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 2020

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 2020, together with comparative figures for the corresponding year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue – Contracts with customers	4	**50,648**	(19,705)
Cost of sales		**(218,899)**	18,731
Gross loss		**(168,251)**	(974)
Other income	5	**43,236**	9,880
Other gains and losses	6	**2,365**	(20,162)
Change in fair value of financial assets mandatorily measured at fair value through profit or loss		**3**	(20)
(Loss) gain on disposal of associates		**(39,083)**	66,408
Loss on deconsolidation of subsidiaries		**–**	(142,513)

	Notes	2020 HK$'000	2019 HK$'000
Impairment losses recognised in respect of property, plant and equipment		**(2,201)**	(17,672)
Impairment losses recognised in respect of goodwill		**–**	(104,733)
Impairment loss recognised in respect of intangible assets		**–**	(65,500)
Impairment losses under expected credit loss model	*7*	**(49,444)**	(310,209)
Impairment loss recognised in respect of right-of-use assets		**(3,507)**	–
Change in fair values of investment properties		**101**	(2,853)
Selling and distribution expenses		**(1,089)**	(2,333)
Administrative expenses		**(119,309)**	(189,183)
Finance costs	*8*	**(267,834)**	(359,390)
Share of loss of associates		**(7,535)**	(183)
Share of profit of joint ventures		**–**	130
Loss before tax		**(612,548)**	(1,139,307)
Income tax credit	*9*	**26,453**	38,570
Loss for the year	*10*	**(586,095)**	(1,100,737)
Other comprehensive (expenses) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(98,390)**	58,114
Share of translation reserve of associates		**(3,962)**	(7,722)
Share of translation reserve of joint ventures		**(346)**	(125)
Release of translation reserve upon deconsolidation of subsidiaries		**–**	5,181
Release of translation reserve upon disposal of associates		**19,099**	1,302

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Other comprehensive (expenses) income for the year, net of income tax		**(83,599)**	56,750
Total comprehensive expenses for the year		**(669,694)**	(1,043,987)
Loss for the year attributable to:			
– Owners of the Company		**(581,993)**	(1,088,011)
– Non-controlling interests		**(4,102)**	(12,726)
		(586,095)	(1,100,737)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(666,050)**	(1,031,540)
– Non-controlling interests		**(3,644)**	(12,447)
		(669,694)	(1,043,987)
Loss per share			
– Basic and diluted	*12*	**(HK$1.71)**	(HK$3.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020	2019
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,966**	46,176
Right-of-use assets		**281,651**	293,060
Investment properties		**17,672**	18,278
Interests in associates		**21,692**	33,189
Interests in joint ventures		**5,882**	5,536
Deferred tax asset		**129**	121
		340,992	396,360
CURRENT ASSETS			
Inventories		**155,768**	324,386
Trade receivables	*13*	**83,330**	69,920
Other receivables	*13*	**152,060**	362,829
Prepayment	*13*	**27,222**	29,902
Tax recoverable		**5,713**	5,031
Amounts due from associates		**5,026**	10,726
Financial assets at fair value through profit or loss		**15**	12
Restricted cash		**664**	592
Bank balances and cash		**5,548**	9,349
		435,346	812,747
Assets classified as held for sale		**–**	160,000
		435,346	972,747

	Notes	2020 HK$'000	2019 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*14*	**1,053,158**	1,012,702
Amounts due to a related party		**18**	28
Amounts due to directors		**45,198**	31,719
Borrowings		**3,208,532**	3,235,678
Lease liabilities		**1,123**	8,175
Amounts due to associates		**11,274**	12,363
Provision for warranty		**–**	1,242
Financial guarantee contracts		**339,066**	255,849
		4,658,369	4,557,756
NET CURRENT LIABILITIES		**(4,223,023)**	(3,585,009)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,882,031)**	(3,188,649)
CAPITAL AND RESERVES			
Share capital		**13,637**	13,637
Reserves		**(3,938,936)**	(3,490,259)
Equity attributable to owners of the Company		**(3,925,299)**	(3,476,622)
Non-controlling interests		**25,974**	246,991
TOTAL DEFICITS		**(3,899,325)**	(3,229,631)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	*14*	**5,293**	4,982
Lease liabilities		**2,564**	842
Convertible bonds payables – non-current portion		**9,437**	8,775
Deferred tax liabilities		**–**	26,383
		17,294	40,982
		(3,882,031)	(3,188,649)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to Hong Kong Accounting Standards ("HKAS") 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKAS 16 Covid-19-Related Rent Concessions.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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 Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from 2 months waiver of lease payments on office lease. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK$1,176,000, which has been recognised as variable lease payments in profit or loss for the current year.

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[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
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 January 2023.

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

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 2021.

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

Except for the new and amendments to HKFRSs mentioned below, 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 directors of the Company (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 2020, the Group reported a loss for the year attributable to owners of the Company of approximately HK$581,993,000, and as at that date, the Group had net current liabilities and net liabilities of approximately HK$4,223,023,000 and HK$3,899,325,000, respectively.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2020. 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 2020 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 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**

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	17,422	47,439
Over time	–	–	(67,144)	(67,144)
Total	7,567	22,450	(49,722)	(19,705)

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 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						**1,964**
Unallocated other income						**10**
Change in fair value of financial assets mandatorily measured at FVTPL						**3**
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)**

Segment revenue and results

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)
Change in fair value of investment properties						(2,853)
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						(18,861)
Unallocated finance costs						(47,432)
Loss before tax						(1,139,307)

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Government grants	**465**	495
Management fee income	**524**	4,997
Interests on bank deposits	**10**	32
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	**254**	4,356
	43,236	9,880

6. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment	**806**	(3,625)
Loss on disposal of investment property	**(230)**	–
Sales of scrap materials	**–**	(5,109)
Foreign exchange gain (loss), net	**1,964**	(6,657)
Penalty arising from litigation	**–**	(405)
Compensation paid to suppliers	**–**	(2,667)
Others	**(175)**	(1,699)
	2,365	(20,162)

7. IMPAIRMENT LOSSES UNDER ECL MODEL

	2020	2019
	HK$'000	*HK$'000*
Impairment losses (reversed) recognised on:		
– trade receivables	**1,400**	6,505
– other receivables	**(31,072)**	41,846
– amounts due from associates	**96**	99
– finance lease receivables	**–**	3,625
– financial guarantee contracts	**79,020**	258,134
	49,444	310,209

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Effect interest expense on convertible bonds	**1,772**	37,402
Overdue interests on convertible bonds	**23,678**	–
Interests on lease liabilities	**562**	6,785
Interests on borrowings	**234,342**	268,905
Guarantee fee and fund management fee incurred in connection with borrowings	**7,480**	46,298
	267,834	359,390

9. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax	**–**	13
Over-provision in prior year – PRC Enterprise Income Tax	**(54)**	–
Deferred tax	**(26,399)**	(38,583)
	(26,453)	(38,570)

10. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**3,059**	5,983
Other staff costs:		
– Salaries and other benefits	**24,468**	20,927
– Contributions to retirement benefits scheme	**1,913**	6,250
Total staff costs	**29,440**	33,160
Auditor's remuneration		
– Audit service	**1,580**	1,700
– Non-audit service	**–**	600
Cost of inventories recognised as an expense	**38,865**	54,403
Depreciation of property, plant and equipment	**33,355**	41,022
Depreciation of right-of-use assets	**10,432**	16,576
Amortisation of intangible assets	**–**	37,130
Shipbuilding contract costs recognised as cost of sales	**–**	(63,201)
Written-down of inventories recognised as cost of sales	**171,674**	–

11. DIVIDEND

No dividends were paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

12. 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:

	2020	2019
	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	**(581,993)**	(1,088,011)

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

	2020	2019
	HK$'000	*HK$'000*
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 2020 and 2019 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.

13. TRADE RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT

	2020	2019
	HK$'000	*HK$'000*
Trade receivables – contracts with customers	**92,443**	77,155
Less: Allowance for credit losses	**(9,113)**	(7,235)
Total trade receivables, net of allowance for credit losses *(Note a)*	**83,330**	69,920
Deposit paid	**77,529**	80,420
Other receivables	**28,606**	261,640
Value-added tax recoverable	**67,699**	73,222
	173,834	415,282
Less: Allowance for credit losses	**(21,774)**	(52,453)
Other receivables, net of allowance for credit losses	**152,060**	362,829
Prepayment	**27,222**	29,902

Notes:

(a) As at 1 January 2019, trade receivables from contracts with customers amounted to approximately HK$182,272,000.

At 31 December 2020 and 31 December 2019, 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 2020, trade receivables are non-interest bearing.

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 which bear interest rate of 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:

	2020	2019
	HK$'000	*HK$'000*
0-90 days	**39,045**	16,181
More than 90 days but not exceeding one year	**6,339**	–
In more than one year	**37,946**	53,739
	83,330	69,920

14. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Consideration payable for acquisition of property, plant and equipment – non-current portion	**5,293**	4,982
Trade payables	**81,452**	70,478
Consideration payable for acquisition of leasehold land	**44,882**	42,242
Payable to guarantors	**57,373**	46,584
Contribution payables to labour union and education funds	**14,156**	13,323
Accrual of contractor fees	**19,418**	12,908
Accrual of government funds	**2,247**	2,115
Other payables and accruals	**833,630**	825,052
Trade and other payable – current portion	**1,053,158**	1,012,702

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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**6,067**	76
31 – 60 days	**319**	929
61 – 90 days	**1,015**	6
Over 90 days	**74,051**	69,467
	81,452	70,478

Payment terms are generally 60 to 180 days (2019: 60 to 180 days).

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

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 2020 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) Limitations of scope on opening balances, comparative figures and related disclosures

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2019 (the "2019 Financial Statements"), which form the basis for the comparative figures presented in the consolidated financial statements for the year ended 31 December 2019, was disclaimed by us because of the significance of the possible effect of the limitations of scope as follows:

(i) Limitation of scope of cost of sales and 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.

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 ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 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 and the consolidated statement of financial position.

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

As disclosed in Notes 24 and 39 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 2019 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 found to be necessary would affect the Group's net liabilities as at 31 December 2019 and the Group's loss and other comprehensive income for the year ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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 and the consolidated statement of financial position.

(iii) Limitation of scope on share of loss and gain on disposal of an associate – Nantong Xiangyu Ocean Equipment Company Limited ("Nantong Xiangyu")

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

The books and records of Nantong Xiangyu were not made available to the Group's management subsequent to the Nantong Xiangyu 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 Xiangyu 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 Xiangyu 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 Xiangyu as at the Nantong Xiangyu 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 Xiangyu 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 adjustment to the amount of the above found to be necessary would affect the Group's loss and other comprehensive income for the year ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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.

(iv) 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 40 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 People's Court of Rugao City, Jiangsu Province (the "Rugao Court") in which the Rugao 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 Rugao Court held, among other things, Nantong Huakai bankrupt. On 26 December 2019, the Rugao 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 found to be necessary would affect the Group's loss and other comprehensive income for the year ended 31 December 2019, and the related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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.

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

During the course of our audit, 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.

Any adjustment to the amount of the above impairment loss and amortisation found to be necessary would affect the Group's loss for the year ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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.

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

During the course of our audit, 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 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.

Any adjustment to the amount of the above impairment loss and depreciation found to be necessary would affect the Group's loss for the year ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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.

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

During the course of our audit, 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.

Any adjustment to the amount of the above impairment loss on financial assets would affect the Group's loss for the year ended 31 December 2019 and related disclosures to the consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 December 2020 was modified because of the possible effect of this matter 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, 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 realizable 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 (i) whether the Unsold Vessel with carrying value of approximately HK$27,132,000 included in the inventories was stated at the lower of cost and net realisable value; and (ii) whether the written down of inventories of approximately HK$171,674,000, were accurately provided. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to (i) the valuation of the Unsold Vessel as at 31 December 2020; and (ii) accuracy of written down of inventories recognised in relation to shipbuilding business for the year ended 31 December 2020.

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 the Group's loss for the year ended 31 December 2020 and related disclosures to the consolidated financial statements.

(c) Limitation of scope of loss on disposal of associates – 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.

(d) 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$581,993,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,223,023,000 and the Group had net liabilities of approximately HK$3,899,325,000, in which total borrowings amounted to approximately HK$3,208,532,000, while its bank balances and cash amounted to approximately HK$5,548,000 only.

In additions, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates as at 31 December 2020. 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.

As explained in Note 3 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 device business, shipbuilding business, steel structure engineering and installation business, trading and finance lease business.

Due to the heavy historical burden of the Group's main shipbuilding business and the unfavorable impact of the slow progress in debt restructuring, the Group and its main business segments have faced increased lawsuits, and all businesses have been severely impacted. Considering the influence of various unfavorable factors, the Group has actively sought support from all parties, and continued to focus on the revitalization of shipbuilding assets and the restructuring of debts. At the same time, the Group has taken initiative to communicate with creditors so as to resolve the winding up petition faced by the Company and create conditions for the Company to maintain its listing status.

Given the impact of the COVID-19 epidemic, the timeliness of the Company's communication with all parties has also been affected.

For the year ended 31 December 2020 (the "Year"), the Group recorded an external revenue of HK$50.65 million (2019: debit balance of HK$19.71 million).

During the year under review, the Group recorded gross loss of HK$168.25 million (2019: HK$0.97 million), the significant increase as compared to last year, was mainly due to the increase in the loss of shipbuilding business.

The Group's finance cost decreased from HK$359.39 million to HK$267.83 million, mainly due to the decrease in interests and guarantee fee in connection with borrowings.

In general, for the year ended 31 December 2020, the Group recorded a loss attributable to owners of the Company of approximately HK$581.99 million (2019: HK$1,088.01 million), representing a substantial decrease as compared to last year, was mainly due to the decrease in administrative expenses, finance costs and impairment losses although the significant increased gross loss was recorded having the adverse impacts on the financial results.

SHIPBUILDING BUSINESS

The shipbuilding business recorded an external revenue of HK$5.33 million (2019: debit balance of HK$49.72 million) during the year under review.

The Six Vessels

In relation to the six vessels, five of them have been sold, and the remaining one has been identified prospective purchaser after three rounds of judicial disposal.

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.

INTELLIGENT CAR-PARKING AND AUTOMOTIVE DEVICE BUSINESS

For the year ended 31 December 2020, the intelligent car-parking and automotive device business recorded an external revenue of HK$36.30 million (2019: HK$7.57 million), representing an increase of 379.66% as compared to last year. The intelligent car-parking and automotive device business of the Group has been greatly affected by the litigation of associates. The Group has continued to adopt various measures to maintain its operations, such as closing part of the production facilities and reducing the number of employees to scale down the business of this segment. The increased revenue was due to several projects finished in 2019 but the check and approve process was completed in 2020.

FINANCE LEASING BUSINESS

A finance lease company, Zhejiang Ocean, established in Zhoushan jointly by the Group and an investment platform company of the government, composed of the largest contribution to the Group in this business segment, was forced to transfer the equity interest by the court in June 2020, which was disclosed under the section headed "Forced Transfer of Equity Interest in Associated Company". In view of the current situation, the Group may consider to quit this business segment.

IMPAIRMENTS

In view of continuous operating losses, the Group performed an impairment assessment as at 31 December 2020 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$2.20 million and HK$3.51 million, respectively for the year ended 31 December 2020.

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 2020 and resulting in total impairment losses of approximately HK$49.44 million.

UNCERTAINTIES RELATING TO GOING CONCERN

For the year ended 31 December 2020, the Group reported a loss attributable to the owners of the Company of approximately HK$581.99 million. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,223.02 million and the Group had net liabilities of approximately HK$3,899.33 million, in which total borrowings amounted to approximately HK$3,208.53 million, its bank balances and cash were only approximately HK$5.55 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 2020.

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 2020, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$6.21 million (2019: HK$9.94 million) of which HK$0.70 million (2019: HK$0.60 million) was pledged; short-term borrowings of HK$3,208.53 million (2019: HK$3,235.68 million); convertible bonds payable amounted to approximately HK$9.44 million (2019: HK$8.78 million) represented the carrying values of principal amount of HK$11.79 million (2019: HK$11.13 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (0.83) (2019: (1.01)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

The Company conducted fundraisings through issue of shares/convertible securities during the year ended 31 December 2020 but not yet completed are as follows:

2020 Subscription Agreement

On 10 March 2020, the Company has entered into the subscription agreements, on substantially the same terms (save for the subscription amounts and the number of subscription shares subscribed by each of the subscribers), with each of the subscribers respectively, pursuant to the which, the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 68,000,000 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$7,140,000, representing: (1) approximately 19.95% of the existing total number of issued shares of 340,920,971 shares as at the date of the subscription agreements; and (2) approximately 16.63% of the enlarged total number of issued Shares of 408,920,971 shares immediately following completion, assuming that there will be no change in the total number of issued shares (other than the issue of the subscription shares) between the date of the subscription agreements and completion. 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$30,000,000 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 2020.

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.

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 2020**		**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	242,750	0.07%	242,750	0.06%
Wise Benefit Investment Limited	0	0%	17,343,750	4.84%
Public Shareholders	295,908,648	86.80%	295,908,648	82.61%
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 (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 2020, HK$0.7 million (2019: HK$0.6 million) of deposits, HK$4.62 million (2019: HK$26.04 million) of property, plant and equipment, HK$137.41 million (2019: HK$139.2 million) of right-of-use assets and HK$104.93 million (2019: HK$269.93 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 2020, 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 amounting to RMB111.78 million (2019: 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 2020, 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 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.

Acquisition of issued shares of subsidiary

On 30 October 2020, China Ocean Shipbuilding Holdings Limited ("Purchaser"), a wholly owned subsidiary of the Company, and NIBO Trading Company Limited ("Vendor"), entered into an acquisition agreement ("Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the issued shares of China Ocean Shipbuilding (Hong Kong) Limited ("China Ocean HK"), representing 40% of the total number of issued shares of China Ocean HK ("Sale Shares"), at a consideration of RMB1.00. After completion of the acquisition, China Ocean HK became an indirect wholly owned subsidiary of the Company.

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 290 employees as at 31 December 2020. 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 2020, material litigations and contingent liabilities are set out as follows:

(a) At 31 December 2020, 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 2020 of approximately HK$60,438,000 (equivalent to RMB50,788,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2019: approximately HK$59,457,000 (equivalent to RMB53,086,000)).

    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 2020, 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 2020 of approximately HK$6,703,000 (equivalent to RMB5,633,000) in aggregate, were recorded as "Trade and other payables" in the consolidated statement of financial position (2019: approximately HK$6,445,000 (equivalent to RMB5,755,000)). 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 RMB1,301,799,000 (2019: RMB1,566,094,000) under "Trade and other payables" and "bank and other borrowings" in the consolidated statement of financial position as at 31 December 2020. 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 Intermediate People's Court of Nantong City against Nantong Huakai for outstanding liabilities. At 31 December 2018, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB37,478,000 in aggregate. During the year ended 31 December 2019, upon deconsolidation of Nantong Huakai (Note 40), the Group no longer has obligation arising from this litigation.

(ii) In 2018, a supplier filed litigation to the Rugao Court against Nantong Huakai for outstanding liabilities. At 31 December 2018, the litigation was mediated and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB48,000,000 in aggregate. During the year ended 31 December 2019, upon deconsolidation of Nantong Huakai (Note 40), the Group no longer has obligation arising from this litigation.

(iii) In 2018, a supplier filed litigation to the People's Court of Chongchuan District against Nantong Huakai for outstanding liabilities. At 31 December 2018, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB8,400,000 in aggregate. During the year ended 31 December 2019, upon deconsolidation of Nantong Huakai (Note 40), the Group no longer has obligation arising from this litigation.

(iv) In 2018, a supplier filed litigation to the Intermediate People's Court of Shenyang City against Nantong Huakai for outstanding liabilities. At 31 December 2018, the litigation was judged and the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB5,000,000 in aggregate. During the year ended 31 December 2019, upon deconsolidation of Nantong Huakai (Note 40), the Group no longer has obligation arising from this litigation.

(v) 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 approximately RMB257,611,000. In 2019, the litigation was judged. As at 31 December 2020, the conditions of the Settlement Agreement had been completed and the Settlement Sum had been paid by the Group (Note 25(b)). The Group no longer has obligation arising from this litigation.

(vi) In 2018, a shipbuilding administrator filed litigation to the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and Jiujiang Jinhu for bankruptcy revocation, involving litigation amounts of approximately RMB63,930,000. In 2019, the litigation was judged. As at 31 December 2020, the conditions of the Settlement Agreement had been completed and the Settlement Sum had been paid by the Group (Note 25(b)). The Group no longer has obligation arising from this litigation.

(vii) 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 2019 and 31 December 2020.

(viii) 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 RMB4,535,000 had not been settled at 31 December 2019 and 31 December 2020.

(ix) 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.

(x) 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.

(xi) 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 RMB360,484,000 had not been settled at 31 December 2019 and 31 December 2020.

(xii) 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 RMB201,552,000 had not been settled at 31 December 2019 and 31 December 2020.

(xiii) 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 2019 and 31 December 2020.

(xiv) 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 2019 and 31 December 2020.

(xv) 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 2019 and 31 December 2020.

(xvi) 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 2019 and 31 December 2020.

(xvii) In 2020, a bank filed litigation to the Intermediate People's Court of Jiujiang City against JiuJiang Jinhu Equipment Manufacturing Company Limited 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.

(xviii) 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 2019 and 31 December 2020.

(xix) 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, by applying to freeze the same amount of bank accounts and assets of Shandong Dereton Automotive Parking Equipment Co. Ltd (Jiangxi Branch), Shandong Dereton Automotive Parking Equipment Co. Ltd and Jiangxi Shipbuilding in order to preserve the assets in the dispute. At 31 December 2019, the litigation was judged. The outstanding payable of approximately RMB53,933,000 had not been settled at 31 December 2019 and 31 December 2020.

(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 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.

(e) 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 securitisation 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 Limited shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 during the year ended 31 December 2019.

As at 31 December 2020, the counter guarantee agreement was expired and Merge Limited was released from the guarantee.

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 2020.

CAPITAL COMMITMENTS

	2020	2019
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the associates	**42,959**	80,845
Unpaid registered capital for the subsidiaries	**429,233**	397,264
Unpaid registered capital for a joint venture	**119,000**	112,000
	591,192	590,109

EVENTS AFTER THE REPORTING PERIOD

The 2020 Subscription Agreements under the section headed "FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS" had completed and the shares issued on 8 March 2021. For more details, please refer to the announcements of the Company dated 15 January 2021 and 8 March 2021 respectively in relation to the subscription of the subscription shares under general mandate.

The 2020 Convertible Bond under the section headed "FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS" has 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 15 January 2021, 26 February 2021 and 30 April 2021 in relation to the subscription of 2020 Convertible Bonds under specific mandate.

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

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

We believe that China's support for the real economy will last for a long-term period. The Group will actively maintain communication and negotiation with all parties, and continue to restructure its historical debts around asset integration and the extension of related industries by utilizing various supportive policies, so as to create conditions to maintain and develop the Group's manufacturing-based business.

DIVIDEND

No dividends were paid or proposed for the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: 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 2020.

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 2020, 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 of the Company held on 18 September 2020 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.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 33 to 34 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$581,993,000 for the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$4,223,023,000 and the Group had net liabilities of approximately HK$3,899,325,000, 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 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 33 to 34 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 2020.

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 5 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 2020.

PUBLICATION OF ANNUAL REPORT

The Company's 2020 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, 5 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.