CHINA OCEAN INDUSTRY GROUP LIMITED
中 海 重 工 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement dated 31 March 2020 (the "Unaudited Annual Results Announcements") made by China Ocean Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group") in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "Unaudited Annual Results"). Capitalised terms used herein in this announcement, unless the context otherwise specified, shall have the same meanings as defined in the Unaudited Results Announcements.

The auditor of the Group (the "Auditor"), Messrs. Asian Alliance (HK) CPA Limited, has completed the audit process on the Group's consolidated financial statements for the year ended 31 December 2019. The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2019 (the "Audited Results") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*		
Contracts with customers		**(19,705)**	(469,811)
Interest under effective interest method		**–**	1,779
Total revenue		**(19,705)**	(468,032)
Cost of sales		**18,731**	110,573
Gross loss		**(974)**	(357,459)
Other income	*5a*	**9,880**	9,901
Other gains and losses	*5b*	**(20,162)**	(3,812)
Change in fair value of financial assets mandatorily measured at fair value through profit or loss		**(20)**	(22)
Gain on disposal of an associate		**66,408**	–
Loss on deconsolidation of subsidiaries		**(142,513)**	–

	Notes	2019 HK$'000	2018 HK$'000
Impairment losses recognised in respect of property, plant and equipment		**(17,672)**	–
Impairment losses recognised in respect of goodwill		**(104,733)**	(69,740)
Impairment loss recognised in respect of intangible assets		**(65,500)**	(26,000)
Impairment losses under expected credit loss model	*6*	**(310,209)**	(120,000)
Changes in fair values of investment properties		**(2,853)**	–
Selling and distribution expenses		**(2,333)**	(7,433)
Administrative expenses		**(189,183)**	(220,616)
Finance costs	*7*	**(359,390)**	(271,841)
Share of loss of associates		**(183)**	(35,092)
Share of profit (loss) of joint ventures		**130**	(472,152)
Loss before tax		**(1,139,307)**	(1,574,266)
Income tax credit	*8*	**38,570**	27,556
Loss for the year	*9*	**(1,100,737)**	(1,546,710)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**58,114**	58,114
Share of translation reserve of associates		**(7,722)**	(13,733)
Share of translation reserve of joint ventures		**(125)**	(8,297)
Release of translation reserve upon deconsolidation of subsidiaries		**5,181**	–
Release of translation reserve upon disposal of an associate		**1,302**	–

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Other comprehensive income for the year, net of income tax		**56,750**	36,084
Total comprehensive expenses for the year		**(1,043,987)**	(1,510,626)
Loss for the year attributable to:			
– Owners of the Company		**(1,088,011)**	(1,545,435)
– Non-controlling interests		**(12,726)**	(1,275)
		(1,100,737)	(1,546,710)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(1,031,540)**	(1,509,693)
– Non-controlling interests		**(12,447)**	(933)
		(1,043,987)	(1,510,626)
			(Restated)
Loss per share			
– Basic and diluted	*11*	**(HK$3.19)**	(HK$4.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**46,176**	442,726
Right-of-use assets		**293,060**	–
Investment properties		**18,278**	21,914
Prepaid lease payments – non-current portion		**–**	349,822
Goodwill		**–**	103,156
Intangible assets		**–**	116,872
Interests in associates		**33,189**	201,094
Interests in joint ventures		**5,536**	5,531
Equity instruments at fair value through other comprehensive income		**–**	23,598
Amount due from an associate – non-current portion		**–**	5,805
Deferred tax asset		**121**	459
		396,360	1,270,977
CURRENT ASSETS			
Inventories		**324,386**	327,173
Trade receivables	*12*	**69,920**	182,272
Other receivables	*12*	**362,829**	748,467
Prepayment	*12*	**29,902**	191,751
Contract assets		**–**	90,328
Tax recoverable		**5,031**	6,007
Amounts due from associates		**10,726**	4,560
Prepaid lease payments		**–**	9,142
Financial assets at fair value through profit or loss		**12**	32
Finance lease receivables	*13*	**–**	3,695
Pledged bank deposits and restricted cash		**592**	2,265
Bank balances and cash		**9,349**	10,005
		812,747	1,575,697
Assets classified as held for sale		**160,000**	–
		972,747	1,575,697

	Notes	2019 HK$'000	2018 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,012,702**	1,357,228
Amounts due to related parties		**28**	721
Amounts due to directors		**31,719**	21,925
Borrowings		**3,235,678**	3,385,253
Lease liabilities		**8,175**	–
Amounts due to associates		**12,363**	16,920
Provision for warranty		**1,242**	2,034
Financial guarantee contracts		**255,849**	–
Convertible bonds payables		**–**	168,138
		4,557,756	4,952,219
NET CURRENT LIABILITIES		**(3,585,009)**	(3,376,522)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,188,649)**	(2,105,545)
CAPITAL AND RESERVES			
Share capital		**13,637**	681,842
Reserves		**(3,490,259)**	(3,120,036)
Equity attributable to owners of the Company		**(3,476,622)**	(2,438,194)
Non-controlling interests		**246,991**	259,438
TOTAL DEFICITS		**(3,229,631)**	(2,178,756)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	*14*	**4,982**	5,070
Lease liabilities		**842**	–
Convertible bonds payables – non-current portion		**8,775**	–
Deferred tax liabilities		**26,383**	68,141
		40,982	73,211
		(3,188,649)	(2,105,545)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 D, 16/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, 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 2019, the Group reported a loss for the year attributable to owners of the Company of approximately HK$1,088,011,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK$3,585,009,000 and HK$3,229,631,000, respectively.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2019. Those creditors including banks had taken legal actions against the Group to recover the debts and apply for winding up petition against the Company as disclosed in the consolidated financial statements.

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 large enterprises to integrate the shipbuilding business, and revitalised the shipbuilding assets. The reorganisation plan, which began in March 2018, has been promoted around the business integration of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding") and the cooperation with large enterprises. Although unpredictable factors have been encountered, the overall work is now being carried out in an orderly manner. At the same time, the revitalisation 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 government, the Group is negotiating with lending banks and asset management companies in relation to loan restructuring to extend repayment date and reduce gearing level;

(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 and reduce the amount of payment.

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 these consolidated financial statements were authorised to issue. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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 16	Leases
HK(IFRIC)-Interpretation ("Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 8.54% to 16.70%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**14,203**
Lease liabilities discounted at relevant incremental borrowing rates	**13,222**
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	**(923)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**12,299**
Add: Accrued lease payments at 31 December 2018	**42,997**
Lease liabilities as at 1 January 2019	**55,296**
Analysed as:	
Current	**50,143**
Non-current	**5,153**
	55,296

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

		Right-of-use assets
	Note	*HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		12,299
Reclassified from prepaid lease payments	*(a)*	358,964
		371,263

Note:

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$9,142,000 and HK$349,822,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

The transition to HKFRS 16 has no impact on the accumulated losses at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amount previously reported at 31 December 2018	Adjustments	Carrying amount under HKFRS 16 at 1 January 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Right-of-use assets		–	371,263	371,263
Prepaid lease payments– non-current portion	*(a)*	349,822	(349,822)	–
Current assets				
Prepaid lease payments– current portion		9,142	(9,142)	–
Current liabilities				
Lease liabilities		–	50,143	50,143
Trade and other payables		1,357,228	(42,997)	1,314,231
Non-current liabilities				
Lease liabilities		–	5,153	5,153

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issued 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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 16	COVID-19 Related Rent Concession[5]

1 Effective for annual periods beginning on or after 1 January 2021.

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 a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

4. REVENUE AND SEGMENT INFORMATION

For the year ended 31 December 2019

Disaggregation of revenue from contracts with customers

Segments	**Intelligent car parking and automotive device business** *HK$'000*	**Steel structure engineering and installation** *HK$'000*	**Shipbuilding business** *HK$'000*	**Total** *HK$'000*
Geographical markets				
The PRC	**7,567**	**22,450**	**17,422**	**47,439**
Germany	**–**	**–**	**(67,144)**	**(67,144)**
Total	**7,567**	**22,450**	**(49,722)**	**(19,705)**
Timing of revenue recognition				
A point in time	**7,567**	**22,450**	**–**	**30,017**
Over time	**–**	**–**	**(49,722)**	**(49,722)**
Total	**7,567**	**22,450**	**(49,722)**	**(19,705)**

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Segments	Intelligent car parking and automotive device business *HK$'000*	Steel structure engineering and installation *HK$'000*	Shipbuilding business *HK$'000*	Total *HK$'000*
Geographical markets				
The PRC	**135,342**	**21,213**	**22,912**	**179,467**
Germany	**–**	**–**	**(649,278)**	**(649,278)**
Total	**135,342**	**21,213**	**(626,366)**	**(469,811)**
Timing of revenue recognition				
A point in time	**135,342**	**21,213**	**–**	**156,555**
Over time	**–**	**–**	**(626,366)**	**(626,366)**
Total	**135,342**	**21,213**	**(626,366)**	**(469,811)**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019 ***HK$'000***	For the year ended 31 December 2018 *HK$'000*
Shipbuilding business	**(49,722)**	(626,366)
Intelligent car parking and automotive device business	**7,567**	135,342
Steel structure engineering and installation	**22,450**	21,213
Revenue from contracts with customers	**(19,705)**	(469,811)
Interest under effective interest method	**–**	1,779
Total revenue	**(19,705)**	(468,032)

Revenue from intelligent car parking and automotive device business and steel structure engineering and installation is recognised when the goods, including electronic devices, inteligent carparking and steel structure, are delivered and title has passed, being at the point the goods are delivered to the customers. The credit periods provided to customers ranged from 30 to 90 days.

The Group provides shipbuilding construction services to customers. Revenue from shipbuilding business is recognised as a performance obligation satisfies over time as to the stage of completion of the contract activity at the end of the reporting period, as determined by reference to the standard hours incurred up to the end of the reporting period as a percentage of total estimated standard hours for each contract. The Group provides an one-year warranty on shipbuilding and undertakes to repair or replace items that fail to perform satisfactorily.

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 2019

	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	(49,722)	–	–	7,567	22,450	(19,705)
Segment result	(304,313)	–	(70,865)	(287,973)	(65,821)	(728,972)
Unallocated other gains and losses						(6,657)
Unallocated other income						32
Change in fair value of financial assets mandatorily measured at FVTPL						(20)
Gain on disposal of an associate						66,408
Loss on deconsolidation of subsidiaries						(142,513)
Share of loss of associates						(183)
Share of profit of joint ventures						130
Unallocated impairment loss under expected credit loss model						(258,386)
Unallocated corporate expenses						(21,714)
Unallocated finance costs						(47,432)
Loss before tax						(1,139,307)

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 financial assets mandatorily measured at FVTPL						(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)

5a. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Government grants	**495**	378
Rental income	**–**	2,508
Management fee income	**4,997**	–
Interests on bank deposits	**32**	429
Others	**4,356**	6,586
	9,880	9,901

5b. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(3,625)**	(161)
Gain on disposal of investment property	**–**	174
Sales of scrap materials	**(5,109)**	15,489
Foreign exchange loss	**(6,657)**	(12,460)
Penalty arising from litigation	**(405)**	(6,719)
Compensation paid to suppliers	**(2,667)**	–
Others	**(1,699)**	(135)
	(20,162)	(3,812)

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2019	2018
	HK$'000	*HK$'000*
Impairment losses recognised on		
– trade receivables	**6,505**	–
– other receivables	**41,846**	120,000
– amount due from associates	**99**	–
– finance lease receivables	**3,625**	–
– financial guarantee contracts	**258,134**	–
	310,209	120,000

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Effect interest expense on convertible bonds	**37,402**	38,073
Interests on lease liabilities	**6,785**	–
Interests on borrowings	**268,905**	230,944
Guarantee fee and fund management fee incurred in connection with borrowings	**46,298**	2,798
Others	**–**	26
	359,390	271,841

8. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax		
– PRC tax	**13**	10,801
Deferred tax	**(38,583)**	(38,357)
	(38,570)	(27,556)

9. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**5,983**	6,739
Other staff costs:		
– Salaries and other benefits	**20,927**	48,660
– Redundancy fee	**–**	6,725
– Contributions to retirement benefits scheme	**6,250**	14,632
Total staff costs	**33,160**	76,756
Auditor's remuneration		
– Audit service	**1,700**	1,785
– Non-audit service	**600**	580
Cost of inventories recognised as an expense	**54,403**	181,274
Depreciation of property, plant and equipment	**41,022**	78,614
Depreciation of right-of-use assets	**16,576**	–
Amortisation of prepaid lease payments	**–**	8,648
Amortisation of intangible assets	**37,130**	41,053
Minimum lease payments paid under operating leases in respect of rented premises	**893**	1,585
Shipbuilding contract costs recognised as cost of sales	**(63,201)**	(265,026)
Written-down of inventories recognised as costs of sales	**–**	799,159

10. DIVIDEND

No dividends was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: 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:

	2019	2018
	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	**(1,088,011)**	(1,545,435)

	2019	2018
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**340,921**	340,921

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 does not assume i) the exercise of the Company's share options because exercise price of the share options was higher than the average market price per share; and ii) the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in a decrease in loss per share for the year.

12. TRADE RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT

	2019	2018
	HK$'000	*HK$'000*
Trade receivables – contracts with customers	**77,155**	186,407
Less: Allowance for credit losses	**(7,235)**	(4,135)
Total trade receivables, net of allowance for credit losses *(Note a)*	**69,920**	182,272
Deposit paid	**72,969**	68,400
Other receivables	**261,640**	453,323
Value-added tax recoverable	**73,222**	72,535
Amounts due from the former shareholders of a subsidiary	**–**	270,935
Deposit paid for the construction	**–**	19,380
Deposits placed to agents and a stakeholder	**7,451**	7,584
	415,282	892,157
Less: Allowance for credit losses	**(52,453)**	(143,690)
Other receivables, net of allowance for credit losses	**362,829**	748,467
Prepayment	**29,902**	191,751

Notes:

(a) As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$213,617,000.

At 31 December 2019 and 31 December 2018, 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 2019, trade receivables are non-interest bearing, except for trade receivables from factoring services with aggregated amount of HK$4,110,000 (2018: HK$4,184,000) which bear interest rate of 12% (2018: 12%) per annum.

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

	2019	2018
	HK$'000	*HK$'000*
0-90 days	**16,181**	42,205
More than 90 days but not exceeding one year	**–**	34,572
In more than one year	**53,739**	105,495
	69,920	182,272

13. FINANCE LEASE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Finance lease receivables within one year	**4,780**	4,758
Less: Unearned finance income	**(863)**	(771)
Present value of minimum lease payment receivables	**3,917**	3,987
Less: Allowance for credit losses	**(3,917)**	(292)
	–	3,695

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Consideration payable for acquisition of property, plant and equipment – non-current portion	**4,982**	5,070
Trade payables	**70,478**	139,291
Consideration payable for acquisition of prepaid lease payments	**–**	42,997
Payable to guarantors	**46,584**	708
Contribution payables to labour union and education funds	**13,323**	13,565
Accrual of contractor fees	**12,908**	37,463
Accrual of government funds	**2,115**	2,152
Other payables and accruals	**867,294**	1,121,052
	1,012,702	1,357,228

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**76**	6,640
31 – 60 days	**929**	16,809
61 – 90 days	**6**	1,261
Over 90 days	**69,467**	114,581
	70,478	139,291

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

15. COMPARATIVE FIGURES

During the year ended 31 December 2019, 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	**Reclassification**	**As restated**
		HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss and other comprehensive income				
Impairment losses	*Note*	215,740	(215,740)	–
Impairment losses recognised in respect of goodwill	*Note*	–	69,740	69,740
Impairment losses recognised in respect of intangible assets	*Note*	–	26,000	26,000
Impairment losses under ECL model	*Note*	–	120,000	120,000

Note:

Impairment loss on goodwill, intangible assets and other receivables were reclassified from "Impairment losses" to "Impairment losses recognised in respect of goodwill", "Impairment losses recognised in respect of intangible assets" and "Impairment losses under ECL model" respectively.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

This following is an extract of the independent auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2019 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 requirements 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 2019 on the Group's consolidated financial statements for the year ended 31 December 2018, because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainties relating to the going concern basis, we disclaimed our opinion on the Group's consolidated financial statements for the year ended 31 December 2018 accordingly. Any adjustments found to be necessary to the opening balances as at 1 January 2019 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures and the related disclosures for the year ended 31 December 2018 shown in these consolidated financial statements may not comparable with the figures for the current year.

(b) Limitation of scope of cost of sales and inventories of shipbuilding business

Included in the cost of sales of approximately HK$18,731,000 for the year ended 31 December 2019 and inventories of approximately HK$324,386,000 as at 31 December 2019 are approximately HK$63,201,000 (credit balance) and HK$269,925,000 related to shipbuilding business respectively.

As disclosed in Note 27 to the consolidated financial statements, according to the arbitral awards dated 27 December 2018 (the "Arbitral Awards") issued by the London Maritime Arbitrators Association (the "Arbitrators Association"), the Arbitration Association has made awards in favour of the customer under the relevant shipbuilding contracts (the "Shipbuilding Contracts") in relation to the four vessels (the "Four Vessels"), 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.

In addition, the Group had been notified by the agent of two shipbuilding contracts in relation to two vessels (the "Two Vessels") had been rescinded and the accumulated revenue recognised and cost of sales incurred in relation to the Two Vessels of approximately HK$75,754,000 and HK$129,046,000 had been reversed during the year ended 31 December 2019.

During the year ended 31 December 2019, certain parts (the "Reused Parts") of the Four Vessels and the Two Vessels (collectively referred to the "Rescinded Vessels") were disassembled and used for the construction of other vessels which has been delivered to certain customers. However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the carrying values of the Rescinded Vessels before disassemble were free from material misstatements. We could not ascertain whether the cost allocation from the Reused Parts to other vessels recognised as expenses included in cost of sales during the year ended 31 December 2019 was fairly stated.

Also, 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 (i) whether inventories related to shipbuilding business as at 31 December 2019 were stated at the lower of cost and net realisable value; and (ii) whether cost of inventories recognised as expense, included in cost of sales in relation to shipbuilding business, were accurately measured. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to (i) the valuation of inventories related to shipbuilding business as at 31 December 2019; and (ii) accuracy of cost of sales recognised in relation to shipbuilding business for the year ended 31 December 2019.

Any adjustment to inventories and cost of sales found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2019, and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(c) Limitation of scope on share of profit of associates and assets classified as held for sale

As disclosed in Notes 24 and 41 to the consolidated financial statements, during the year ended 31 December 2019, the Group resolved to dispose its 20% equity interest in Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") and its subsidiaries (collectively referred to as the "Zhejiang Ocean Group"), associates of the Group, in order to finance the Group for repayment to creditors. However, the 20% equity interest in the Zhejiang Ocean Group was yet to be sold as at 31 December 2019. Therefore, as at 31 December 2019, the 20% equity interest in the Zhejiang Ocean Group with carrying amount of approximately HK$160,000,000 was classified as assets held for sale as at 31 December 2019.

Also, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of the Zhejiang Ocean Group and the directors of the Company (the "Directors") that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of profit of the Zhejiang Ocean Group of approximately HK$8,867,000 included in share of loss of associates and translation reserve of approximately HK$3,804,000 included in share of translation reserve of associates for the year ended 31 December 2019 and the 20% equity interest in the Zhejiang Ocean Group classified as assets held for sale of approximately HK$160,000,000 was stated at the lower of its carrying amount and fair value less cost of disposal as at 31 December 2019 and whether the carrying amount of assets and liabilities of the Zhejiang Ocean Group as shown in Note 24 to the consolidated financial statements were fairly stated and 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 assets classified as held for sale found to be necessary would affect the Group's net liabilities as at 31 December 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(d) Limitation of scope on share of loss and gain on disposal of an associate

As disclosed in Note 24 to the consolidated financial statements, on 24 May 2019, the Group received an enforcement order (the "Enforcement Order") dated 24 May 2019 issued by the People's Court of Rugao City, Jiangsu Province (the "Court") pursuant to which the Court has ordered the Group to transfer its 24% equity interest in Nantong Xiangyu Ocean Equipment Company Limited ("Nantong Xiangyu") to its creditors (the "Forced Transfer") in satisfaction of the outstanding sum owed to its creditors in an aggregate amount of RMB59,920,000. Upon completion of the Forced Transfer on 24 May 2019 (the "Disposal Date"), Nantong Xianyu was ceased to be accounted for as an associate of the Group.

The books and records of Nantong Xianyu were not made available to the Group's management subsequent to the Disposal Date. Under this circumstance, during the course of our audit, we have not been provided with sufficient information and explanations from the management of Nantong Xianyu and the Directors that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of loss of Nantong Xianyu of approximately HK$8,480,000 included in share of loss of associates and share of other comprehensive income of approximately HK$328,000 included in share of other comprehensive expenses of associates for the year ended 31 December 2019 and thus the carrying amount of the interest in Nantong Xianyu as at the Disposal Date are fairly stated. Consequently, we were not able to carry out procedures which we considered necessary in order to enable us to satisfy ourselves as to whether the gain on disposal of Nantong Xianyu during the year ended 31 December 2019 of approximately HK$66,408,000 arising thereon was fairly stated. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence in this regard.

Any adjustments found to be necessary to the above amounts would affect the Group's net liabilities as at 31 December 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

(e) Limitation of scope on loss on deconsolidation of Nantong Huakai Heavy Industries Limited Company ("Nantong Huakai") and its subsidiaries (collectively known as the "Nantong Huakai Group")

As disclosed in Note 42 to the consolidated financial statements, on 19 July 2019, Nantong Huakai, a subsidiary of the Company, received a judgment (the "Judgment") dated 17 July 2019 from the Court, in which the Court held that the application of the creditors of Nantong Huakai complied with the legal requirements and accepted the creditors' application for bankruptcy proceedings against Nantong Huakai, and designated Jiangsu Huahui Liquidation Company Limited as the bankruptcy administrator of Nantong Huakai (the "Bankruptcy Administrator"). On 20 December 2019, the Court held, among other things, Nantong Huakai bankrupt. On 26 December 2019, the Court held, upon application made by the Bankruptcy Administrator of Nantong Huakai, the Nantong Huakai Group bankrupt in a consolidated manner (collectively known as the "Bankruptcy"). Consequently, the Group had deconsolidated the Nantong Huakai Group as the Directors considered that the Group's control over the Nantong Huakai Group had been lost on 17 July 2019 (the "Deconsolidation Date").

The books and records of the Nantong Huakai Group were kept and maintained by the Bankruptcy Administrator, which were not made available to the Group's management subsequent to the Deconsolidation Date. Under the circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of the Nantong Huakai Group, to satisfy ourselves as to the existence, ownership, completeness, accuracy, valuation and classification of its total assets of approximately HK$873,859,000 and total liabilities of approximately HK$805,305,000 and the cumulative exchange reserve and investment revaluation reserve of approximately HK$5,181,000 (debit balance) and HK$9,240,000 as at the Deconsolidation Date and of its loss of approximately HK$62,337,000 for the period from 1 January 2019 to the Deconsolidation Date. Consequently, we were unable to satisfy ourselves as to whether the loss on deconsolidation of approximately HK$142,513,000 arising thereon was fairly stated. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence in this regard.

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the Nantong Huakai Group as at Deconsolidation Date, with a corresponding effect on the loss on deconsolidation of subsidiaries, and the related disclosures thereof in the consolidated financial statements.

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

As described in Note 23 to the consolidated financial statements, in view of continuous operating losses in the intelligent car parking and automotive device business segment, the Group performed an impairment assessment as at 31 December 2019 of the goodwill and intangible assets, i.e. the intelligent car parking manufacturing licenses, which belonged to the cash generating unit (the "CGU") represented by the intelligent car parking and automotive device business segment. The carrying amount of the CGU exceeded its recoverable amount, resulting in an impairment loss on goodwill and intangible assets of intelligent car parking and automotive device business segment of approximately HK$104,733,000 and HK$65,500,000, respectively, being recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019. However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of goodwill and intangible assets of intelligent car parking and automotive device business segment as at 1 January 2019 of approximately HK$103,156,000 and HK$100,506,000, respectively, were free from material misstatements and hence whether the impairment loss on goodwill and intangible assets, and amortisation of intangible assets of intelligent car parking and automotive device business segment, amounting to approximately HK$104,733,000 and HK$65,500,000, and HK$36,862,000, respectively, were free from material misstatement for the year ended 31 December 2019.

(g) Limitation of scope on impairment and depreciation on property, plant and equipment and right-of-use assets

As described in Notes 17 and 18 to the consolidated financial statements, in view of continuous operating losses, the Group performed an impairment assessment as at 31 December 2019 of property, plant and equipment and right-of-use assets. The carrying amount of property, plant and equipment and right-of-use assets exceeded their recoverable amount, resulting in an impairment loss on property, plant and equipment and right-of-use assets of approximately HK$17,672,000 and HK$Nil, respectively, being recognised in the consolidated profit or loss and other comprehensive income of the Group for the year ended 31 December 2019. However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of property, plant and equipment and right-of-use assets (which was reclassified from prepaid lease payments upon adoption of Hong Kong Financial Reporting Standard 16 *Leases* on 1 January 2019) as at 1 January 2019 of approximately HK$442,726,000 and HK$358,964,000, respectively, were free from material misstatements and hence whether the impairment loss on property, plant and equipment and right-of-use assets, amounting to approximately HK$17,672,000 and HK$Nil, respectively, and depreciation of property, plant and equipment and right-of-use assets, amounting to approximately HK$41,022,000 and HK$16,576,000, were free from material misstatement for the year ended 31 December 2019.

(h) Limitation of scope on expected credit loss ("ECL") for financial assets

As described in Note 7 to the consolidated financial statements, the Group performed assessment of ECL for financial assets, including trade receivables, other receivables, amounts due from associates, finance lease receivables, pledged bank deposits and restricted cash and bank balances as at 31 December 2019. As at 31 December 2019, the allowance for credit losses of trade receivables, other receivables, amounts due from associates and finance lease receivables are approximately HK$7,235,000, HK$52,453,000, HK$99,000 and HK$3,917,000, resulting in an impairment loss on trade receivables, other receivables, amounts due from associates and finance lease receivables of approximately HK$6,505,000, HK$41,846,000, HK$99,000 and HK$3,625,000, respectively, being recognised in the consolidated profit or loss of the Group for the year ended 31 December 2019.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the opening balances of the allowance for credit losses of trade receivables, other receivables, amounts due from associates, and finance lease receivables as at 1 January 2019 of approximately HK$4,135,000, HK$143,690,000, HK$Nil and HK$292,000, respectively, were free from material misstatements and hence whether the impairment loss on trade receivables, other receivables, amounts due from associates and finance lease receivables amounting to approximately HK$6,505,000, HK$41,846,000, HK$99,000 and HK$3,625,000, respectively, were free from material misstatement for the year ended 31 December 2019.

(i) Material 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$1,088,011,000 for the year ended 31 December 2019. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,585,009,000 and the Group had net liabilities of approximately HK$3,229,631,000, in which total borrowings amounted to approximately HK$3,235,678,000, while its bank balances and cash amounted to approximately HK$9,349,000 only.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2019. Those creditors including banks had taken legal actions against the Group to recover the debts and applied for the winding up petition against the Company as disclosed in Note 46 to 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, shipbuilding, steel structure engineering and installation business, trading and finance lease business.

Having affected by various unfavorable factors, the global economy has been in a new wave of uncertainty and China's domestic economy has also been experiencing unprecedented difficulties. As an enterprise focusing on manufacturing, the impact on the Group was even more significant. Faced with the continuous downturn in the shipbuilding industry, the Group has encountered difficulties in financing with high cost of funding which were commonly faced by enterprises during the process of transformation, resulting in the standstill of some business segments of the Group. In order to find a way to overcome difficulties, the Group mainly focused on the revitalization of shipbuilding assets and the restructuring of debts in 2019. Under the guidance of the government, the Group promoted cooperation with leading corporations in order to carry out effective utilization of the Group's lands, factories, shorelines of the Yangtze River, etc. and seek the restructuring of debts on this basis. However, due to certain uncontrollable factors, such cooperation has experienced setbacks. Meanwhile, the Company received a winding up petition from a partner in Hong Kong which also affected the Group's new financing plan. Although surrounded by abovementioned unfavorable factors, the Group refused to give up and continued to enhance the communication with the government, financial institutional creditors with a view to introduce new partnerships and implement strategic business restructuring plans.

The current business restructuring plans of the Group has received great supports from different levels of governments in Jiangxi Province and Jiangsu Province, and received positive response from financial institutions. Despite the impact of the COVID-19 virus, the Group has been achieving substantive progress in various aspects.

During the year ended 31 December 2019, the Group recorded an external revenue of debit balance of HK$19.71 million (2018: debit balance of HK$468.03 million).

During the year under review, the Group recorded gross loss of HK$0.97 million (2018: HK$357.46 million), decreased as compared last year, mainly due to the decrease in the loss of shipbuilding business.

The Group's finance cost increased from HK$271.84 million to HK$359.39 million, mainly due to the increase in interests and guarantee fee in connection with borrowings.

During the year under review, the share of loss of joint ventures decreased from HK$472.15 million to share of profit of HK$0.13 million, due to the impairment loss accrued by the Group for risky investments last year.

In general, for the year ended 31 December 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$1,088.01 million (2018: HK$1,545.44 million), representing a substantial decrease, as compared to last year, mainly due to the gain on the disposal of an associate and the significant decrease in share of loss of joint ventures, and the decrease in administrative cost and impairment losses although loss on deconsolidation of subsidiaries was recorded because of the bankruptcy of the subsidiaries and significant increased finance costs was recorded having the adverse impacts on the financial results.

SHIPBUILDING BUSINESS

The shipbuilding business recorded an external revenue of debit balance of HK$49.72 million (2018: debit balance of HK$626.37 million) during the period under year. The external revenue is a debit balance because of the decrease in reversal of revenue.

The Six Vessels

In relation to the six vessels, four of them (the "Four Vessels") which had been rescinded in 2018 are in the course of seeking buyers and relevant intentional agreements have already been reached. Meanwhile, the Group is negotiating with relevant creditor banks and financial institutions in relation to the disposal of these vessels.

For the remaining two vessels (the "Two vessels") which had been rescinded during the year ended 31 December 2019 are in the course of seeking buyers. The accumulated revenue recognised and cost of sales incurred in relation to the Two Vessels of approximately HK$75.75 million and HK$129.05 million had been reversed during the year ended 31 December 2019. In order to maximize the benefits to the Group, the solutions will be taken account in conjunction with the overall restructuring plan of Jiangxi Jiangzhou Union Shipbuilding Ltd.

Shipbuilding business is the focus of the restructuring of the Group. The Group will gradually adjust the operation model and product structure of the shipbuilding business to reduce the losses of the shipbuilding business.

In order to completely alter the constraints arising from its shipbuilding business to the Group, the Group continues to promote cooperation with relevant state-owned enterprises with a view to restructure the shipbuilding assets of Jiangzhou, Jiangxi Province. Meanwhile, the Group committed to expand the logistic, storage and shipping business leveraging on its geographical advantages and shoreline of Yangtze River, and related work is in progress.

INTELLIGENT CAR-PARKING AND AUTOMOTIVE DEVICE BUSINESS

For the year ended 31 December 2019, the intelligent car-parking and automotive electronics business recorded an external revenue of HK$7.57 million (2018: HK$135.34 million), representing a decrease of 94.41% as compared with last year. The intelligent car-parking and automotive electronics business of the Group has been greatly affected by the litigation of associates. The Group has adopted closing part of the production facilities and reducing the number of employees to scale down the business of this segment.

STEEL STRUCTURE ENGINEERING AND INSTALLATION BUSINESS

Due to a series of impacts caused by the planning of the Yangtze River passage in Nantong City, Jiangsu Province, the Group encountered difficulties in carrying out steel structure engineering and installation business and its subsidiaries were held bankrupt by the People's Court in the PRC. The Group will communicate with the government, the Court and bankruptcy administrators to properly solve the problems in relation to the assets and liabilities with a view to do its best endeavour to protect the Group's interests.

FINANCE LEASING BUSINESS

The finance lease company is a company established in Zhoushan jointly by the Group and an investment platform company of the government. In order to improve the balance sheet, the Group may consider to quit this business segment.

UNCERTAINTIES RELATING TO GOING CONCERN

For the year ended 31 December 2019, the Group reported a loss attributable to the owners of the Company of approximately HK$1,088.01 million. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,585.01 million and the Group had net liabilities of approximately HK$3,229.63 million, in which total borrowings amounted to approximately HK$3,235.68 million, its bank balances and cash were only approximately HK$9.35 million. It is uncertain about the ability of the Group to maintain adequate future cash flow and the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis.

In addition, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates during the year ended 31 December 2019.

Considering the consensus reached with asset management company, several banks and other financial institutions, as well as the intention to cooperate with relevant state-owned enterprises, the management believe that the consolidated financial statements shall be prepared based on a going concern basis.

The details are as follows:

(a) The Group actively reorganised the shipbuilding business, introduced large enterprises to integrate the shipbuilding business, and revitalised the shipbuilding assets. The reorganisation plan, which began in March 2018, has been promoted around the business integration of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding") and the cooperation with large enterprises. Although unpredictable factors have been encountered, the overall work is now being carried out in an orderly manner. At the same time, the revitalisation 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 government, the Group is negotiating with lending banks and asset management companies in relation to loan restructuring to extend repayment date and reduce gearing level;

(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 and reduce the amount of payment.

The audit committee of the Company ("Audit Committee") understands the uncertainties in relation to going concern and has discussions with the management in this regard. The Audit Committee concurs the view with the management, particularly, deliberations were focused on the uncertainty and difficulties faced by the asset-heavy related business segments. Notwithstanding this, the Audit Committee believes that the asset revitalization of Jiangxi Shipbuilding and the new business arising therefrom would enable to broaden the revenue stream of the Group and correspond to the Company's continual effort in transforming its business. Meanwhile, the Audit Committee believes that efforts to reduce debts will relieve the funding pressure of the Company. The Audit Committee is of the view that the Group could address the issue of uncertainties relating to going concern.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$9.94 million (2018: HK$12.27 million) of which HK$0.60 million (2018: HK$2.27 million) was pledged; short-term borrowings of HK$3,235.68 million (2018: HK$3,385.25 million); convertible bonds payable amounted to approximately HK$8.78 million (2018: HK$168.14 million) represented the carrying values of principal amount of HK$11.1 million (2018: HK$189.00 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (1.01) (2018: (1.59)).

INFORMATION OF CONSOLIDATION OF SHARES

As set out in the Circular dated 3 October 2019, among other things, immediately upon the reduction of the paid-up capital of each of the issued Shares and the nominal or par value of each authorised but unissued Share from HK$0.05 to HK$0.001 becoming effective, every 40 reduced Shares of HK$0.001 each in the then issued share capital of the Company will be consolidated into one consolidated Share of HK$0.04 (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation") and the total number of consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation.

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

The following convertible securities/right to subscribe for convertible securities has ceased during the year ended 31 December 2019:

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). As the date of this announcement, no conversion shares were issued under the 2017 Convertible Bonds and the conversion period of the 2017 Convertible Bonds ceased in 2019.

The Company conducted a fundraising through issue of shares/convertible securities during the year ended 31 December 2019.

2019 Convertible Bonds

On 19 July 2019, the Company and each of the Subscribers entered into the Subscription Agreement I and Subscription Agreement II, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK$110 million due 3 years from the date of issue of the Convertible Bonds at the Conversion Price of HK$0.64 per Conversion Share upon the Capital Reorganisation becoming effective ("2019 Convertible Bonds"). As at the date of this announcement, the Subscription of the 2019 Convertible Bonds in principal amount of approximately HK$11.10 million (equivalent to approximately RMB10.00 million) has been completed, the conversion period of Subscription Agreement II ceased on 11 January 2020 and the Subscription Agreement I lapsed on 29 February.

Details regarding the subscription of convertible bonds under specific mandate and proposed Capital Reorganisation are disclosed in the Company's announcements dated 19 July 2019, 12 January 2020 and 29 February 2020 and circular dated 3 October 2019.

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$0.64 per Share are as follows:

Shareholder	**At the 31 December 2019**		**Immediately after full conversion of the Convertible Bonds** *(Note 2)*	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Mr. Li Ming	31,219,448	9.16%	31,219,448	8.71%
Lead Dragon Limited *(Note 1)*	13,550,125	3.97%	13,550,125	3.78%
Mr. Zhang Shi Hong	1,127,750	0.33%	1,127,750	0.32%
Wise Benefit Investment Limited	0	0%	17,343,750	4.84%
Public Shareholders	295,023,648	86.54%	295,023,648	82.35%
Total:	340,920,971	100.00%	358,264,721	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 2019, HK$0.6 million (2018: HK$2.27 million) of deposits, HK$26.04 million (2018: HK$301.21 million) of property, plant and equipment, HK$139.20 million (2018: HK$0.00 million) of right-of-use assets and HK$0 (2018: HK$208.17 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 2019, 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 RMB105.51 million (2018: 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 2019, 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

Disposal of associated company

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 share purchase agreement ("Share Purchase Agreement"). Pursuant to the Share Purchase 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.

On 30 July 2019, Merge and China Medical entered into the second supplemental agreement (the "Second Supplemental Agreement") to the Share Purchase Agreement (as amended and supplemented by the First Supplemental Agreement) pursuant to which, among other things, the parties agreed that the Consideration shall be determined at RMB162.60 million, which shall represent the final amount of Consideration payable by China Medical to Merge.

As certain conditions precedent under the Share Purchase Agreement have not been fulfilled at or before the Extended Long Stop Date (i.e. 31 December 2019), and the Company and the Purchaser have not agreed on any further extension of the Extended Long Stop Date, the Share Purchase Agreement has lapsed on 31 December 2019 pursuant to the terms of the Share Purchase Agreement.

Details regarding the disposal are disclosed in the Company's announcements dated 28 February 2019, 6 March 2019, 11 April 2019, 3 May 2019, 17 May 2019, 30 May 2019, 15 July 2019, 31 August 2019, 30 October 2019, 21 November 2019, 17 December 2019 and 31 December 2019 and Company's circular dated 14 August 2019.

On 20 June 2020, the Company received a notice of conclusion of enforcement dated 16 June 2020 issued by the Intermediate People's Court of Zhoushan City, Zhejiang Province*（浙江省舟山市中級人民法院）(the "Court") pursuant to which the Court has ordered the Group to transfer its 20% equity interest in Zhejiang Ocean in satisfaction of the outstanding sum owed to Zhoushan Ocean Leasing New Energy Limited（舟山海租新能源有限公司）("Claimant").

In February 2020, the Claimant had applied to enforce a mediation award in the amount of approximately RMB132.30 million against Merge Limited, a direct wholly-owned subsidiary of the Company.

As Merge Limited failed to settle the outstanding sum, in the course of enforcement, the Court has ordered, among others, that Merge Limited shall transfer the 20% equity interest it held in Zhejiang Ocean through Online Judicial Auction and such equity interest was subsequently transferred at a consideration of approximately RMB142.00 million to an independent third party to the Company and its connected persons (as defined in the Listing Rules) in satisfaction of, among others, (i) the outstanding sum in the amount of approximately RMB132.30 million owed to the Claimant by Merge Limited and (ii) taxes, court charges, service charges and other related expenses (the "Forced Transfer") and the Forced Transfer has taken effect on 10 June 2020.

Details regarding the Forced Transfer are disclosed in the Company's announcements dated 22 June 2020.

Forced transfer of equity interest in associated company

On 24 May 2019, the Company received an enforcement order ("Enforcement Order") dated 24 May 2019 issued by the People's Court of Rugao City, Jiangsu Province (江蘇省如皋市人民法院) ("Court") pursuant to which the Court has ordered the Group to transfer its 24% equity interest in Nantong Xiangyu Ocean Equipment Company Limited (南通象嶼海洋裝備有限責任公司) ("Nantong Xiangyu") in satisfaction of the outstanding sum owed to Rugao Fugang Construction Company Limited (如皋市富港工程建設有限公司) and Nantong Tongbao Shipbuilding Company Limited (南通市通寶船舶有限公司) in the totaling amount of approximately RMB60 million.

The change in shareholder in respect of the 24% equity interest in Nantong Xiangyu is registered to have taken place on 24 May 2019.

Details regarding the forced transfer of equity interest in associated company are disclosed in the Company's announcements dated 24 May 2019 and 8 August 2019.

Disposal of equity interest in subsidiary

On 13 June 2019, China Ocean Industry (Shenzhen) Company Limited ("China Ocean Industry (Shenzhen)"), a wholly owned subsidiary of the Company, and Nan Tong Hua Chuan Jiao Tong Zhuang Bei Company Limited ("Hua Chuan"), an independent third party, entered into a disposal agreement ("Disposal Agreement"). Pursuant to the Disposal Agreement, China Ocean Industry (Shenzhen) agreed to sell and Hua Chuan agreed to purchase the equity interest of Nantong Huakai Heavy Industry Company Limited（南通華凱重工有限公司）("Nantong Huakai"), representing 60% of the equity interest of Nantong Huakai ("Sale Shares"), at a consideration of RMB20 million.

On 19 July 2019, Nantong Huakai received a judgment ("Judgment") dated 17 July 2019 from the People's Court (the "Court") of Rugao City, Jiangsu Province, the People's Republic of China ("PRC").

On 20 December 2019, the Court of Rugao City, Jiangsu Province, the PRC held, among other things, Nantong Huakai bankrupt.

On 26 December 2019, the Court held, upon application made by the bankruptcy administrator of Nantong Huakai, the subsidiaries of Nantong Huakai and Nantong Huakai bankrupt in a consolidated manner*（合併破產）(collectively "Bankruptcy").

Details regarding the disposal are disclosed in the Company's announcements dated 13 June 2019, 12 July 2019, 15 July 2019, 19 July 2019, 30 September 2019 and 27 December 2019.

In light of the Bankruptcy, the Share Purchase Agreement has lapsed on 31 December 2019 and the Company will not proceed any further with this disposal.

Accordingly, the Group had deconsolidated the subsidiaries of Nantong Huakai and Nantong Huakai (collectively referred to the "Nantong Huakai Group") as the Directors considered that the Group's control over the Nantong Huakai Group had been lost.

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

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", there was no future plans for material investments and expected sources of funding during the year under review.

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 is in 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 350 employees as at 31 December 2019. 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

Status and actions of the company in respect of the winding up petition

On 2 August 2019, the Company received a petition (the "Petition") from Titan Petrochemicals Group Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of the of The Hong Kong Special Administrative Region (the "High Court") under Companies Winding-up Proceedings No. 230 of 2019 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debt. The court hearing of the winding up petition and the Time Summons were held on 25 September 2019, 20 November 2019, 16 December 2019, 20 January 2020, 31 March 2020 and 19 June 2020 and has been adjourned to 5 October 2020 (the "Hearing Date").

In order to eliminate the uncertainties arising from the Petition, which are associated with the transfer of the Shares, the subscription of the Convertible Bonds and any issuance of Conversion Shares thereafter, the Company has engaged and consulted legal advisers for application for necessary validation order(s) from the High Court. The Validation Order has been granted by the High Court on 23 September 2019. By the Validation Order, any transfer of Shares since the date of presentation of the Petition is valid and the Company shall proceed with the issuance of the Convertible Bonds.

For more details of the Petition, please refer to the announcements of the Company dated 5 August 2019, 28 August 2019, 23 September 2019, 25 September 2019, 27 September 2019, 20 November 2019, 11 December 2019, 16 December 2019, 31 December 2019, 12 January 2020, 17 January 2020, 20 January 2020, 3 February 2020, 20 March 2020, 25 March 2020, 27 March 2020, 31 March 2020 and 19 June 2020.

As at 31 December 2019, other material pending litigations and contingent liabilities are set out as follows:

(a) At 31 December 2019, 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 2019 of approximately HK$59,457,000 (equivalent to RMB53,086,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2018: HK$47,289,000 (equivalent to RMB41,482,000)).

    A repayment agreement was signed between Jiangxi Shipbuilding, a wholly-owned subsidiary of the Company 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 2019, 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 2019 of approximately HK$6,445,000 (equivalent to RMB5,755,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2018: HK$7,735,000 (equivalent to RMB6,785,000)).

(c) The Company had recognised the provision in relation to the litigations of approximately RMB945,501,000 (2018: RMB439,110,000) under "Trade, other payables" and "other borrowings" in the consolidated statement of financial position as at 31 December 2019. The Directors are of the opinion that it is not probable that these claims would result in an out flow of economic benefits exceeding the provisions made by the Group. Details are set out as follows:

   (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 RMB257,611,000. At 31 December 2018, the litigation was not in trial yet. In 2019, the litigation was judged and the outstanding payable had not been settled at the reporting period.

   (ii) 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 31 December 2018, the litigation was not in trial yet. In 2019, the litigation was judged and the outstanding payable had not been settled at the reporting period.

   (iii) In 2018, an independent third party filed litigation to the People's Court of Ruichang City against Jiangxi Shipbuilding for outstanding liabilities, involving litigation amounts of RMB12,000,000. At 31 December 2018, the litigation was not in trial yet. In 2019, the litigation was judged and the outstanding payable of the principal payment and the relevant interests of approximately RMB12,000,000 had not been settled at the reporting period.

(iv) 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 RMB6,691,000. At 31 December 2018, the litigation was not judged yet. In 2019, the litigation was judged and the outstanding payable of service fees of approximately RMB4,535,000 had not been settled at the end of reporting period.

(v) In 2019, an guarantor filed litigation to the Intermediate People's Court of Wuhan City against Jiangxi Shipbuilding for outstanding liabilities, involving litigation amounts of RMB210,845,000. At 31 December 2019, the litigation was not in trial yet.

(vi) In 2019, a supplier filed litigation to the Intermediate People's Court of Jiujiang City against Jiangxi Shipbuilding for outstanding liabilities, involving litigation amounts of RMB36,096,000. At 31 December 2019, the litigation was not judged yet.

(vii) In 2019, an independent third party filed litigation to the Intermediate People's Court of Jiangxi Jiujiang City against the Company and China Ocean Industry (Shenzhen) Financial Leasing Company Limited for outstanding borrowings. At 31 December 2019, the litigation was judged and the outstanding payable of approximately RMB360,484,000.

(d) 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.

Save as disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 31 December 2019.

CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the associates	**80,845**	100,560
Unpaid registered capital for the subsidiaries	**397,264**	604,428
Unpaid registered capital for a joint venture	**112,605**	114,000
Capital expenditure in respect of the acquisition of property, plant and equipment	**–**	28,023
	590,714	847,011

EVENTS AFTER THE REPORTING PERIOD

On 10 March 2020, the Company entered into the Subscription Agreements with Subscribers, pursuant to which the Subscribers have conditionally agreed to subscriber for, and the Company has conditionally agreed to allot and issue, 68 million Subscription Shares at the Subscription Price of HK$0.105 per Subscription Share. The total consideration payable by the Subscribers under the Subscription Agreements amounts to HK$7.14 million.

For more details of the subscription of shares, please refer to the announcements of the Company dated 10 March 2020 and 17 March 2020.

The outbreak of COVID-19 ("COVID-19") in early 2020 has affected the Group's business segment adversely. The Group has closely monitored on the development of the COVID-19 and taken a number of cost control measures to mitigate the impact of this challenging situation. The Group will pay close attention to the change of situation and evaluate its impact on the financial position and operating results of the Group.

Save as discussed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other material events after the reporting period as at the date of this announcement.

PROSPECTS

The adjustment faced by the China's real economy, together with the impacts to the economies by the global epidemic of COVID-19, have brought new challenges to the Group's business transformation. It will also be a challenge for to the Group to tackle the above changes. We believe that there would be more measures and greater efforts from the government to support and rescue the real economy. The Group will actively leverage on relevant policies to promote the business integration and debt restructuring of Jiangxi Shipbuilding so as to achieve substantive breakthroughs as soon as practicable and effectively carry out integration of the wharfs, coastline, land resources, etc. The Group will continue to expand related businesses and combine such expansion with the demand from the local governments for investment promotion and capital introduction, and seek various cooperation opportunities in terms of logistics, storage and transportation of new energy, green building materials and steal structure processing, etc. along the Yangtze River. On this basis, the Group will actively create conditions necessary to reduce the Group's debt burden through the support from the government to the real economy.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the 2019 Unaudited Annual Results Announcement was neither audited nor agreed with Asian Alliance as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information The Audited Annual Results and the Unaudited Annual Results have the following difference:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2019 Unaudited Annual Results	**2019 Audited Annual Results**	**Difference**	*Notes*
	HK$'000	*HK$'000*	*HK$'000*	
Revenue	112,901	(19,705)	(132,606)	*1*
Cost of sales	(115,599)	18,731	134,330	*1*
Impairment losses	(188,071)	(498,114)	(310,043)	*2*

Consolidated Statement of Financial Position

	2019 Unaudited Annual Results *HK'000*	**2019 Audited Annual Results** *HK'000*	**Difference** *HK'000*	*Notes*
Non-current assets				
Investment properties	27,806	18,278	(9,528)	*3*
Interests in associates	193,191	33,189	(160,002)	*4*
Current assets				
Inventories	214,104	324,386	110,282	*1*
Other receivables	493,147	362,829	(130,318)	*5*
Assets classified as held for sale	–	160,000	160,000	*4*
Current liabilities				
Financial guarantee contracts	–	255,849	(255,849)	*5*

Notes:

(1) The difference is mainly due to the reversal of the accumulated revenue recognised and cost of sales incurred in relation to two vessels ("Two Vessels") of approximately HK$75,754,000 and HK$129,046,000 during the year ended 31 December 2019. The cost incurred previously in relation to the Two Vessels had been recognised as inventories of the Group as at 31 December 2019.

(2) The difference is mainly due to the impairment loss recognised in respect of 1) goodwill of HK$104,733,000, 2) intangible assets of HK$65,500,000, 3) property, plant and equipment of HK$17,672,000 and 4) impairment losses under the expected credit loss model of HK$310,029,000.

(3) The difference is mainly due to the inclusion of trade receivables in investment properties by mistake.

(4) The difference is mainly due to the reclassification of interest in associates to assets classified as held for sales in relation to the interest in Zhejiang Ocean Leasing Company Limited.

(5) The difference is mainly due to the additional impairment loss recognised under the expected credit loss model.

Save as disclosed in this announcement, the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the 2019 Unaudited Annual Results Announcement remain unchanged

DIVIDEND

No dividends were paid or proposed for the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: 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 2019.

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 2019, 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.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its directors.

The Company has been looking for a suitable insurance policy to purchase in the market since the expiration of the previous insurance policy.

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 and special general meetings of the Company held on 21 June 2019 and 30 August 2019 and 25 October 2019 respectively due to their other business commitments. An executive Director chaired the annual general meeting and a special general meeting and a non-executive Director chaired a special general meeting 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.

As disclosed in the section "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out on pages 40 to 41 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.

The Group incurred a loss attributable to owners of the Company of approximately HK$1,088,011,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,585,009,000 and the Group had net liabilities of approximately HK$3,229,631,000, these conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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 to 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.

For more details regarding the uncertainties relating to going concern are disclosed in the session "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out on pages 40 to 41 of this announcement.

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 ended 31 December 2019.

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 discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters on 17 August 2020. The Audit Committee has also reviewed and discussed with the management about the announcement of the annual financial results of the Group for the year ended 31 December 2019.

PUBLICATION OF ANNUAL REPORT

The Company's 2019 annual report which contains the information required by the Listing Rules is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.irasia.com/listco/hk/chinaoceanindustry/.

BOARD OF DIRECTORS

The Board of the Company as at the date of the announcement comprises Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Zhang Chuanjun as executive directors 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, 17 August 2020

As at the date of this announcement, the Board of the Company comprises three executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Zhang Chuanjun; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.