holdings Limited, its wholly-owned subsidiary in BVI, to Prosper Talent Limited; and China Ocean Shipbuilding Holdings Limited also pledged its shares in its Hong Kong subsidiary, China Ocean Shipbuilding (Hong Kong) Limited, to Prosper Talent Limited. For details please refer to the announcement of the Company dated 3 June 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollars and United States Dollars. As at 31 December 2015, the Group did not hedge its exposure to foreign exchange risk profile as the Group could not find a suitable instrument to manage this exposure. The Board will continue to consider the appropriate hedging measures.

LITIGATION

As at 31 December 2015, details of the pending litigations of the Group are set out as follows:

(i) In November 2015, a supplier filed its writ to Jiujiang Arbitration Commission（九江仲裁委員會）against Jiangzhou Union Shipbuilding Co., Ltd. ("Jiangxi Shipbuilding"), a wholly-owned subsidiary of the Company claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,164,000 and the relevant overdue interests for providing gas services to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB4,289,000 in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position.

(ii) In November 2015, a contractor filed its writ to Shanghai Jinshan District People's Court（上海市金山區人民法院）against Jiangxi Shipbuilding claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB1,372,000 and the relevant overdue interests to the plaintiff for the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB1,772,000 in aggregate, were recorded under "Trade, bills and other payables" in the consolidated statement of financial position.

(iii) In December 2014, a contractor filed its writ to Wuhan Maritime Court (武漢海事法院) against Jiangxi Shipbuilding claiming that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,220,000 and the relevant overdue interests to the plaintiff for the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, this litigation is still pending for judgment. The principal payments and the relevant interests accrued up to 31 December 2015 of approximately RMB4,220,000 in aggregate were recorded as "Trade, bills and other payables" in the consolidated statement of financial position.

(iv) In December 2014, a supplier filed its writ to China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) against Jiangxi Shipbuilding claimed that Jiangxi Shipbuilding had failed to pay RMB3,812,000 for purchase of paint and delivery charges. The principal payments and the relevant interests accrued of approximately RMB3,812,000 in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position as at 31 December 2014. Since the litigation was settled, the payments were fully repaid in 2015.

Other than disclosed above, the members of the Group has no other material litigation as of 31 December 2015 and 31 December 2014.

HUMAN RESOURCES

The Group had around 1,200 employees as at 31 December 2015. 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 in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

(a) At 31 December 2015, the Group has not paid the social security fund for and on behalf of its employees which expose the Group to the risk of being imposed penalty by the relevant government authority. The social security fund accrued up to 31 December 2015 of approximately HK$39,681,000 (equivalent to RMB33,628,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statements of financial position (2014: approximately HK$40,683,000 (equivalent to RMB32,546,000)).

A repayment agreement was signed between Jiangxi Shipbuilding and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund. Pursuant to the agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the repayment agreement, no penalty would be imposed by the relevant government authority.

(b) At 31 December 2015, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed penalty by the relevant government authority. The housing provident fund contributions accrued up to 31 December 2015 of approximately HK$6,798,000 (equivalent to RMB5,761,000) in aggregate, were recorded as "Trade, bills and other payables" in the consolidated statement of financial position (2014: approximately HK$7,210,000 (equivalent to RMB5,768,000)).

The Directors are of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.

(c) On 3 December 2015, Merge and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the "Counter Guarantor") entered into the counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd*（舟山海洋綜合開發投資有限公司）("Guarantor"), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitization agreements entered into by Zhejiang Ocean ("Guarantee"), up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK$221,400,000).

    Details of the counter-guarantee are disclosed in the Company's announcement dated 3 December 2015.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities as at 31 December 2015 and 31 December 2014.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group has capital commitments of approximately HK$77.5 million (31 December 2014: Nil) for its associate, Zhejiang Ocean Leasing Company Limited and total capital commitments of HK$159.3 million (31 December 2014: HK$125 million) for its subsidiaries which was unpaid registered capital contracted but not provided in the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

1) On 18 March 2016, China Ocean (LNG) Limited ("China LNG"), an wholly-owned subsidiary of the Group entered into the joint venture agreement (as supplemented by the supplement agreement dated 21 March 2016) with Jiujiang Baopu Asset Management Limited (Limited Partnership)(九江抱樸資產管理有限公司(有限合夥)) ("Jiujiang Baopu") to establish a joint venture, Jiangxi River-side Industry Development and Venture Capital Investment Fund(江西沿江產業發展創業投資企業)("Joint Venture") in the PRC with the total investment amounted to RMB505 million, of which China Ocean Wumao (Shenzhen) Limited(中海物貿(深圳)有限公司)("China Wumao"), an indirect wholly-owned subsidiary of the Company, as a limited partner holds 20% of the interests.

   Given (i) China LNG will be entitled to appoint two of the five members in the management committee; and (ii) Jiujiang Baopu will be entitled to appoint another two of the five members in the management committee while China Wumao controls three of the five members in board of directors of Jiujiang Baopu. As such, the Joint Venture will become a subsidiary of the Group and its results would be consolidated into the Group's financial statements.

2) Zhejiang Qiandao Financial Leasing Company Limited(浙江千島融資租賃有限公司)("Qiandao Financial Leasing") is a company established on 4 January 2016 with the registered capital of US$30 million, principally engaged in financial leasing business. Merge Limited, a wholly-owned subsidiary of the Group, has contributed US$7.5 million to Qiandao Financial Leasing, representing a holding of 25% of its registered capital. Two executive directors out of the five directors of Qiandao Financial Leasing have been appointed by the Group as of 31 December 2015, as such, Qiandao Financial Leasing became an associate of the Company.

3) On 18 January 2016, the deposit of RMB13.5 million was frozen by a bank in PRC as guarantee issued by Jiangxi Shipbuilding to secure the borrowing of a third party granted by the bank.

4) On 22 March 2016, the Group entered into termination agreement to terminate the equity transfer agreements dated 25 June 2015 in relation to the acquisition of 47% equity interests of Jiangxi Petrochina Kunlun Gas Co., Ltd. Pursuant to the terms of the termination agreement, all the legal obligations and liabilities of the parties under the equity transfer agreements shall be fully discharged.

DIVIDEND

No dividends were paid or proposed for the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil)

PROSPECTS

In 2015, the entire shipbuilding industry in the PRC remained severe. Multiple large shipbuilding companies declared bankruptcy and has been undertaking reorganisation, the shipbuilding industry is still at high-risk stage. We expect that the new shipbuilding prices will stay low in the coming year as the sluggish world economy has not achieved a turnaround although there has been some progress in cutting excessive industrial capacity. To stand against this severe situation, the Group will further adjust its shipbuilding business structure, optimise the allocation of resources, improve the operation efficiency and keep its advantage in segment market of heavy lift vessels and chemical tankers, so as to sustain the operation of the shipbuilding business.

The National Development and Reform Commission together with eight authorities including the Ministry of Finance jointly issued the "Guidance Opinions on Strengthening the Construction of Urban Parking Facilities" (the "Guidance") on 3 August 2015, which aims to encourage private capital to participate in the construction and operation of public car parks by introducing relevant incentives. The Ministry of Housing and Urban-Rural Development of the PRC issued Guidance on Urban Parking Facilities Planning on 1 September 2015, which gives specific guidance to promote the construction of urban parking facilities. Local governments in the PRC have also implemented relevant measures to encourage the construction of car park successively. It is expected that the market of car park construction will develop rapidly in coming years.

The Group believes that the acquisition of intelligent car-park and "Internet of Vehicles" and the resources integration of the investment and operation of car park in 2015 will provide strong support to the future business of our Group. Meanwhile, the manufacturing of intelligent car-park can utilise the superfluous capacity, enhance synergy and diverse risk of the shipbuilding business.

In respect of financial leasing business, the Group remains optimistic about its near-term prospects. This segment will take actions to raise funds to provide more support to shipbuilding and car-park investment business and make revenue contribution to the Group.

Looking forward, the Group will continue to reinforce its overall financial position in order to prepare for any possible changes in the industry, as well as take advantage of all viable and profitable investment opportunities to achieve our goal of business diversification.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTION

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 2015.

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 the code provisions 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").

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 three 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 2015.

PUBLICATION OF ANNUAL REPORT

The Company's 2015 annual report which contains the information required by the Listing Rules will be published on the Company's website and website of The Stock Exchange of Hong Kong Limited in due course.

BOARD OF DIRECTORS

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

By order of the Board
LI Ming
Chairman

Hong Kong, 31 March 2016