CHINA OCEAN INDUSTRY GROUP LIMITED
中 海 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 2018

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 2018 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**(468,032)**	349,238
Cost of sales		**110,573**	(671,626)
Gross loss		**(357,459)**	(322,388)
Other income	*5(a)*	**9,901**	26,820
Other gains and losses	*5(b)*	**(3,812)**	10,803
Change in fair value of contingent consideration payable		**–**	(5,081)
Gain on settlement of contingent consideration payable		**–**	39,704
Change in fair value of investments held for trading		**(22)**	(143)
Change in fair value of convertible bonds payables		**–**	(6,247)
Change in fair value of investment properties		**–**	1,730
Gain on early redemption of convertible bonds payables		**–**	5,003
Gain on redemption of convertible bonds payables upon maturity		**–**	13,872
Selling and distribution expenses		**(7,433)**	(7,397)
Administrative expenses		**(220,616)**	(150,829)
Impairment losses	*6*	**(215,740)**	(57,696)
Finance costs	*7*	**(271,841)**	(173,491)
Share of (loss) profit of associates		**(35,092)**	1,692
Share of loss of joint ventures		**(472,152)**	–

	Notes	2018 HK$'000	2017 HK$'000
Loss before tax		**(1,574,266)**	(623,648)
Income tax credit	*8*	**27,556**	2,696
Loss for the year	*9*	**(1,546,710)**	(620,952)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**58,114**	(71,336)
Change in fair value of available-for-sale investment		**–**	9,240
Share of translation reserve of associates		**(13,733)**	3,110
Share of translation reserve of joint ventures		**(8,297)**	16,398
Other comprehensive income (expenses) for the year, net of income tax		**36,084**	(42,588)
Total comprehensive expenses for the year		**(1,510,626)**	(663,540)
Loss for the year attributable to:			
– Owners of the Company		**(1,545,435)**	(611,790)
– Non-controlling interests		**(1,275)**	(9,162)
		(1,546,710)	(620,952)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(1,509,693)**	(653,902)
– Non-controlling interests		**(933)**	(9,638)
		(1,510,626)	(663,540)
Loss per share			
– Basic and diluted	*11*	**(HK$0.11)**	(HK$0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**442,726**	562,258
Investment properties		**21,914**	25,104
Prepaid lease payments – non-current portion		**349,822**	362,093
Goodwill		**103,156**	182,145
Intangible assets		**116,872**	183,410
Interests in associates		**201,094**	249,919
Interests in joint ventures		**5,531**	485,980
Trade receivables – non-current portion	*12*	**–**	1,391
Equity instruments at fair value through other comprehensive income		**23,598**	–
Available-for-sale investment		**–**	24,840
Amount due from an associate – non-current portion		**5,805**	6,110
Deferred tax asset		**459**	130
		1,270,977	2,083,380
CURRENT ASSETS			
Inventories		**327,173**	134,988
Trade and bills receivables	*12*	**182,272**	212,226
Contract assets		**90,328**	–
Other receivables	*12*	**748,467**	709,003
Prepayment	*12*	**191,751**	271,458
Tax recoverable		**6,007**	5,725
Amount due from an associate		**4,560**	4,800
Prepaid lease payments		**9,142**	9,243
Investments held for trading		**32**	54
Finance lease receivables	*13*	**3,695**	9,353
Pledged bank deposits and restricted cash		**2,265**	248
Bank balances and cash		**10,005**	15,276
		1,575,697	1,372,374

	Notes	**2018** **HK$'000**	2017 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,357,228**	815,509
Amounts due to customers for contract work		**–**	336,169
Amounts due to related parties		**721**	811
Amounts due to directors		**21,925**	10,034
Borrowings		**3,385,253**	1,932,324
Contingent consideration payable		**–**	170,552
Amounts due to associates		**16,920**	15,159
Provision for warranty		**2,034**	4,171
Provision for financial guarantee		**–**	217,843
Convertible bonds payables		**168,138**	–
Tax liabilities		**–**	6,183
		4,952,219	3,508,755
NET CURRENT LIABILITIES		**(3,376,522)**	(2,136,381)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,105,545)**	(53,001)
CAPITAL AND RESERVES			
Share capital		**681,842**	681,842
Reserves		**(3,120,036)**	(1,629,046)
Equity attributable to owners of the Company		**(2,438,194)**	(947,204)
Non-controlling interests		**259,438**	51,074
TOTAL DEFICITS		**(2,178,756)**	(896,130)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	*14*	**5,070**	5,337
Borrowings – non-current portion		**–**	581,856
Convertible bonds payables – non-current portion		**–**	148,965
Deferred tax liabilities		**68,141**	106,971
		73,211	843,129
		(2,105,545)	(53,001)

1. GENERAL

China Ocean 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 "Exchange"). The addresses of the registered office and principal place of business of the Company are Unit 07, 21/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

Other than those subsidiaries established in Hong Kong whose functional currencies are Hong Kong dollars ("HK$"), the functional currency of the Company and its subsidiaries (hereinafter collectively known as the "Group") was Renminbi ("RMB"). The consolidated financial statements are presented in HK$ 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 the preparation of the consolidated financial statements, the directors of the Company (the "Directors") have considered the liquidity of the Group in future.

For the year ended 31 December 2018, the Group reported loss for the year attributable to owners of the Company of approximately HK$1,545,435,000, and as at that date, the Group recorded net current liabilities and net liabilities of approximately HK$3,376,522,000 and HK$2,178,756,000, respectively.

To improve the Group's operation and financial position, the Directors have been implementing the following operating and financing measures:

(a) The Group actively reorganised the shipbuilding business, introduced leading shipbuilding companies to integrate the shipbuilding business, and revitalised the shipbuilding assets. The business integration of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding") and the cooperation with leading shipbuilding enterprises had commenced in March 2018 and work such as seeking relevant government approvals and the execution of cooperation agreements are now being carried out in an orderly manner. At the same time, the revitalization of spare resources of Jiangxi Shipbuilding such as wharfs and lands is also under way and the storage and logistics business along Yangtze River is expected to commence operation in the future. In addition, we also expect to carry out new activities related to logistics through business diversification or merge and acquisition to contribute stable long-term cash flows to the Group;

(b) The Group will dispose of part of its assets and investment to obtain funds so as to improve its financial position;

(c) Under the government's instruction and with the supports for real economy and private enterprises from all levels of governments, the Group is negotiating with lending banks in relation to loan restructuring to extend repayment date and reduce finance costs;

(d) The Group is in contact with a number of investors to issue new shares or convertible bonds;

(e) The Group is in negotiation with certain suppliers and creditors to extend payment due date.

Also, 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 Directors believe that the consolidated financial statements should be prepared on a going concern basis.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standards ("HKAS") 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to 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.

3.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- provision of shipbuilding services
- provision of trading of electronic appliance
- provision of direct finance leasing, sale and leaseback, advisory services and provision of factoring services
- manufacturing and sales of car parking equipment, investment, operation and management of car parks and electronic automotive devices
- manufacturing and selling of steel structures and fittings for ship, marine equipment, mining equipment, ro-ro equipment

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the Group's consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2017	**Remeasurement**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Amounts due to customers for contract work	(336,169)	336,169	–
Contract liabilities	–	(336,169)	(336,169)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current Assets			
Amounts due from customers for contract work	–	90,328	90,328
Contract assets	90,328	(90,328)	–

3.2 HKFRS 9 *Financial Instruments* and the related amendments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale investment** *HK$'000*	**Equity instruments at Fair Value Through Other Comprehensive Income ("FVTOCI")** *HK$'000*
Closing balance at 31 December 2017 – HKAS 39		24,840	–
Effect arising from initial application of HKFRS 9:			
Reclassification			
From available-for-sale	*(a)*	(24,840)	24,840
Opening balance at 1 January 2018		–	24,840

(a) *Available-for-sale ("AFS") investments*

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$24,840,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$24,840,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(b) Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and bills receivables. To measure the ECL, trade and bills receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates. The Directors have assessed the additional ECL allowance on trade and bills receivables and finance lease receivables and considered is insignificant based on internal credit rating on individual assessment and therefore it did not result in an adjustment of opening accumulated losses.

Loss allowances for financial assets at amortised cost other than trade and bills receivable and finance lease receivables mainly comprise of other receivables, amounts due from an associate, pledged bank deposits and restricted cash and bank balances, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition. For pledged bank deposits and bank balances, the Group transacts with reputable banks with high credit rating assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant. For other receivables and amounts due from an associate, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

Based on the assessment by the management of the Company, the ECL on financial assets at amortised cost is insignificant and therefore it did not result in an adjustment of opening accumulated losses.

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-Current Assets				
Available-for-sale investment	24,840	–	(24,840)	–
Equity instruments at FVTOCI	–	–	24,840	24,840
Current Liabilities				
Amounts due to customers for contract work	(336,169)	336,169	–	–
Contract liabilities	–	(336,169)	–	(336,169)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] *Effective for annual periods beginning on or after 1 January 2019.*

[2] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

[3] *Effective for annual periods beginning on or after 1 January 2020.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

[5] *Effective for annual periods beginning on or after a date to be determined*

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

4. OPERATING SEGMENTS

Information reported to the board of Directors, being the chief operating decision maker ("CODM"), 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 CODM have been aggregated in arriving at the reportable segments of the Group.

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 of electronic appliance 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 devices in the PRC.

e) Steel structure engineering and installation – manufacturing and selling of steel structures and fittings for ship, marine equipment, mining equipment, ro-ro equipment, ship, bridge and building steel structure 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 2018

	Shipbuilding business *HK$'000*	Trading business *HK$'000*	Finance leasing business *HK$'000*	Intelligent car parking and automotive device business *HK$'000*	Steel structure engineering and installation *HK$'000*	Total *HK$'000*
Segment revenue						
– External sales	**(626,366)**	**–**	**1,779**	**135,342**	**21,213**	**(468,032)**
Segment result	**(603,014)**	**–**	**(34,872)**	**(107,448)**	**(279,233)**	**(1,024,567)**
Unallocated other gains and losses						**(3,803)**
Unallocated other income						**429**
Change in fair value of investments held for trading						**(22)**
Share of loss of associates						**(35,092)**
Share of loss of joint ventures						**(472,152)**
Unallocated corporate expenses						**(960)**
Unallocated finance costs						**(38,099)**
Loss before tax						**(1,574,266)**

For the year ended 31 December 2017

	Shipbuilding business *HK$'000*	Trading business *HK$'000*	Finance leasing business *HK$'000*	Intelligent car parking and automotive device business *HK$'000*	Steel structure engineering and installation *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment revenue							
– External sales	(78,989)	26,166	615	120,427	281,019	–	349,238
– Inter-segment sales	–	–	5,857	14,077	–	(19,934)	–
Total segment revenue	(78,989)	26,166	6,472	134,504	281,019	(19,934)	349,238
Segment result	(538,213)	130	(29,939)	(79,472)	3,779		(643,715)
Unallocated other gains and losses							14,303
Unallocated other income							877
Gain on settlement of contingent consideration payable							39,704
Change in fair value of convertible bonds payables							(6,247)
Change in fair value of investments held for trading							(143)
Change in fair value of investment properties							1,730
Gain on early redemption of convertible bonds payables							5,003
Gain on redemption of convertible bonds payables upon maturity							13,872
Share of profit of associates							1,692
Unallocated corporate expenses							(21,309)
Unallocated finance costs							(29,415)
Loss before tax							(623,648)

5(a). OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Consultancy income	**–**	8,853
Government grants	**378**	1,996
Rental income	**2,508**	9,428
Interests on bank deposits	**429**	877
Others	**6,586**	5,666
	9,901	26,820

5(b). OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(161)**	(284)
Loss on disposal of an associate	**–**	(1,215)
Gain (loss) on disposal of investment property	**174**	(224)
Loss on disposal of investments held for trading	**–**	(149)
Sales of scrap materials	**15,489**	(3,069)
Foreign exchange (loss) gain	**(12,460)**	15,854
Reversal of impairment loss recognised in respect of trade receivable	**–**	77
Penalty arising from litigation	**(6,719)**	–
Others	**(135)**	(187)
	(3,812)	10,803

6. IMPAIRMENT LOSSES

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised on:		
– goodwill	**69,740**	40,771
– intangible assets	**26,000**	16,925
– other receivables	**120,000**	–
	215,740	57,696

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on borrowings wholly repayable within five years:		
Convertible bonds payables	**38,073**	24,628
Overdue interests on convertible bonds payables	**–**	4,782
Interests on bank borrowings	**197,882**	57,241
Interests on other borrowings	**33,062**	78,109
Guarantee fee and fund management fee incurred in connection with borrowings	**2,798**	8,726
Others	**26**	5
	271,841	173,491

8. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– PRC tax	**10,801**	20,573
Deferred tax	**(38,357)**	(23,269)
	(27,556)	(2,696)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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.

Certain subsidiaries of the Group has obtained the qualification of High and New Technology Enterprise from the relevant PRC government authorities and subject to a preferential tax rate 15%. Certain subsidiaries of the Group in the PRC enjoy the tax holiday and the profits are fully exempted from EIT for three years starting from its first year of profitable operations, followed by 50% reduction in EIT in next three years.

According to the applicable PRC tax regulations, dividends declared 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

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**6,539**	5,842
Other staff costs:		
– Salaries and other benefits	**48,660**	46,367
– Redundancy fee	**6,725**	–
– Contributions to retirement benefits scheme	**14,832**	8,446
Total staff costs	**76,756**	60,655
Auditor's remuneration		
– Audit service	**1,785**	2,297
– Non-audit service	**580**	878
Cost of inventories recognised as an expense	**181,274**	297,968
Depreciation of property, plant and equipment	**78,614**	60,333
Amortisation of prepaid lease payments	**8,648**	8,654
Amortisation of intangible assets	**41,053**	41,371
Minimum lease payments paid under operating leases in respect of rented premises	**1,585**	7,767
Shipbuilding contract costs recognised as cost of sales	**(265,026)**	350,683
Foreseeable losses (included penalties due to the Delay) recognised in respect of additional estimated costs (included in shipbuilding contract cost and recognised as cost of sales)	**–**	52,156
Written-down of inventories recognised as cost of sales	**799,159**	–

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: 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:

	2018	2017
	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	**(1,545,435)**	(611,790)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**13,636,839**	13,119,433

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 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 assumed exercise or conversion would result in a decrease in loss per share for the year which is regarded as anti-dilutive.

12. TRADE AND BILLS RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT

	2018	2017
	HK$'000	*HK$'000*
Trade receivables – non-current portion	**–**	1,391
Trade receivables – current portion	**186,407**	215,147
Bills receivables	**–**	1,214
Less: Allowance for credit losses	**(4,135)**	(4,135)
Trade and bills receivables – current portion	**182,272**	212,226
Total trade and bills receivables, net of allowance for credit losses *(Note)*	**182,272**	213,617
Other receivables	**521,723**	280,047
Value-added tax recoverable	**72,535**	139,633
Amounts due from the former shareholders of a subsidiary	**270,935**	264,102
Deposit paid for the construction	**19,380**	22,581
Deposits placed to agents and a stakeholder	**7,584**	26,330
	892,157	732,693
Less: Allowance for credit losses	**(143,690)**	(23,690)
Other receivables, net of allowance for credit losses	**748,467**	709,003
Prepayment	**191,751**	271,458

Note:

At 31 December 2018 and 31 December 2017, the Group's trade receivables include (1) trade receivables from factoring services with one year credit period; (2) trade receivables from intelligent car parking and automotive device business with average 90 days credit period; and (3) retention receivables for intelligent car parking with range from one to two years under the respective terms of contract; and (4) trade receivables from steel structure engineering and installation with 30 days credit period.

At 31 December 2018, trade receivables are non-interest bearing, except for trade receivables from factoring services with aggregated amount of HK$4,184,000 (2017: HK$4,920,000) which bear interest rate of 12% (2017: 12%) per annum.

The following is an aged analysis of trade and bills receivables, net of allowance for credit losses, presented based on contract date/delivery date at the end of the reporting periods:

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**42,205**	156,508
More than 90 days but not exceeding one year	**34,572**	42,227
In more than one year	**105,495**	14,882
	182,272	213,617

13. FINANCE LEASE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Finance lease receivables within one year	**4,758**	10,570
Less: Unearned finance income	**(771)**	(925)
Present value of minimum lease payment receivables	**3,987**	9,645
Less: Allowance for credit losses	**(292)**	(292)
	3,695	9,353

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Consideration payable for acquisition of property, plant and equipment – non-current portion	**5,070**	5,337

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**139,291**	165,939
Consideration payable for acquisition of prepaid lease payments	**42,997**	45,260
Payable to guarantors	**708**	746
Contribution payables to labour union and education funds	**13,565**	14,278
Accrual of contractor fees	**37,463**	16,204
Accrual of government funds	**2,152**	33,466
Other payables and accruals	**1,121,052**	539,616
	1,357,228	815,509

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**6,640**	22,843
31 – 60 days	**16,809**	6,173
61 – 90 days	**1,261**	17,304
Over 90 days	**114,581**	119,619
	139,291	165,939

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

15. COMPARATIVE FIGURES

During the year ended 31 December 2018, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

		Previous reported *HK$'000*	**As restated** *HK$'000*
Consolidated statement of profit or loss and other comprehensive income			
Administrative expenses	*Note*	208,525	150,829
Impairment losses	*Note*	–	57,696
		208,525	208,525

Note:

Impairment loss on goodwill and intangible assets were reclassified from "Administrative expenses" to "Impairment losses".

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 2018 which has included a disclaimer of opinion:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

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 29 March 2018 on the Group's consolidated financial statements for the year ended 31 December 2017, we were not provided with sufficient evidence to enable us to assess as to the revenue and cost of sales of the shipbuilding business for the year ended 31 December 2017 and the balance of the amounts due to customers for contract work as at 31 December 2017 were fairly stated. We qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2017 in respect of this limitation of scope accordingly.

Any adjustments found to be necessary to the opening balances as at 1 January 2018 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2018. The comparative figures for the year ended 31 December 2017 shown in these consolidated financial statements may not comparable with the figures for the current year.

(b) Limitation of scope on revenue, cost of sales, contract assets, and contract liabilities of shipbuilding business

Due to delays in shipbuilding production schedules, a customer relating to two vessels (the "Vessel Customer"), in accordance with the terms and conditions stated in the relevant shipbuilding contracts, has the rights to issue rescission notices (the "Rescission Notices") to the Group if the Vessel Customer cannot receive the vessels on or before the agreed vessels delivery dates in accordance with the terms and conditions stated in the relevant shipbuilding contracts. If the Rescission Notices were issued by the Vessel Customer, the Group is required to return all of the payments received so far from the Vessel Customer, of an aggregate amount of approximately HK$57,785,000 (equivalent to approximately USD7,380,000) and to pay interests on such amount calculated in accordance with the relevant terms stated in the shipbuilding contracts (the "Interests"). The management of the Group have been in negotiation with the Vessel Customer since November 2016. We were unable to obtain sufficient appropriate audit evidence we consider as necessary in order to assess whether the Vessel Customer had exercised its rights to issue the Rescission Notices to the Group and request for return of payments together with Interests from the Group and thus the related revenue and cost of sales should be reversed.

Similarly, if the abovementioned revenue and the related cost of sales were reversed, we were unable to obtain sufficient appropriate audit evidence we consider as necessary as to determine whether the work in progress vessels were stated at the lower of cost and net realisable value. Further, the Group had not recognised any additional penalty to be incurred due to the late delivery as the management of the Group believes that these amounts cannot be reliably measured taking into account the fact that the management of the Group is still in negotiation with the Vessel Customer.

There were no other alternative audit procedures that we could carry out to determine whether the related revenue and cost of sales should be reversed during the year ended 31 December 2018 and the contract assets of approximately HK$69,576,000 as at 31 December 2018 were fairly stated.

Any adjustment to revenue, cost of sales, contract assets and additional provision for Interests and foreseeable loss found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2018 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(c) Limitation of scope of net realisable values of four vessels

As disclosed in the consolidated financial statements, according to the arbitral awards dated 27 December 2018 ("Arbitral Awards") issued by the London Maritime Arbitrators Association ("Arbitrators Association"), the Arbitration Association has made awards in favour of the customer under the relevant shipbuilding contracts in relation to the four vessels ("Shipbuilding Contracts"), the Shipbuilding Contracts had been rescinded and the accumulated revenue recognised and cost of sales incurred in relation to the Four Vessels of approximately HK$656,214,000 and HK$1,012,678,000 had been reversed during the year ended 31 December 2018. The cost incurred previously in relation to the Four Vessels had been recognised as inventories of the Group of approximately HK$213,519,000, net of written down of inventories of approximately HK$799,159,000 as at 31 December 2018.

However, during the course of our audit, we have not been able to obtain sufficient information and explanation from the management of the Group that we consider necessary in order to enable us to satisfy ourselves as to whether the inventories at 31 December 2018 was fairly stated. There were no other alternative audit procedures that we could carry out to determine whether the written down of inventories of approximately HK$799,159,000 for the year ended 31 December 2018 was fairly stated and the inventories of approximately HK$213,519,000 was stated at the lower of cost and net realisable value as at 31 December 2018. There were no other satisfactory audit procedures that we could adopt to obtain appropriate audit evidence in this regard.

Any adjustment to inventories found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2018. and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(d) Limitation of scope on interests in associates

As disclosed in the consolidated financial statements, the Group has equity accounted for its interests in associates. As at 31 December 2018, the aggregated carrying amounts of the interests in associates was approximately HK$201,094,000, and the Group's share of loss of the associates for the year ended 31 December 2018 was approximately HK$35,092,000. In additions, there was a receivable of approximately HK$10,365,000 due from associates and amount due to associates of approximately HK$16,920,000 as at 31 December 2018. However, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of the associates that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of associates' result for the year and thus the carrying amount of the interests in the associates and the receivable due from and payable to the associates included in the Group's consolidated statement of financial position as at 31 December 2018 are fairly stated and whether the summarised financial information of the associates as shown in the consolidated financial statements are properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Any adjustment to the amount of the above interests in associates found to be necessary would affect the Group's net liabilities as at 31 December 2018 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(e) Limitation of scope on impairment on goodwill and intangible assets of intelligent car parking and automotive device business segment

As disclosed in the consolidated financial statements, the goodwill and intangible assets arising from intelligent car parking and automotive device business segment were approximately HK$103,156,000 and HK$100,506,000 respectively as at 31 December 2018. The directors of the Company (the "Directors") carried out a full scope assessment of the recoverable amount of the cash generating unit ("CGU") of intelligent car parking and automotive device business segment to which goodwill and intangible assets have been allocated. As a result of the impairment assessments, the Directors considered that impairment loss of HK$22,000,000 and HK$10,000,000, respectively on the goodwill and intangible assets arising from intelligent car parking and automotive device business segment were provided for the year ended 31 December 2018. The impairment assessments on the recoverable amount for the CGU performed by the Group were based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and the projected sales volume, selling prices and direct costs used in the cash flow forecasts. However, the management of the Company could not provide sufficient audit evidence to verify the reasonableness of the above assumptions used in the cash flow forecasts.

We are unable to obtain sufficient appropriate audit evidence we consider necessary as to the basis upon which the Directors have formed in determining the recoverable amounts of CGU of intelligent car parking and automotive device business segment to which goodwill and intangible assets have been allocated and thus to assess the valuation of these assets. There were no alternative audit procedures that we could perform to satisfy ourselves whether the impairment loss recognised for the year ended 31 December 2018 was fairly stated. Any adjustment to the carrying amounts of goodwill and intangible assets arising from intelligent car parking and automotive device business segment found to be necessary would affect the Group's net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

(f) Limitation of scope on impairment on goodwill and intangible assets of steel structure engineering and installation business segment

As disclosed in the consolidated financial statements, the goodwill and intangible assets arising from steel structure engineering and installation business segment were approximately HK$Nil and HK$16,360,000 respectively as at 31 December 2018. The Directors carried out a full scope assessment of the recoverable amount of the cash generating unit ("CGU") of steel structure engineering and installation business segment to which goodwill and intangible assets have been allocated. As a result of the impairment assessments, the Directors considered that impairment loss of HK$47,740,000 and HK$16,000,000, respectively on the goodwill and intangible assets arising from steel structure engineering and installation business segment were provided for the year ended 31 December 2018. The impairment assessments on the recoverable amount for the CGU performed by the Group were based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and the projected sales volume, selling prices and direct costs used in the cash flow forecasts. However, the management of the Company could not provide sufficient audit evidence to verify the reasonableness of the above assumptions used in the cash flow forecasts.

We are unable to obtain sufficient appropriate audit evidence we consider necessary as to the basis upon which the Directors have formed in determining the recoverable amounts of CGU of steel structure engineering and installation business segment to which goodwill and intangible assets have been allocated and thus to assess the valuation of these assets. There were no alternative audit procedures that we could perform to satisfy ourselves whether the impairment loss recognised for the year ended 31 December 2018 was fairly stated. Any adjustment to the carrying amounts of goodwill and intangible assets arising from steel structure engineering and installation business segment found to be necessary would affect the Group's net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

(g) Limitation of scope on impairment assessment on property, plant and equipment and prepaid lease payments

As disclosed in the consolidated financial statements, the Group's property, plant and equipment and prepaid lease payments as at 31 December 2018 amounted to HK$442,726,000 and HK$358,964,000, respectively. An impairment assessment was carried out by the Directors on the Group's property, plant and equipment and prepaid lease payments. As a result of the assessment, the Directors considered that no impairment on the Group's property, plant and equipment and prepaid lease payments is required for the year ended 31 December 2018, as their recoverable amounts, were determined by the Directors based on the value-in-use calculations, exceeded their carrying values as at 31 December 2018. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rate and the projected sales volume, selling prices and direct costs used in the cash flow forecasts. However, the management of the Company could not provide sufficient audit evidence to verify the reasonableness of the above assumptions used in the cash flow forecasts.

We are unable to obtain sufficient appropriate audit evidence we consider necessary as to the basis upon which the Directors have formed in determining the recoverable amounts of these property, plant and equipment and prepaid lease payments and thus to assess the valuation of these assets. There were no alternative audit procedures that we could perform to satisfy ourselves whether any impairment loss should be provided for the year ended 31 December 2018. Any adjustment to the carrying amounts of property, plant and equipment and prepaid lease payments of the Group found to be necessary would affect the Group's net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

(h) Limitation of scope on adoption of Hong Kong Financial Reporting Standard 9 Financial Instruments ("HKFRS 9")

As at 1 January 2018, the Group applied HKFRS 9 and assessed the impact on the classification and measurement of financial assets and liabilities and expected credit loss ("ECL") for financial assets in accordance with HKFRS 9. The difference between the carrying amount as at 31 December 2017 and the carrying amount as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity. After the assessment of the implication of the adoption of HKFRS 9 on all the financial instruments, the Directors considered that there is no significant impact on the classification and measurement of the financial instruments. However, the Directors were unable to provide us with satisfactory explanation about the assessments, calculations, and adjustments made in respect of the ECL upon the adoption of HKFRS 9 as at 1 January 2018 and 31 December 2018.

As a result of the circumstance described above, we are unable to obtain sufficient appropriate audit evidence to determine whether opening balances of accumulated losses, financial assets and liabilities (including but not limited to the trade and bills receivables, other receivables, amount due from an associate, finance lease receivable, trade and other payables, contingent consideration payable, financial guarantee contracts and provision for warranty) are properly classified or adjusted in accordance with HKFRS 9 as at 1 January 2018 and the provision for credit loss allowance are properly provided on financial assets as 31 December 2018 are free from material misstatements.

Any adjustments that might have been found to be necessary in respect of the above matters have a significant effect on the Group's accumulated losses as at 1 January 2018 and 31 December 2018, the Group's net current liabilities and net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

(i) Limitation of scope on Hong Kong Financial Reporting Standard 15 *Revenue from Contracts with Customers and the related Amendments* ("HKFRS 15")

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of the initial application is recognised in the opening accumulated losses. After the assessment of the implication, the management of the Company considered that there is no impact on the adoption of HKFRS 15. However, the management of the Company were unable to provide us with satisfactory explanation about whether the accumulated losses and the related contract liabilities are properly adjusted and recalculated in accordance to the adoption of HKFRS 15. In additions, the management of the Company recognised the provision of warranty and failed to allocate the transaction price to separate performance obligation in accordance with the approach stated in HKFRS 15.

As a result of the circumstance described above, we are unable to obtain sufficient appropriate audit evidence to determine whether opening accumulated losses and contract liabilities are properly classified or adjusted in accordance to HKFRS 15 as at 1 January 2018, and the recognition and classification of the revenue and the contract liabilities arose from the contracts with customers are properly recognised and classified for the year ended 31 December 2018 are free from material misstatements.

Any adjustments that might have been found to be necessary in respect of the above matters have a significant effect on the Group's accumulated losses as at 1 January 2018 and 31 December 2018, the Group's net current liabilities and net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

(j) Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$1,545,435,000 and had significant net cash used in operating activities for the year ended 31 December 2018. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,376,522,000 and the Group had net liabilities of approximately HK$2,178,756,000, in which total borrowings amounted to approximately HK$3,385,253,000, while its bank balances and cash amounted to approximately HK$10,005,000 only.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates during the year ended 31 December 2018. Those creditors including banks had taken legal actions against the Group to recover the debts as disclosed in the consolidated financial statements.

These conditions indicate the existence of material uncertainties 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 explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainties surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but 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 this material uncertainty relating to going concern basis.

We consider the cumulative effect of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

China Ocean Industry Group Limited is engaged in the intelligent car-parking and automotive electronics business, shipbuilding business, manufacture and sales of steel structure business, trading business and finance lease business.

The Group has been focusing on investment in the real economy for more than a decade, especially shipbuilding business. While committed to shipbuilding business in Jiangxi province, the Group has also sought opportunities for alliance in shipbuilding business in coastal areas such as Nantong and Zhoushan, in response to difficulties in the shipbuilding industry. However, the continued downturn in the global shipping and shipbuilding industries, as well as the recent pressure on the real economy and private enterprises in the PRC, have brought tremendous pressure to the Group's shipbuilding business and affected other businesses of the Group. In 2018, the integration of the shipbuilding industry and the redeployment of resources were the main works of the Group. In addition to the acceleration of the disposal of ships with delayed delivery, and application of the partnership construction for ships under construction, the Group also handled the historical issues of the shipbuilding business by steps, to shake off the burden as soon as possible, which created a good environment for its business reorganization.

The intelligent car-parking and automotive electronics business and the manufacture and sales of steel structure business invested by the Group in the course of business transformation were affected by factors such as difficult and expensive financing and rising costs. At the same time, due to the tight cash flow of shipbuilding business and related guarantee issues, the business shrank. Especially for the the manufacture and sales of steel structure business, despite the large business order volume, the customer's accounts receivables were recovered slowly and the labor cost grew fast. Meanwhile, the banks' premature recovery of loans resulted in mounting financial pressure, which affected the normal development of the business. The Group strove to stabilize the basic production order, reduce risks and enhance sustainability by measures such as renting out the premises, suspending the proprietary business and laying off staff.

Generally speaking, the development of China's real economy has been affected by many unfavorable factors in the recent period. Since the end of last year, China has been adjusting the policies, and the development environment of the real economy is expected to be further improved, which will also have a positive impact on the Group's business.

For the year ended 31 December 2018, the Group recorded an external revenue of debit balance of HK$468.03 million (2017: HK$349.24 million), which was abnormal mainly due to the reversal of revenue arising from the failure to take delivery of certain vessels by buyers. The delay in delivery of the six vessels is a thorny issue that the Group has been trying to resolve for years. The shipbuilding business of Jiangxi Shipbuilding is the core business that the Group has been focusing adjustment efforts for many years. Affected by rising labor costs, increasing financing costs, depressed market conditions and other factors, the shipbuilding business has become an increasingly heavy encumbrance for the Group's overall business. The Group's strategy is to dispose of the existing undelivered vessels as soon as possible, seek cooperation with advanced shipyards and revitalize the spare land, plant, coastline and other resources. The Group will dispose of the aforementioned vessels involved in the revenue reversal as soon as possible to relieve the burden and create conditions for the restructuring of the shipbuilding business and the consolidation of shipbuilding assets.

During the year under review, the gross loss of the Group amounted to HK$357.46 million (2017: gross loss of HK$322.39 million), the increase was mainly due to the losses in shipbuilding business as compared to last year.

The Group's finance cost increased from HK$173.49 million to HK$271.84 million, mainly due to the interest incurred on prepayment of vessels and the increase in the finance cost.

During the year under review, the share of loss of joint venture amounted to 472.15 million, which was due to the provision of bad debts of the Group for investment risks arising from the guided fund which was jointly set up by the Group and a platform company invested by Zhejiang Zhoushan Municipal Government.

Overall, the Group recorded a loss attributable to shareholders of HK$1,545.44 million (2017: loss of HK$611.79 million) during the year ended 31 December 2018, increasing substantially as compared to last year, mainly due to the significant increase in the share of loss of joint venture, and the adverse impact on the performance from factors such as the impairment of rescinded vessels, the impairment of goodwill and intangible assets, the adjustment of steel structure business and the increase of finance expenses.

SHIPBUILDING BUSINESS

The shipbuilding business recorded external revenue of debit balance of HK$626.37 million (2017: debit balance of HK$78.99 million) during the year under review, which is negative mainly due to the return of the income from the four vessels abandoned.

Shipbuilding business is the core business of the Group, but due to the impact of the overall downturn in the shipbuilding industry, coupled with the practical difficulties faced by the real economy, it is imperative to carry out the restructuring of the shipbuilding business. Disposal of delay delivery of these vessels and provision for significant impairments are the beginning of the restructuring and the throes that the Group must bear.

In order to completely change the encumbrance of the shipbuilding business to the Group, the Group will continue to promote cooperation with leading shipbuilding enterprises with a view to restructuring assets of Jiangzhou Shipbuilding. Meanwhile, the Group committed to expand the logistic, storage and shipping business leveraging on its location advantages and shoreline of Yangtze River, and related work is in progress.

INTELLIGENT CAR-PARKING AND AUTOMOTIVE ELECTRONICS BUSINESS

For the year ended 31 December 2018, the intelligent car-parking and automotive electronics business recorded an external revenue of HK$135.34 million (2017: HK$120.43 million) with an increase of 12.38% as compared to last year. The Group's intelligent car-parking business and automotive electronics business are basically stable, but also should be expanded jointly through the industry. The Group will restructure the business and equity in accordance with the different circumstances of its subsidiaries in due course, with a view to better adapting to the changes in the market.

MANUFACTURE AND SALES OF STEEL STRUCTURE BUSINESS

For the year ended 31 December 2018, the steel structure business recorded an external revenue of HK$21.21 million (2017: HK$281.02 million), representing a decrease of 92.45% as compared with last year. The manufacture and sales of steel structure business is a new major business developed by the Group, enjoying broad market and large business volume. However, due to the delayed settlement of amounts for contract work and adverse changes in financing environment, there is great pressure on funds. At the same time, as the Group's manufacture and sales of steel structure business is adjacent to the main channel of the lower reaches of the Yangtze River, and there are plans to build a new bridge across the Yangtze River from the plant area, some unfavorable social factors occurred and thus affected the business and development of the Company to a certain extent. In order to stabilize the situation, the Group changed its business model and leased the production site to large state-owned enterprises to maintain its production capacity for further development, which resulted in a significant drop in sales revenue.

With the help of the local government, the unfavorable factors are gradually being resolved. Benefiting from the prosperity of domestic infrastructure construction, the manufacture and sales of steel structure business will still have great development potentials. The Group has started to strengthen cooperation with large state-owned infrastructure construction enterprises, and are gradually recovering orders.

FINANCE LEASE BUSINESS

The finance lease company established in Zhoushan with joint contribution by the Group and the government investment platform company is in stable operation. In order to improve the debt situation, the Group will dispose this business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$12.27 million (31 December 2017: HK$15.52 million) of which HK$2.27 million (31 December 2017: HK$0.25 million) was pledged; short-term borrowings of HK$3,385.25 million (31 December 2017: HK$1,932.32 million); convertible bonds payable amounted to approximately HK$168.14 million (31 December 2017: HK$148.97 million) represented the fair value of principal amount of HK$189.00 million (31 December 2017: HK$189.00 million). The gearing ratio defined as non-current liabilities and short term borrowing divided by total shareholders' equity was (1.59) at 31 December 2018 (31 December 2017: (3.10)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

The Company did not conduct any fundraising through issue of shares/convertible securities during the year ended 31 December 2018. However, the following convertible securities/ right to subscribe for convertible securities remained outstanding during the year ended 31 December 2018:

1. 2016 Subscription Agreement

On 6 December 2016, the Company and Macquarie Bank Limited ("Macquarie") entered into a subscription agreement pursuant to which Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in aggregate principal amount of up to HK$400 million, which is to be issued in 4 tranches with each trance in principal amount of HK$100 million and with interest rate at 2% per annum ("2016 Convertible Notes"). As at the date of this announcement, the first tranche of 2016 Convertible Notes has been redeemed by the Company in August 2017 and the remaining 3 tranches in aggregate principle amount of HK$300 million have yet to be issued by the Company.

2. 2017 Convertible Bonds

On 10 November 2017, the Company issued a 2-year convertible bond in principal amount of HK$189 million with 10% interest rate ("2017 Convertible Bonds") to Pacific Ocean Marine Limited ("Pacific Ocean") pursuant to the relevant subscription agreement dated 10 August 2017 (amended and supplemented on 10 October 2017). Upon full conversion of the 2017 Convertible Bonds at the initial conversion price of HK$0.07 per share, a total of 2,700,000,000 shares would be issued, representing approximately 16.53% of the total enlarged number of issued shares by the allotment and issue of conversion shares. As the date of this announcement, no conversion shares were issued under the 2017 Convertible Bonds. The net proceeds of HK$189 million from the issuance of the 2017 Convertible Bonds has been fully utilised as follows: HK$170 million was used for repayment of debts and HK$19 million was used for general working capital.

The shareholders' dilution impact in the event of the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price of HK$0.070 per Share are as follows:

Shareholder	**At the 31 December 2018**		**Immediately after full conversion of the Convertible Bonds** *(Note 2)*	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Mr. Li Ming	1,241,482,954	9.10%	1,241,482,954	7.60%
Lead Dragon Limited *(Note 1)*	542,005,000	3.97%	542,005,000	3.32%
Mr. Zhang Shi Hong	227,600,000	1.67%	227,600,000	1.39%
Mr. Zhang Weibing	30,000,000	0.22%	30,000,000	0.18%
Pacific Ocean Marine Limited	0	0%	857,142,857	5.25%
Forward Fund SPC-Double Management Fund SP	0	0%	1,842,857,143	11.28%
Public Shareholders	11,595,750,886	85.04%	11,595,750,886	70.98%
Total:	13,636,838,840	100.00%	16,336,838,840	100.00%

Notes:

1. Lead Dragon Limited is wholly-owned by Mr. Li Ming, the chairman and an executive Director.

2. The shareholding structure set out in this column is shown for illustration purposes only. The Conversion Rights shall only be exercisable so long as not less than 25% of the then total number of issued Shares as enlarged by the issue of the Conversion Shares are being held in public hands and will not result in the relevant Bondholder, its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirements of the Takeovers Code; or (ii) a general offer is made in accordance with the requirements of the Takeovers Code.

CHARGES ON GROUP ASSETS

As at 31 December 2018, HK$2.27 million (31 December 2017: HK$0.25 million) of deposits, HK$301.21 million (31 December 2017: HK$327.91 million) of property, plant and equipment and HK$208.17 million (31 December 2017: HK$221.80 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 2018, 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 RMB107.41 million (31 December 2017: RMB107.41 million).

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 2018, 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.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

Partial disposal of subsidiary

On 10 July 2017, China Ocean Shipbuilding Holdings Limited (“Vendor”), a wholly owned subsidiary of the Company, and NIBO Trading Company Limited (“Purchaser”), an independent third party, entered into a disposal agreement (“Disposal Agreement”). Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the shares of China Ocean Shipbuilding (Hong Kong) Limited (“China Ocean HK”), representing 40% of the total number of issued shares of China Ocean HK (“Sale Shares”), at a consideration of RMB200,000,000.

On 6 January 2018, Zhejiang Ouhua Shipbuilding Company Limited (“Zhejiang Ouhua”), the Purchaser, China Ocean HK, the Vendor and Jiangxi Jiangzhou Union Shipbuilding Co., Ltd (“Jiangxi Shipbuilding”) entered into the debt restructuring agreement (“Debt Restructuring Agreement”).

Completion under the Disposal Agreement took place on 5 July 2018. The Debt Restructuring Agreement was completed on 2 May 2018.

Details regarding the disposal are disclosed in the Company’s announcements dated 5 July 2018.

Save as disclosed elsewhere under the section headed “Management Discussion and Analysis”, there was no new business, material acquisitions and disposals of subsidiaries and associated companies during the year under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

On 23 November 2018, the Company, Yangzijiang Shipbuilding (Holdings) Ltd. ("Yangzijiang Shipbuilding"), the Company, Jiangxi Shipbuilding and Wuxi Tianshi Education Goods Co., Ltd.（無錫天石教育用品有限公司）entered into the Investment Agreement pursuant to which the parties agreed to, among other things, establish a company in the PRC ("Mining Co") and to reorganise the shipbuilding business and assets of Jiangxi Shipbuilding.

On 23 November 2018, the Company entered into the following Cooperation Agreements:

(1) the First Cooperation Agreement with Shenzhen Sufa United Industry Co., Ltd.（深圳市蘇發聯合實業有限公司）("Shenzhen Sufa"), pursuant to which, among other things, Shenzhen Sufa irrevocably agreed to (either alone or with its designated nominee(s)) subscribe for not less than RMB50 million of the registered capital of Mining Co, representing 10% of the registered capital of Mining Co; and

(2) the Second Cooperation Agreement with Beijing Zhongrun Tianxia Enterprise Management Center（北京中潤天下企業管理中心）("Beijing Zhongrun"), pursuant to which, among other things, Beijing Zhongrun irrevocably agreed to subscribe for RMB25 million of the registered capital of Mining Co, representing 5% of the registered capital of Mining Co, and agreed to provide the Loan in the amount of RMB250 million ("Loan") to the Company.

In view of the Investment Agreement and the Cooperation Agreements, the maximum capital contribution to the Mining Co by the Company shall be RMB75 million, which is expected to be satisfied by the Loan obtained from Beijing Zhongrun.

Details regarding the Investment are disclosed in the Company's announcements dated 23 November 2018.

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments as at the date of this announcement.

The Company, however, will continue to seek investments in companies or projects that could bring synergy to the Group should the targets or opportunities arise. In addition, the Company may also invest in new business projects only if such investment isin favourable to the future development of the Group. Given the current uncertain market conditions, the Company may obtain funding for new projects through fund raising or loans while reserving the internal resources for its core businesses.

HUMAN RESOURCES

The Group had around 400 employees as at 31 December 2018. 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.

LITIGATION AND CONTINGENT LIABILITIES

As at 31 December 2018, the material pending litigations and contingent liabilities are set out as follows:

(a) At 31 December 2018, 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 the penalty by the relevant government authority. The social security fund accrued up to 31 December 2018 of approximately RMB41,482,000 in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2017: RMB40,835,000).

    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. Per 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 2018, 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 the penalty by the relevant government authority. The housing provident fund contributions accrued up to 31 December 2018 of approximately RMB6,785,000 in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2017: RMB7,270,000).

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 Limited 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）(the "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 (the "Guarantee"), up to an aggregate amount of RMB900,000,000, 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.

(d) As disclosed in the Company's circular dated 24 February 2017 (the "VSA Circular"), the financial guarantee of approximately HK$229,528,000 represent the back-to-back corporate guarantees provided by Huakai Heavy (which became the Company's subsidiary on 11 April 2017 upon completion of the Acquisition of Huakai Heavy Group) in favour of Huatai Heavy Industry Limited in 2014 (the "Corporate Guarantee") which remained outstanding as at 31 December 2018. The relevant information including the details of the relevant guarantee agreements are disclosed in the VSA Circular. Due to the failure of two ship owners to fulfill its payment obligation under the relevant shipbuilding contracts, Huatai Heavy Industry Limited had cancelled the relevant export and import cooperation agreements with the vessel agency companies. Pursuant to the terms of the export and import co-operation agreements and the civil mediation agreements, Huatai Heavy Industry Limited was liable to refund the prepaid amount received from the vessel agency companies (the "Prepaid Amounts").

The Vendors of Huakai Heavy undertake to use the consideration payable to indemnify Huakai Heavy for all losses and liabilities incurred by Huakai Heavy under the Corporate Guarantee.

(e) In 2018, a partner filed litigation to the Intermediate People's Court of Nantong City against Nantong Huakai for funds. At the end of the reporting period, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB37,478,337 in aggregate.

(f) In 2018, a partner filed litigation to the People's Court of Rugao City against Nantong Huakai for funds. At the end of the reporting period, the litigation was mediated and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB48,000,000 in aggregate.

(g) In 2018, a partner filed litigation to the People's Court of Chongchuan District against Nantong Huakai for funds. At the end of the reporting period, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB8,400,000 in aggregate.

(h) In 2018, a partner filed litigation to the Intermediate People's Court of Shenyang City against Nantong Huakai for funds. At the end of the reporting period, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB5,000,000 in aggregate.

(i) In 2018, a shipbuilding administrator filed litigation to the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and China Ocean Shipbuilding Holdings Limited for bankruptcy revocation, involving litigation amounts of RMB257,611,084. At the end of the reporting period, the litigation was not in trial yet.

(j) In 2018, a shipbuilding administrator filed litigation to the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and Jiujiang Jinhu Equipment Manufacturing Company Limited for bankruptcy revocation, involving litigation amounts of RMB63,930,000. At the end of the reporting period, the litigation was not in trial yet.

(k) In 2018, a partner filed litigation to the People's Court of Ruichang City against Jiangxi Shipbuilding for funds, involving litigation amounts of RMB12,000,000. At the end of the reporting period, the litigation was not in trial yet.

(l) In 2018, a contractor filed litigation to Wuhan Marine Court against Jiangxi Shipbuilding for the failure to make payment of service fees, involving the total amount of litigation of approximately RMB6,691,328. At the end of the reporting period, the litigation was not judged yet.

Other than disclosed above, the Directors are of the opinion that the Group has no other material pending litigations and contingent liabilities at 31 December 2018.

CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the associates	**100,560**	103,260
Unpaid registered capital for the subsidiaries	**604,428**	636,240
Unpaid registered capital for a joint venture	**114,000**	120,000
Capital expenditure in respect of the acquisition of property, plant and equipment	**28,023**	29,498
	847,011	888,998

EVENTS AFTER THE REPORTING PERIOD

DISPOSAL OF AN ASSOCIATE

On 28 February 2019, Merge Limited ("Merge"), a wholly-owned subsidiary of the Company, and the China Medical Services Holdings Limited ("China Medical") entered into a disposal agreement ("Disposal Agreement"). Pursuant to the Disposal Agreement, Merge has conditionally agreed to sell and the China Medical has conditionally agreed to purchase the equity interest of Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") at a maximum Consideration of RMB170 million. Completion has not yet taken place as at the date of this announcement.

The Company has been focusing on manufacturing business and has adopted diversification strategy in the past years. Committing to focus on its core businesses and promote efficient use of its resources, the Company will gradually divest of its non-core businesses while exploiting and strengthening its wharf construction and related logistics business, at the same time, maintaining focus on its manufacturing and service business, in order to generate more cashflow for the Company.

Details regarding the disposal are disclosed in the Company's announcements dated 28 February 2019.

PROSPECTS

The improvement of the external environment of the real economy in the PRC will bring new opportunities to the Group's businesses. The Group will strive for a substantial breakthrough in the business integration of Jiangzhou Shipbuilding in 2019 by effectively integrating resources such as docks, coastlines and land. In order to focus on the main business, the Group will dispose of a part of business and assets, and on this basis, extend the industrial chain through business expansion, industry mergers and acquisitions, etc.

With regard to the risks faced by the Group's investment in Zhoushan, Zhejiang Province, we will make every effort to actively and properly seek solutions to minimize risks.

In conclusion, although there are problems and difficulties in the development of the real economy, the state is intensifying its support for real economy and private enterprises, and the overall policy will be beneficial to the development of the real economy. The Group will seize the opportunity, through the introduction of new partners, stronger communications and coordination with the governments and financial institutions and reorganization of debts, to expand sources for operating funds. Based on effective integration of existing resources we will expand its business base in order to enhance its sustainable business capability.

DIVIDEND

No dividends were paid or proposed for the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil)

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 2018.

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. During the year ended 31 December 2018, 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"), except for the deviations from Codes Provision disclosed below.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting, and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

The chairman of the Board and the three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 22 June 2018 due to their other business commitments. An executive Director chaired the meetings whereas other attended Board members were already of sufficient calibre and number for answering questions raised by the shareholders.

Pursuant to code provision C.1.3, where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report.

The auditors of the Company issued a disclaimer of opinion over the Group's ability to continue as a going concern due to the conditions indicate the material uncertainties 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. They are: (i) the Group reported loss attributable to the owners of the Company of approximately HK$1,545,435,000 and had significant net cash used in operating activities for the year ended 31 December 2018; (ii) as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,376,522,000; (iii) the Group had net liabilities of approximately HK$2,178,756,000, in which total borrowings amounted to approximately HK$3,385,253,000, while its bank balances and cash amounted to approximately HK$10,005,000 only; and (iv) the Group defaulted on the repayment of certain borrowings and payables on their respective due dates during the year ended 31 December 2018 and those creditors including banks had taken legal actions to recover the debts.

The Board has adopted and considered different measures with different dimensions to further improve its cash flow, e.g. (i) revitalising shipbuilding assets of Jiangxi Shipbuilding by using its spare resources such as wharfs and lands for production, storage and transportation and by introduced leading shipbuilding companies to integrate and recognise the shipbuilding business; (ii) negotiating with banks, under government's instruction, to delay the repayment of debt or to apply for additional instalment to decrease the Group's financial burden; (iii) seeking investors to issue new shares and/or convertible bonds; (iv) negotiating with its suppliers and creditors to extend payment due date; and (v) disposing its assets and investment enable the Group to restructure its core business and to obtain funds to improve its financial position.

In view of the aforesaid, the Board, including the Audit Committee, believes that the above measures, if materialised, will not only bring to the Group a significant improvement on the financial performance but also help to address the Disclaimer of Opinions of the Auditor, and accordingly is of the view that the Group could continue as a going concern.

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 2018.

PUBLICATION OF ANNUAL REPORT

The Company's 2018 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. Zhang Weibing and Mr. Liu Jin as executive directors, Mr. Chau On Ta Yuen and Mr. Lin Lie 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, 29 March 2019