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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of China Ocean Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group") has not been completed. In the meantime, the board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year 2018:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*	**112,901**	(468,032)
Cost of sales		**(115,599)**	110,573
Gross loss		**(2,698)**	(357,459)
Other income		**15,820**	9,901
Other gains and losses		**(7,452)**	(3,812)
Loss from change in fair value of financial assets mandatorily measured at fair value through profit or loss		**(20)**	(22)
Loss on deconsolidation of subsidiaries		**(142,779)**	–
Gain on disposal of an associate		**60,568**	–
Selling and distribution expenses		**(2,385)**	(7,433)
Administrative expenses		**(176,889)**	(220,616)
Impairment losses		**(188,071)**	(215,740)
Finance costs	*5*	**(360,894)**	(271,841)
Share of loss of associates		**(183)**	(35,092)
Share of profit (loss) of joint ventures		**130**	(472,152)

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* (Audited)
Loss before tax		**(804,853)**	(1,574,266)
Income tax credit	*6*	**35,818**	27,556
Loss for the year	*7*	**(769,035)**	(1,546,710)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**49,966**	58,114
Share of translation reserve of associates		**(7,722)**	(13,733)
Share of translation reserve of joint ventures		**(125)**	(8,297)
Other comprehensive income for the year, net of income tax		**42,119**	36,084
Total comprehensive expenses for the year		**(726,916)**	(1,510,626)
Loss for the year attributable to:			
– Owners of the Company		**(761,857)**	(1,545,435)
– Non-controlling interests		**(7,178)**	(1,275)
		(769,035)	(1,546,710)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(719,686)**	(1,509,693)
– Non-controlling interests		**(7,230)**	(933)
		(726,916)	(1,510,626)
			(Restated)
Loss per share			
– Basic and diluted	*8*	**(HK$2.23)**	(HK$4.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**64,638**	442,726
Investment properties		**27,806**	21,914
Prepaid lease payments – non-current portion		**–**	349,822
Right-of-use assets		**294,781**	–
Goodwill		**–**	103,156
Intangible assets		**–**	116,872
Interests in associates		**193,191**	201,094
Interests in joint ventures		**5,536**	5,531
Equity instruments at fair value through other comprehensive income		**–**	23,598
Amount due from an associate – non-current portion		**2,904**	5,805
Deferred tax asset		**121**	459
		588,977	1,270,977
CURRENT ASSETS			
Inventories		**214,104**	327,173
Trade receivables	*10*	**77,444**	182,272
Contract assets		**31,444**	90,328
Other receivables		**493,147**	748,467
Prepayment		**86,615**	191,751
Tax recoverable		**8,951**	6,007
Amount due from an associate		**4,952**	4,560
Prepaid lease payments		**–**	9,142
Financial assets at fair value through profit or loss		**12**	32
Finance lease receivables		**3,630**	3,695
Pledged bank deposits and restricted cash		**–**	2,265
Bank balances and cash		**10,396**	10,005
		930,695	1,575,697

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,065,492**	1,357,228
Amounts due to related parties		**307**	721
Amounts due to directors		**30,773**	21,925
Borrowings		**3,159,627**	3,385,253
Amounts due to associates		**65,287**	16,920
Lease liabilities – current portion		**50,132**	–
Provision for warranty		**759**	2,034
Convertible bonds payables		**11,100**	168,138
		4,383,477	4,952,219
NET CURRENT LIABILITIES		**(3,452,782)**	(3,376,522)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,863,805)**	(2,105,545)
CAPITAL AND RESERVES			
Share capital		**13,637**	681,842
Reserves		**(3,171,517)**	(3,120,036)
Equity attributable to owners of the Company		**(3,157,880)**	(2,438,194)
Non-controlling interests		**252,208**	259,438
TOTAL DEFICITS		**(2,905,672)**	(2,178,756)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	*11*	**4,982**	5,070
Lease liabilities – non-current portion		**595**	–
Deferred tax liabilities		**36,290**	68,141
		41,867	73,211
		(2,863,805)	(2,105,545)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

China Ocean Industry Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Exchange"). The addresses of the registered office and principal place of business of the Company are Unit D, 16/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon.

The Company is an investment holding company. Its subsidiaries are engaged in shipbuilding business, trading of electronic appliance business, finance leasing business, intelligent car parking and automotive device business and steel structure engineering and installation business.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, the directors of the Company (the "Directors") have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a consolidated loss before tax of approximately HK$804,853,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$3,452,782,000 and HK$2,905,672,000, respectively. After considering the consensus reached with assets management company, several banks and other financial institutions, as well as the intention to cooperate with relevant state-owned enterprises, including: (i) introduce state-owned enterprises to restructure the shipbuilding assets, effectively utilize the coastline and wharf resources of Yangtze River, and develop logistics and storage services, (ii) utilise the government's policy for supporting the real economy, to carry out the debt restructuring on the basis of asset restructuring and to reduce the level of debt and improve the financial structure, (iii) dispose of non-core assets and reduce the debt burden and (iv) seek for investors and actively carry out fund raising activities in the capital market. The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 *Leases*

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	14,203
Lease liabilities discounted at relevant incremental borrowing rates	13,578
Less: Recognition exemption – short-term leases	(923)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	12,655
Add: Accrued lease payments at 31 December 2018	42,997
Lease liabilities as at 1 January 2019	55,652
Analysed as:	
Current	50,436
Non-current	5,216
	55,652

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

		Right-of-use assets
		HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019		55,652
Reclassified from prepaid lease payments	*(a)*	358,964
Less: Accrued lease liabilities relating to prepaid lease payment at 1 January 2019		(42,997)
		371,619

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

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

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

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
Non-current assets			
Prepaid lease payments – non-current portion	349,822	(349,822)	–
Right-of-use assets	–	371,619	371,619
Current assets			
Prepaid lease payments – current portion	9,142	(9,142)	–
Current liabilities			
Lease liabilities – current portion	–	50,436	50,436
Trade and other payables	1,357,228	(42,997)	1,314,231
Non-current liabilities			
Lease liabilities – non-current portion	–	5,216	5,216

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

As a lessor

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

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

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[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

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

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

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

4. OPERATING SEGMENTS

Year ended 31 December 2019 (Unaudited)

	Shipbuilding business	Trading business	Finance leasing business	Intelligent car parking and automotive device business	Steel structure engineering and installation	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue						
– External sales	**73,321**	**–**	**–**	**17,904**	**21,676**	**112,901**

Year ended 31 December 2018 (Audited)

	Shipbuilding business	Trading business	Finance leasing business	Intelligent car parking and automotive device business	Steel structure engineering and installation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
– External sales	(626,366)	–	1,779	135,342	21,213	(468,032)

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on:		
Convertible bonds payable	**37,313**	38,073
Bank borrowings and other borrowings	**322,993**	230,944
Guarantee fee and fund management fee incurred in connection with borrowings	**–**	2,798
Others	**588**	26
	360,894	271,841

6. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax – PRC tax	**13**	10,801
Deferred tax	**(35,831)**	(38,357)
	(35,818)	(27,556)

7. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss for the year has been arrived at after charging:		
Auditor's remuneration:		
Audit services	**1,700**	1,785
Non-audit services	**700**	580

8. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(761,857)**	(1,545,435)

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

For the year ended 31 December 2019 and 2018, the computation of diluted loss per share does not assumed the conversion of the Company's outstanding convertible bond and the exercise of the Company's share options since their assumed conversion or exercise would result in a decrease in loss per share which is regarded as anti-dilutive.

9. DIVIDENDS

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

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**99,416**	186,407
Less: Allowance for credit losses	**(21,972)**	(4,135)
Trade receivables, net	**77,444**	182,272

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**4,660**	42,205
More than 90 days but not exceeding one year	**14,779**	34,572
In more than one year	**58,005**	105,495
	77,444	182,272

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Consideration payable for acquisition of property, plant and equipment – non-current portion	**4,982**	5,070
Trade payables	**78,079**	139,291
Consideration payable for acquisition of prepaid lease payments	**–**	42,997
Other payables and accruals	**987,413**	1,174,940
	1,065,492	1,357,228

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**78**	6,640
31 – 60 days	**80**	16,809
61 - 90 days	**4**	1,261
Over 90 days	**77,917**	114,581
	78,079	139,291

12. EVENTS AFTER THE REPORTING PERIOD

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

During the year ended 31 December 2019, the Group recorded an external revenue of HK$112.9 million (2018: debit balance of HK$468.03 million).

During the year under review, the Group recorded gross loss of HK$2.70 million (2018: HK$357.46 million), decreased as compared last year, mainly due to the decrease in the loss of shipbuilding business.

The Group's finance cost increased from HK$271.84 million to HK$360.89 million, mainly due to the increase in borrowings.

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

In general, for the year ended 31 December 2019, the Group recorded a loss attributable to owners of the Company of approximately HK$761.86 million (2018: HK$1,545.44 million), representing a substantial decrease, as compared to last year, mainly due to the gain on the disposal of an associate and the significant decrease in share of loss of joint ventures, and the decrease in administrative cost and impairment losses although loss on deconsolidation of subsidiaries was recorded because of the bankruptcy of the subsidiaries and significant increased finance costs was recorded having the adverse impacts on the financial results.

SHIPBUILDING BUSINESS

The shipbuilding business recorded an external revenue of HK$73.32 million (2018: debit balance of HK$626.37 million) during the period under year. The external revenue is a credit balance since there is no reversal of revenue.

The Six Vessels

In relation to the rescinded vessels, four of them are in the course of seeking buyers and relevant intentional agreements have already been reached. Meanwhile, the Group is negotiating with relevant creditor banks in relation to the disposal of these vessels.

For the remaining two vessels, in order to maximize the benefits to the Group, the solutions will be taken account in conjunction with the overall restructuring plan of Jiangxi Jiangzhou Union Shipbuilding Ltd.

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

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

INTELLIGENT CAR-PARKING AND AUTOMOTIVE DEVICE BUSINESS

For the year ended 31 December 2019, the intelligent car-parking and automotive electronics business recorded an external revenue of HK$17.90 million (2018: HK$46.54 million), representing a decrease of 61.54% as compared with last year. The intelligent car-parking and automotive electronics business of the Group has been greatly affected by the litigation of associates. The Group has adopted closing part of the production facilities and reducing the number of employees to scale down the business of this segment.

STEEL STRUCTURE ENGINEERING AND INSTALLATION BUSINESS

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

FINANCE LEASING BUSINESS

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

UNCERTAINTIES RELATING TO GOING CONCERN

For the year ended 31 December 2019, the Group reported a loss attributable to the owners of the Company of approximately HK$761.86 million and had significant net cash used in operating activities for the year ended 31 December 2019. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,452.78 million and the Group had net liabilities of approximately HK$2,905.67 million, in which total borrowings amounted to approximately HK$3,159.63 million, its bank balances and cash were only approximately HK$10.40 million. It is uncertain about the ability of the Group to maintain adequate future cash flow and the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis.

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

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

The details are as follows:

(a) introduce state-owned enterprises to restructure the shipbuilding assets, effectively utilize the coastline and wharf resources of Yangtze River, and develop logistics and storage services.

(b) utilise the government's policy for supporting the real economy, to carry out the debt restructuring on the basis of asset restructuring and to reduce the level of debt and improve the financial structure.

(c) dispose of non-core assets and reduce the debt burden.

(d) seek for investors and actively carry out fund raising activities in the capital market.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$10.40 million (2018: HK$12.27 million) of which HK$0.00 million (2018: HK$2.27 million) was pledged; short-term borrowings of HK$3,159.63 million (2018: HK$3,385.25 million); convertible bonds payable amounted to approximately HK$11.1 million (2018: HK$168.14 million) represented the carrying values of principal amount of HK$11.1 million (2018: HK$189.00 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (1.10) (2018: (1.59)).

INFORMATION OF CONSOLIDATION OF SHARES

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

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

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

2017 Convertible Bonds

On 10 November 2017, the Company issued a 2-year convertible bond in principal amount of HK$189 million with 10% interest rate ("2017 Convertible Bonds") to Pacific Ocean Marine Limited ("Pacific Ocean") pursuant to the relevant subscription agreement dated 10 August 2017 (amended and supplemented on 10 October 2017). As the date of this announcement, no conversion shares were issued under the 2017 Convertible Bonds and the conversion period of the 2017 Convertible Bonds ceased in 2019.

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

2019 Convertible Bonds

On 19 July 2019, the Company and each of the Subscribers entered into the Subscription Agreement I and Subscription Agreement II, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK$110,000,000 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$11.1 million (equivalent to approximately RMB10.0 million) has been completed, the conversion period of Subscription Agreement II ceased on 11 January 2020 and the Subscription Agreement I lapsed on 29 February.

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

The shareholders' dilution impact in the event of the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price of HK$0.64 per Share are as follows:

Shareholder	**At the 31 December 2019**		**Immediately after full conversion of the Convertible Bonds** *(Note 2)*	
	No. of Shares	*Approximate percentage*	*No. of Shares*	*Approximate percentage*
Mr. Li Ming	31,219,448	9.16%	31,219,448	8.71%
Lead Dragon Limited *(Note 1)*	13,550,125	3.97%	13,550,125	3.78%
Mr. Zhang Shi Hong	1,127,750	0.33%	1,127,750	0.32%
Wise Benefit Investment Limited	0	0%	17,343,750	4.84%
Public Shareholders	295,023,648	86.54%	295,023,648	82.35%
Total:	340,920,971	100.00%	358,264,721	100.00%

Notes:

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

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

CHARGES ON GROUP ASSETS

As at 31 December 2019, HK$0 (2018: HK$2.27 million) of deposits, HK$44.76 million (2018: HK$301.21 million) of property, plant and equipment and HK$204.35 million (2018: HK$208.17 million) of prepaid lease payments were pledged to banks or other parties to secure borrowings, bills payable and facilities granted to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables and borrowings.

As at 31 December 2019, the Company pledged the entire equity interest of a wholly-owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Ltd., to secure an bank borrowing amounting to RMB107.41 million (2018: RMB107.41 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollars and United States Dollars. As at 31 December 2019, the Group did not hedge its exposure to foreign exchange risk profile as the Group could not find a suitable instrument to manage this exposure. The Board will continue to consider the appropriate hedging measures.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

Disposal of associated company

On 28 February 2019, Merge Limited ("Merge"), a wholly-owned subsidiary of the Company, and the China Medical Services Holdings Limited ("China Medical") entered into a share purchase agreement ("Share Purchase Agreement"). Pursuant to the Share Purchase Agreement, Merge has conditionally agreed to sell and the China Medical has conditionally agreed to purchase the equity interest of Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") at a maximum Consideration of RMB170 million.

On 30 July 2019, Merge and China Medical entered into the second supplemental agreement (the "Second Supplemental Agreement") to the Share Purchase Agreement (as amended and supplemented by the First Supplemental Agreement) pursuant to which, among other things, the parties agreed that the Consideration shall be determined at RMB162.6 million, which shall represent the final amount of Consideration payable by China Medical to Merge.

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

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

Forced transfer of equity interest in associated company

On 24 May 2019, the Company received an enforcement order ("Enforcement Order") dated 24 May 2019 issued by the People's Court of Rugao City, Jiangsu Province（江蘇省如皋市人民法院）("Court") pursuant to which the Court has ordered the Group to transfer its 24% equity interest in Nantong Xiangyu Ocean Equipment Company Limited（南通象嶼海洋裝備有限責任公司）("Nantong Xiangyu") in satisfaction of the outstanding sum owed to Rugao Fugang Construction Company Limited（如皋市富港工程建設有限公司）and Nantong Tongbao Shipbuilding Company Limited（南通市通寶船舶有限公司）in the totaling amount of approximately RMB60,000,000.

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

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

Disposal of equity interest in subsidiary

On 13 June 2019, China Ocean Industry (Shenzhen) Company Limited ("China Ocean Industry (Shenzhen)"), a wholly owned subsidiary of the Company, and Nan Tong Hua Chuan Jiao Tong Zhuang Bei Company Limited ("Hua Chuan"), an independent third party, entered into a disposal agreement ("Disposal Agreement"). Pursuant to the Disposal Agreement, China Ocean Industry (Shenzhen) agreed to sell and Hua Chuan agreed to purchase the equity interest of Nantong Huakai Heavy Industry Company Limited（南通華凱重工有限公司）("Nantong Huakai"), representing 60% of the equity interest of Nantong Huakai ("Sale Shares"), at a consideration of RMB20,000,000.

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

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

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

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

HUMAN RESOURCES

The Group had around 350 employees as at 31 December 2019. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees in Hong Kong. Shares options may also be granted to eligible persons of the Group.

LITIGATION AND CONTINGENT LIABILITIES

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

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

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

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

CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Contracted for but not provided in the consolidated financial statement:		
Unpaid registered capital for the associates	**67,050**	100,560
Unpaid registered capital for the subsidiaries	**498,064**	604,428
Unpaid registered capital for a joint venture	**112,000**	114,000
Capital expenditure in respect of the acquisition of property, plant and equipment	**–**	28,023
	677,114	847,011

EVENTS AFTER THE REPORTING PERIOD

The 20% equity interest in Zhejiang Ocean is undergoing judicially put up for auction with bids staring at the upset price of RMB141,989,700 with reference to the market. The unpaid registered capital of US$3 million (approximately RMB20.4 million) will need to be paid separately to Zhejiang Ocean by the bidders who win the bid. Accordingly, the changes in registration of shareholders of Zhejiang Ocean is expected to be completed by the end of June 2020.

on 10 March 2020, the Company entered into the Subscription Agreements with Subscribers, pursuant to which the Subscribers have conditionally agreed to subscriber for, and the Company has conditionally agreed to allot and issue, 68,000,000 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.

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

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

PROSPECTS

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

DIVIDEND

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rule regarding Directors' securities transactions. Based on specific enquiry of all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can be benefited from good corporate governance. The Company aims to achieve good standard of corporate governance. During the year ended 31 December 2019, the Company has complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except for the deviations from Codes Provision disclosed below.

Code provision A.1.8 stipulates that the Company should arrange appropriate insurance cover in respect of legal action against its directors.

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

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

The chairman of the Board and the three independent non-executive Directors were unable to attend the annual general meeting and special general meetings of the Company held on 21 June 2019 and 30 August 2019 and 25 October 2019 respectively due to their other business commitments. An executive Director chaired the annual general meeting and a special general meeting and a non-executive Director chaired a special general meeting whereas other attended Board members were already of sufficient calibre and number for answering questions raised by the shareholders.

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

As disclosed in the section "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out in pages 18 to 19 the Group's ability to continue as a going concern due to the conditions indicate the material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group incurred a loss attributable to owners of the Company of approximately HK$761,857,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,452,782,000 and the Group had net liabilities of approximately HK$2,905,672,000, these conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

For more details regarding the uncertainties relating to going concern are disclosed in the session "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out in pages 18 to 19 of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

AUDIT COMMITTEE

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 31 March 2020. The Audit Committee has also reviewed and discussed with the management about the announcement of unaudited annual financial results of the Group for the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

Due to the outbreak of Coronavirus since January 2020, the Company is unable to arrange for any site visit to our operation centers in China by professional parties in Hong Kong. We therefore cannot rule out the possibility that the impairment assessments conducted by the Company's management over the fair value of accounting items set out in this announcement may be adjusted after taking the advice of professional advisers during the course of the audit process.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Auditors and the material differences (if any) as compared with the annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF 2019 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT

The 2019 unaudited annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.irasia.com/listco/hk/chinaoceanindustry/.

BOARD OF DIRECTORS

The Board of the Company as at the date of the announcement comprises Mr. Li Ming and Mr. Zhang Shi Hong as executive directors and Mr. Hu Bai He, Ms. Xiang Siying and Ms. Xiang Ying as independent non-executive directors.

By order of the Board
LI Ming
Chairman

Hong Kong, 31 March 2020

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