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 2021

The board of directors (the "Board") of China Ocean Industry Group Limited (the "Company") announces the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021, together with comparative figures for the corresponding year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Revenue – Contracts with customers	*4*	**115,493**	50,648
Cost of sales		**(150,527)**	(218,899)
Gross loss		**(35,034)**	(168,251)
Other income	*5*	**544**	43,236
Other gains and losses	*6*	**(1,092)**	2,368
Loss on disposal of associates		**–**	(39,083)
Impairment losses recognised in respect of property, plant and equipment		**(13,051)**	(2,201)
Impairment losses under expected credit loss model, net of reversal		**(10,609)**	(49,444)

	Notes	2021 HK$'000	2020 HK$'000
Impairment loss recognised in respect of right-of-use assets		**–**	(3,507)
Change in fair values of investment properties		**60**	101
Selling and distribution expenses		**(4,949)**	(1,089)
Administrative expenses		**(75,298)**	(119,309)
Finance costs	*7*	**(253,361)**	(267,834)
Share of loss of associates		**(2,757)**	(7,535)
Loss before tax		**(395,547)**	(612,548)
Income tax credit	*8*	**–**	26,453
Loss for the year	*9*	**(395,547)**	(586,095)
Other comprehensive (expenses) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(66,803)**	(98,390)
Share of translation reserve of associates		**498**	(3,962)
Share of translation reserve of joint ventures		**148**	(346)
Release of translation reserve upon disposal of associates		**–**	19,099
Other comprehensive expenses for the year, net of income tax		**(66,157)**	(83,599)
Total comprehensive expenses for the year		**(461,704)**	(669,694)

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Loss for the year attributable to:			
– Owners of the Company		**(391,382)**	(581,993)
– Non-controlling interests		**(4,165)**	(4,102)
		(395,547)	(586,095)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(458,749)**	(666,050)
– Non-controlling interests		**(2,955)**	(3,644)
		(461,704)	(669,694)
Loss per share			
– Basic and diluted	*11*	**(HK$0.99)**	(HK$1.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**606**	13,966
Right-of-use assets		**275,602**	281,651
Investment properties		**15,165**	17,672
Interests in associates		**19,433**	21,692
Interests in joint ventures		**6,030**	5,882
Deferred tax asset		**132**	129
		316,968	340,992
CURRENT ASSETS			
Inventories		**48,772**	155,768
Trade receivables	*12*	**70,706**	83,330
Other receivables	*12*	**142,331**	152,060
Prepayment	*12*	**4,592**	27,222
Tax recoverable		**5,857**	5,713
Amounts due from associates		**332**	5,026
Financial assets at fair value through profit or loss		**13**	15
Restricted cash		**125**	664
Bank balances and cash		**6,552**	5,548
		279,280	435,346

	Notes	2021 HK$'000	2020 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*13*	**1,146,067**	1,053,158
Amounts due to a related party		**18**	18
Amounts due to directors		**62**	45,198
Borrowings		**3,426,165**	3,208,532
Lease liabilities		**834**	1,123
Amounts due to associates		**12,081**	11,274
Financial guarantee contracts		**347,613**	339,066
Convertible bonds payables		**10,219**	–
		4,943,059	4,658,369
NET CURRENT LIABILITIES		**(4,663,779)**	(4,223,023)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(4,346,811)**	(3,882,031)
CAPITAL AND RESERVES			
Share capital		**16,357**	13,637
Reserves		**(4,393,405)**	(3,938,936)
Equity attributable to owners of the Company		**(4,377,048)**	(3,925,299)
Non-controlling interests		**23,019**	25,974
TOTAL DEFICITS		**(4,354,029)**	(3,899,325)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	*13*	**5,426**	5,293
Lease liabilities		**1,792**	2,564
Convertible bonds payables – non-current portion		**–**	9,437
		7,218	17,294
		(4,346,811)	(3,882,031)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 828, 8/F., Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standards ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the 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.

2.1 *Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only.

Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[2]

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

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned in the consolidated financial statements, the directors of the Company (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.

3. **BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

For the year ended 31 December 2021, the Group reported a loss for the year attributable to owners of the Company of approximately HK$391,382,000 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$4,663,779,000 and HK$4,354,029,000 respectively.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2021. 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 2021 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.

4. REVENUE AND SEGMENT INFORMATION

For the year ended 31 December 2021

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	**10,575**	**13,288**	**91,630**	**115,493**
Timing of revenue recognition				
A point in time	**10,575**	**13,288**	**91,630**	**115,493**

For the year ended 31 December 2020

Disaggregation of revenue from contracts with customers

Segments	Intelligent car parking and automotive device business	Steel structure engineering and installation	Shipbuilding business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets				
The PRC	36,296	9,023	5,329	50,648
Timing of revenue recognition				
A point in time	36,296	9,023	5,329	50,648

Revenue from intelligent car parking and automotive device business and steel structure engineering and installation is recognised when the goods, including electronic devices, intelligent 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 ship repair services to customers. Revenue from ship repair services is recognised as a performance obligation at a point in time when the repair work of vessels was completed and satisfied by the customers.

The Group provides shipbuilding construction services to customers. Revenue from shipbuilding construction services 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 a 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 ship repair services 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 2021

	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	**91,630**	**–**	**–**	**10,575**	**13,288**	**115,493**
Segment result	**(204,356)**	**–**	**(34,479)**	**(107,874)**	**2,900**	**(343,809)**
Unallocated other gains and losses						**714**
Unallocated other income						**5**
Change in fair value of investment properties						**60**
Share of loss of associates						**(2,757)**
Unallocated impairment loss under expected credit loss model						**109**
Unallocated corporate expenses						**(7,263)**
Unallocated finance costs						**(42,606)**
Loss before tax						**(395,547)**

For the year ended 31 December 2020

	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	5,329	–	–	36,296	9,023	50,648
Segment result	(369,992)	–	(38,118)	(25,096)	1,767	(431,439)
Unallocated other gains and losses						1,967
Unallocated other income						10
Change in fair value of investment properties						101
Loss on disposal of associates						(39,083)
Impairment loss recognised in respect of right-of-use assets						(515)
Share of loss of associates						(7,535)
Unallocated impairment loss under expected credit loss model						(78,967)
Unallocated corporate expenses						(14,650)
Unallocated finance costs						(42,437)
Loss before tax						(612,548)

5. OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Government grants	**439**	465
Management fee income	**–**	524
Interests on bank deposits	**5**	10
Gain on early termination of lease	**–**	561
Rent concession of right-of-use assets	**–**	1,176
Gain on settlement of other borrowing	**–**	40,246
Others	**100**	254
	544	43,236

6. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**100**	806
Gain on settlement of other payables	**300**	–
Loss on disposal of investment property	**(1,362)**	(230)
Sales of scrap materials, net	**1,592**	–
Foreign exchange gain, net	**716**	1,964
Penalty charge	**(694)**	–
Change in fair value of financial assets mandatorily measured at fair value through profit or loss	**(2)**	3
Written off of property, plant and equipment	**(1,148)**	–
Others	**(594)**	(175)
	(1,092)	2,368

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Effective interest expense on convertible bonds	**1,892**	1,772
Overdue interests on convertible bonds	**23,678**	23,678
Interests on lease liabilities	**363**	562
Interests on borrowings	**224,676**	234,342
Guarantee fee incurred in connection with borrowings	**2,752**	7,480
	253,361	267,834

8. INCOME TAX CREDIT

	2021	2020
	HK$'000	*HK$'000*
Over-provision in prior year – PRC Enterprise Income tax	**–**	(54)
Deferred tax	**–**	(26,399)
	–	(26,453)

9. LOSS FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**2,651**	3,059
Other staff costs:		
– Salaries and other benefits	**13,681**	24,468
– Contributions to retirement benefits scheme	**3,986**	1,913
Total staff costs	**20,318**	29,440
Auditor's remuneration		
– Audit service	**1,150**	1,580
– Non-audit service	**420**	–
Cost of inventories recognised as an expense	**27,518**	38,865
Depreciation of property, plant and equipment	**2,571**	33,355
Depreciation of right-of-use assets	**7,526**	10,432
Shipbuilding contract costs recognised as cost of sales	**78,451**	–
Written-down of inventories recognised as cost of sales	**30,579**	171,674

10. DIVIDEND

No dividends were paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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:

	2021	2020
	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	**(391,382)**	(581,993)

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

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**396,625**	340,921

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables – contracts with customers	**79,433**	92,443
Less: Allowance for credit losses	**(8,727)**	(9,113)
Total trade receivables, net of allowance for credit losses *(Note)*	**70,706**	83,330
Deposit paid	**79,485**	77,529
Other receivables	**33,326**	28,606
Value-added tax recoverable	**55,936**	67,699
	168,747	173,834
Less: Allowance for credit losses	**(26,416)**	(21,774)
Other receivables, net of allowance for credit losses	**142,331**	152,060
Prepayment	**4,592**	27,222

Note:

As at 1 January 2020, trade receivables from contracts with customers amounted to approximately HK$69,920,000.

At 31 December 2021 and 31 December 2020, the Group's trade receivables include (1) trade receivables from intelligent car parking and automotive device business with average 90 days credit period; (2) retention receivables for intelligent car parking with range from one to two years under the respective terms of contract; and (3) trade receivables from steel structure engineering and installation with 30 days credit period.

At 31 December 2021 and 2020, trade receivables are non-interest bearing.

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:

	2021	2020
	HK$'000	*HK$'000*
0-90 days	**15,544**	39,045
More than 90 days but not exceeding one year	**9,888**	6,339
In more than one year	**45,274**	37,946
	70,706	83,330

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Consideration payable for acquisition of property, plant and equipment – non-current portion	**5,426**	5,293
Trade payables *(Note)*	**75,267**	81,452
Consideration payable for acquisition of leasehold land	**46,014**	44,882
Payable to guarantors	**61,618**	57,373
Contribution payables to labour union and education funds	**14,513**	14,156
Accrual of contractor fees	**21,126**	19,418
Accrual of government funds	**2,211**	2,247
Other payables and accruals	**925,318**	833,630
Trade and other payable – current portion	**1,146,067**	1,053,158

Note:

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:

	2021	2020
	HK$'000	*HK$'000*
0-30 days	**3,160**	6,067
31-60 days	**34**	319
61-90 days	**104**	1,015
Over 90 days	**71,969**	74,051
	75,267	81,452

Payment terms are generally 60 to 180 days (2020: 60 to 180 days).

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

14. COMPARATIVE FIGURES

During the year ended 31 December 2021, 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* *(Note)*	*HK$'000*
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Other gains and losses	2,365	3	2,368
Change in fair value of financial assets mandatorily measured at fair value through profit or loss	3	(3)	–

Note:

Change in fair value of financial assets mandatorily measured at fair value through profit or loss was reclassified to "other gains and losses".

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 2021 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 of loss on disposal of associates – Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") and its subsidiaries (collectively referred to as the "Zhejiang Ocean Group")

As disclosed in Note 24 to the consolidated financial statements, on 20 June 2020, the Group received a notice of conclusion of enforcement dated 16 June 2020 issued by the People's Court of Zhoushan City, Zhejiang Province (the "Zhoushan Court") pursuant to which the Zhoushan Court has ordered Merge Limited, a direct wholly-owned subsidiary of the Company to transfer its 20% equity interest in the Zhejiang Ocean Group to its creditor through Online Judicial Auction (the "Zhejiang Ocean Group Forced Transfer") in satisfaction of the outstanding sum owed to its creditor at a consideration of approximately RMB142,000,000. Upon completion of the Zhejiang Ocean Group Forced Transfer on 10 June 2020 (the "Zhejiang Ocean Group Disposal Date"), the Zhejiang Ocean Group was ceased to be accounted for the associates of the Group.

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 that we considered necessary in order to enable us to satisfy ourselves as to whether 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 the Zhejiang Ocean Group Disposal Date 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.

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 loss on disposal of the Zhejiang Ocean Group of approximately HK$39,083,000 and the release of translation reserve and other reserve of approximately HK$19,099,000 and HK$2,522,000 respectively for the year ended 31 December 2020 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 adjustment to the amount of the above found to be necessary would affect the Group's loss for the year ended 31 December 2020 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2021 was modified because of the possible effect of these matters on the comparability of the related current year figures and the corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

(b) Limitation of scope of inventories of shipbuilding business

As disclosed in Note 26 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 Arbitrators 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.

One of the Four Vessels (the "Unsold Vessel") could not be sold up to the date of this report. We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Unsold Vessel was stated at lower of cost and net realisable value.

During the course of our audit, we have not been able to obtain sufficient information and explanation from the management of the Group that we consider necessary in order to enable us to satisfy ourselves as to whether the Unsold Vessel with carrying value of approximately HK$27,132,000 and HK$27,816,000 included in the inventories, as at 31 December 2020 and 31 December 2021 respectively, were stated at the lower of cost and net realisable value. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to the valuation of the Unsold Vessel as at 31 December 2020 and 31 December 2021.

Any adjustment to inventories found to be necessary would affect the Group's net current liabilities and net liabilities as at 31 December 2020 and 31 December 2021, and the Group's loss for the year ended 31 December 2020 and 31 December 2021 and related disclosures to the consolidated financial statements.

(c) Material fundamental uncertainties relating to going concern

As described in Note 3 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$391,382,000 for the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,663,779,000 and the Group had net liabilities of approximately HK$4,354,029,000, in which total borrowings amounted to approximately HK$3,426,165,000, while its bank balances and cash amounted to approximately HK$6,552,000 only.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2021. 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 44(d) 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.

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 intelligent car-parking and automotive device business, shipbuilding business, steel structure engineering and installation business, trading and finance lease business.

In recent years, the Group has conducted several rounds of negotiations and consultations with the government, financial institutions and strategic partners in order to solve the debt crisis and lay foundation for asset revitalization and business recovery of its subsidiaries. Although the dawn has come, our shareholders still need to be as patient as we are. However, we are confident that the Company will gradually come out of the difficulties in the near future.

For the year ended 31 December 2021 (the "Year"), the Group recorded an external revenue of approximately HK$115.49 million (2020: HK$50.65 million), representing an increase of 128.03% over the last year, which was mainly due to revitalization of assets for shipbuilding business and implementation of subsequent construction services for customers who have acquired vessel assets.

During the year under review, the Group recorded gross loss of approximately HK$35.03 million (2020: HK$168.25 million). The significant decrease as compared with the last year was mainly due to the decrease in loss of shipbuilding business.

The Group's finance cost decreased from HK$267.83 million to HK$253.36 million, relatively the same level as of the last year.

In general, for the year ended 31 December 2021, the Group recorded loss attributable to owners of the Company of approximately HK$391.38 million (2020: HK$581.99 million), representing a decrease of 32.75% as compared with the last year.

SHIPBUILDING BUSINESS

The shipbuilding business recorded an external revenue of approximately HK$91.63 million (2020: HK$5.33 million) during the year under review.

The Four Vessels

As for the Rescinded Vessels, only remaining one of the four vessels as defined in 2020 annual results were unsold (the "Unsold Vessel"), of which has an interested buyer, and the financial institution that owns the right to mortgage is going through the relevant procedures.

INTELLIGENT CAR-PARKING AND AUTOMOTIVE DEVICE BUSINESS

During the year under review, the intelligent car-parking and automotive device business recorded an external revenue of approximately HK$10.58 million (2020: HK$36.30 million), representing a significant decrease as compared with the last year. The intelligent car-parking and automotive device business of the Group are in the period of adjustment. In particular, the automotive device business has encountered more difficulties and will be adjusted in line with the Group's development strategy.

STEEL STRUCTURE ENGINEERING AND INSTALLATION BUSINESS

During the year under review, the steel structure engineering and installation business recorded an external revenue of approximately HK$13.29 million (2020: HK$9.02 million), representing an increase of 47.27% as compared with the last year and accounting for a small proportion of our business. The Group will further attach importance to this segment and make redeployment for the segment in combination with the progress of the Group's asset restructuring.

IMPAIRMENTS

In view of continuous operating losses, the Group performed an impairment assessment as at 31 December 2021 in respect of property, plant and equipment. The carrying amount of property, plant and equipment exceeded their recoverable amount, resulting in an impairment loss on property, plant and equipment of approximately HK$13.05 million for the year ended 31 December 2021.

The Group performed assessment of expected credit loss ("ECL") for financial assets, including trade receivables, other receivables, finance lease receivables, pledged bank deposits and restricted cash, bank balances and cash and financial guarantee, as at 31 December 2021 and resulting in total impairment losses of approximately HK$10.61 million.

DISCLAIMER OPINION

Regarding the disclaimer opinion (a) and disclaimer opinion (b), based on the discussion with the Auditor, the Board considers, and the Auditor concur, that the disclaimers has been satisfactorily addressed and shall no longer be applicable to the Company's financial positions in the following manner:

The issues giving rise to disclaimer opinion (a) and disclaimer opinion (b) on the 2021 Annual Results was due to the Auditor's inability to obtain certain information in relation to (i) the valuation of the Unsold Vessel as at 31 December 2020; (ii) the accuracy of written down of inventories recognised in relation to shipbuilding business for the year ended 31 December 2020; and (iii) the amount of loss on disposal of the Zhejiang Ocean Group.

Regarding disclaimer opinion (a), there was modified audit opinion on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. Given that upon completion of the Zhejiang Ocean Group Forced Transfer on 10 June 2020, the Group ceased to hold any equity interest in Zhejiang Ocean Group and the Zhejiang Ocean Group was ceased to be accounted for the associates of the Group. There would be no more audit modification in respect of disclaimer opinion (a) on the Group's consolidated financial statements for the year ended 31 December 2022.

Regarding disclaimer opinion (b), there is only one of the Four Vessels (as defined in the 2020 Annual Results) being unsold (the "Unsold Vessel") as at the date of this submission. For the Unsold Vessel, Wuhan Maritime Court*（武漢海事法院）(the "Maritime Court") attempted but failed to sell the Unsold Vessel for three times in 2021 through public auction. Subsequently, on 6 May 2022, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.（江西江州聯合造船有限責任公司）entered into a letter of intent (as supplemented on 21 September 2022) with Jiangxi Province Hongrui Shipbuilding Co., Ltd.（江西省鴻瑞船舶製造有限公司）("Jiangxi Hongrui"), pursuant to which Jiangxi Hongrui intends to purchase and take delivery of the Unsold Vessel upon obtaining the approval from the Maritime Court and/or the secured creditor of the Unsold Vessel, i.e. Bank of China on or before 31 March 2023. Therefore, the Group is in the process in communicating with the Maritime Court and the secured creditor and the management of the Group expects it would be able to complete the disposal of the Unsold Vessel to Jiangxi Hongrui by the end of 2022. As communicated with the Auditor, in case the Unsold Vessel is sold as scheduled which could provide sufficient information and explanation to satisfy the Auditor regarding the issues giving rise to disclaimer opinion (b) and therefore be fully addressed, there would be audit modifications in respect of disclaimer opinion (b) remaining on the Group's consolidated financial statements for the year ended 31 December 2022 and on the comparative figures and related disclosures in the consolidated financial statements for the year ended 31 December 2023, but no more audit modification regarding such issue for the subsequent financial years.

As such, except for the audit modification regarding disclaimer opinion (b) on: (1) the consolidated financial statements of the Group for the year ending 31 December 2022, and (2) the comparative figures and related disclosures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2023, there would not be other audit modifications in respect of the matters referred to above. Accordingly, the issues giving rise to the disclaimer opinion (a) and disclaimer opinion (b) will no longer have any continuing effect on the Group's consolidated financial statements for the year ending 31 December 2024 and the subsequent years.

UNCERTAINTIES RELATING TO GOING CONCERN

For the year ended 31 December 2021, the Group reported a loss attributable to the owners of the Company of approximately HK$391.38 million. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,663.78 million and the Group had net liabilities of approximately HK$4,354.03 million, in which total borrowings amounted to approximately HK$3,426.17 million, its bank balances and cash were only approximately HK$6.55 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 2021.

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 2021, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$6.68 million (2020: HK$6.21 million) of which HK$0.10 million (2020: HK$0.66 million) was pledged; short-term borrowings of approximately HK$3,426.17 million (2020: HK$3,208.53 million); convertible bonds payable amounted to approximately HK$10.22 million (2020: HK$9.44 million) represented the carrying values of principal amount of approximately HK$12.57 million (2020: HK$11.79 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (0.79) (2020: (0.83)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

The Company conducted fundraising through issue of shares/convertible securities during the year ended 31 December 2021 was as follows:

2020 Subscription Agreement

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. The subscription agreements completed on 8 March 2021.

For more details, please refer to the announcements dated 10 March 2020, 17 March 2020, 9 April 2020, 15 May 2020, 5 June 2020, 19 June 2020, 10 July 2020, 31 July 2020, 31 August 2020, 30 September 2020, 30 October 2020, 30 November 2020, 15 January 2021 and 8 March 2021 respectively in relation to the subscription of the subscription shares under general mandate.

2020 Convertible Bonds

On 18 September 2020, the Company and the subscriber entered into the subscription agreement on substantially the same terms, pursuant to which the company conditionally agreed to issue, and the subscriber conditionally agreed to subscribe for, the convertible bond with an aggregate principal amount of HK$30 million due 2 years from the date of issue of the convertible bond at the conversion price of HK$0.1 per conversion share upon the completion. The subscription agreement had automatically lapsed on 30 April 2021.

For more details, please refer to the circular of the Company dated 26 February 2021 and the announcements of the Company dated 18 September 2020, 5 October 2020, 9 October 2020, 30 October 2020, 30 November 2020, 15 January 2021, 26 February 2021 and 30 April 2021 in relation to the subscription of convertible bond under specific mandate.

The following convertible securities/right to subscribe for convertible securities remained outstanding during the year ended 31 December 2021.

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 2020.

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 2021**		**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	7.64%	31,219,448	7.32%
Lead Dragon Limited *(Note 1)*	13,550,125	3.31%	13,550,125	3.18%
Mr. Zhang Shi Hong	242,750	0.06%	242,750	0.06%
Wise Benefit Investment Limited	0	0%	17,343,750	4.07%
Public Shareholders	363,908,648	88.99%	363,908,648	85.37%
Total:	408,920,971	100.00%	426,264,721	100.00%

Notes:

1. Lead Dragon Limited is wholly-owned by Mr. Li Ming, the chairman and an executive Director (resigned on 20 July 2021).

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 2021, HK$0.13 million (2020: HK$0.66 million) of deposits, HK$Nil (2020: HK$4.62 million) of property, plant and equipment, HK$129.56 million (2020: HK$132.43 million) of right-of-use assets and HK$27.82 million (2020: HK$104.93 million) of inventories 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 2021, the Company pledged the entire equity interest of a wholly-owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Ltd., to secure a bank borrowing with principal amounting to RMB105.51 million (2020: RMB105.51 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 2021, 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

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 230 employees as at 31 December 2021. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees in Hong Kong. Shares options may also be granted to eligible persons of the Group.

LITIGATION AND CONTINGENT LIABILITIES

As at 31 December 2021, material litigations and contingent liabilities are set out as follows:

(a) At 31 December 2021, 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 2021 of approximately HK$61,718,000 (equivalent to RMB50,589,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2020: approximately HK$60,438,000 (equivalent to RMB50,788,000)).

    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. The balances had not been settled at the date of this report.

(b) At 31 December 2021, 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 2021 of approximately HK$7,570,000 (equivalent to RMB6,205,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2020: approximately HK$6,703,000 (equivalent to RMB5,633,000)). The balances had not been settled at the date of this report.

(c) The Company had recognised the provision in relation to the litigations of approximately RMB1,744,763,000 (2020: RMB1,671,799,000) under "Trade and other payables" and "bank and other borrowings" in the consolidated statement of financial position as at 31 December 2021. The Directors are of the opinion that it is not probable that these claims would result in an outflow of economic benefits exceeding the provisions made by the Group. Details are set out as follows:

(i) 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 approximately RMB12,000,000. In 2019, the litigation was judged. The outstanding payable of the principal payment and the relevant interests of approximately RMB12,000,000 had not been settled at 31 December 2020 and 31 December 2021.

(ii) 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. In 2019, the litigation was judged and Jiangxi Shipbuilding was ordered to pay RMB4,535,000. The outstanding payable of service fees of approximately RMB3,470,000 (31 December 2020: RMB4,535,000) had not been settled at 31 December 2021.

(iii) In 2019, an guarantor filed litigation to the Intermediate People's Court of Wuhan City against Jiangxi Shipbuilding for outstanding liabilities, involving three litigation in the aggregated amounts of RMB210,845,000. At 31 December 2019, the litigation was not in trial yet. In 2020, one of the three litigation amount of approximately RMB41,000,000 was judged. The outstanding liabilities of RMB210,845,000 had not been settled at 31 December 2020 and 31 December 2021.

(iv) 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 approximately RMB36,096,000. At 31 December 2020, the litigation was judged and the outstanding liabilities of approximately RMB36,096,000 had not been settled at 31 December 2020 and 31 December 2021.

(v) In 2019, an independent third party filed litigation to the Intermediate People's Court of Jiangxi Jiujiang City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB325,408,000 (31 December 2020: RMB360,484,000) had not been settled at 31 December 2021.

(vi) In 2019, a bank filed litigation to the High People's Court of Jiangxi City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB172,775,000 (31 December 2020: RMB201,552,000) had not been settled at 31 December 2021.

(vii) In 2019, a bank filed litigation to the High People's Court of Jiangxi City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB195,679,000 had not been settled at 31 December 2020 and 31 December 2021.

(viii) In 2019, a bank filed litigation to the People's Court of Ruichang City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB11,720,000 had not been settled at 31 December 2020 and 31 December 2021.

(ix) In 2019, a bank filed litigation to the People's Court of Ruichang City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB16,556,000 had not been settled at 31 December 2020 and 31 December 2021.

(x) In 2019, a bank filed litigation to the Intermediate People's Court of Jiangxi Nanchang City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB51,378,000 had not been settled at 31 December 2020 and 31 December 2021.

(xi) In 2020, a bank filed litigation to the Intermediate People's Court of Jiujiang City against JiuJiang Jinhu for outstanding borrowings. At 31 December 2020, the litigation was judged. The outstanding payable of approximately RMB57,246,000 had not been settled at 31 December 2020 and 31 December 2021.

(xii) In 2019, a bank filed litigation to the High People's Court of Jiangxi City against China Ocean Industry (Shenzhen) Financial Leasing Company Limited for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB89,775,000 had not been settled at 31 December 2020 and 31 December 2021.

(xiii) In 2019, a bank filed litigation to the High People's Court of Jiangxi City against Shandong Dereton Automotive Parking Equipment Co. Ltd (Jiangxi Branch), Shandong Dereton Automotive Parking Equipment Co., Ltd and Jiangxi Shipbuilding for outstanding borrowings of approximately RMB53,933,000. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB53,933,000 had not been settled at 31 December 2020 and 31 December 2021.

(xiv) In 2019, a bank filed litigation to the High People's Court of Jiangxi City against China Ocean Industry (Shenzhen) Financial Leasing Company Limited for outstanding borrowings. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB370,000,000 had not been settled at 31 December 2020 and 31 December 2021.

(xv) In 2021, a bank filed litigation to the Intermediate People's Court of Jiangxi Jiujiang City against Jiangxi Shipbuilding for outstanding borrowings. At 31 December 2021, the litigation was judged. The outstanding payable of approximately RMB137,882,000 had not been settled at 31 December 2021.

(d) 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, 19 June 2020, 5 October 2020, 11 January 2021, 30 March 2021, 26 April 2021, 6 July 2021, 15 December 2021, 31 January 2022, 31 March 2022, 19 April 2022 and 16 May 2022 and has been adjourned to 13 June 2022 (the "Hearing Date").

The court hearing held on 13 June 2022, the judge ordered that the Petition be dismissed.

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, 19 June 2020, 5 October 2020, 11 January 2021, 30 March 2021, 26 April 2021, 6 July 2021, 15 December 2021, 31 January 2022, 31 March 2022, 19 April 2022, 16 May 2022 and 13 June 2022.

Save as disclosed above, the Directors are of the opinion that the Group has no other material pending litigations and contingent liabilities at 31 December 2021.

CAPITAL COMMITMENTS

	2021	2020
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the associates	**44,042**	42,959
Unpaid registered capital for the subsidiaries	**441,274**	429,233
Unpaid registered capital for a joint venture	**122,000**	119,000
	607,316	591,192

EVENTS AFTER THE REPORTING PERIOD

As disclosed under the section headed "LITIGATION AND CONTINGENT LIABILITIES" in respect of the winding up petition, the count hearing held on 13 June 2022, the judge ordered that the Petition be dismissed.

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 complex international and domestic economic situation has raised new and severe challenges to each enterprise. Over the years, the Company's path to survival has been filled with difficulties, but we never give up. Until now, the business restructuring centered on shipbuilding assets is underway. We look forward to an upturn of the real economy in the future, a revitalization of the Company's assets, and a soon travel light by the Company. There will be never plain sailing ahead, but we will forge ahead with perseverance.

DIVIDEND

No dividends were paid or proposed for the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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 2021.

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 2021, 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 special general meeting of the Company held on 18 March 2021 due to their other business commitments. An executive Director chaired the annual 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.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual for a balance of power and authority. Mr. Zhang Shi Hong is the chairman of the Board and chief executive officer of the Company. He has considerable experience in the shipbuilding related industry. The Board considers that this situation will not impair the balance of power and authority between the Board and the management of the Company because the balance of power and authority is governed by the operations of the Board which comprises experienced and high caliber individuals with demonstrated integrity. Furthermore, decisions of the Board are made by way of majority votes. The Board believes that this structure is conducive to a more precise and more promptly response to the fast changing business environment and a more efficient management and implementation of business process. The Board also considers that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

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 29 to 31 the Group's ability to continue as a going concern is in doubt 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$391.38 million for the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,663.78 million and the Group had net liabilities of approximately HK$4,354.03 million, in which total borrowings amounted to approximately HK$3,426.17 million, 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 materialized, 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 section "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out on pages 29 to 31 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 2021.

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 29 September 2022. 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 2021.

PUBLICATION OF ANNUAL REPORT

The Company's 2021 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. Zhang Shi Hong and Mr. Zhang Chuanjun as executive directors, Mr. Ding Lei as non-executive director and Mr. Hu Bai He, Ms. Xiang Siying and Ms. Xiang Ying as independent non-executive directors.

By order of the Board
ZHANG Shi Hong
Chairman

Hong Kong, 29 September 2022

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