China Ocean Shipbuilding Industry Group Limited
中海船舶重工集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 00651)

Interim Report
2013

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 HK$'000 (Unaudited)**	Six months ended 30 June 2012 HK$'000 (Unaudited)
Revenue	3	**387,530**	833,004
Cost of sales		**(375,259)**	(802,851)
Gross profit		**12,271**	30,153
Other income		**5,435**	9,281
Other gains and losses		**272**	7,966
Gain on settlement of deferred consideration		**–**	52,936
Change in fair value of investments held for trading		**(458)**	(1,339)
Selling and distribution expenses		**(865)**	(792)
Administrative expenses		**(37,676)**	(43,362)
Finance costs	4	**(81,809)**	(89,661)
Loss before tax		**(102,830)**	(34,818)
Income tax credit	5	**–**	1
Loss for the period attributable to owners of the Company	6	**(102,830)**	(34,817)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(1,857)**	678
Total comprehensive expenses for the period attributable to owners of the Company		**(104,687)**	(34,139)
Loss per share – basic and diluted	7	**HK(2.80) cents**	HK(0.95) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**546,255**	577,546
Prepaid lease payments – non-current portion		**332,915**	333,226
Trade receivables – non-current portion	9	**162,682**	134,200
Pledged deposits for other borrowings		**33,264**	33,000
		1,075,116	1,077,972
CURRENT ASSETS			
Inventories		**63,188**	122,018
Trade receivables – current portion	9	**15,574**	15,750
Bills and other receivables	9	**267,735**	322,780
Prepayment for purchase of raw materials	9	**266,198**	324,397
Prepaid lease payments – current portion		**1,925**	1,910
Tax recoverable		**5,550**	5,506
Investments held for trading		**1,970**	2,430
Available-for-sale investments		**6,300**	6,250
Pledged bank deposits		**183,763**	269,447
Bank balances and cash		**37,826**	39,854
		850,029	1,110,342
CURRENT LIABILITIES			
Trade, bills and other payables	10	**1,048,488**	1,160,722
Amounts due to customers for contract work		**498,807**	580,961
Amounts due to related parties	19	**36,091**	53,285
Amount due to a director	19	**826**	812
Borrowings – due within one year	11	**662,339**	608,004
Provision for warranty	12	**26,797**	35,530
Convertible notes payable	14	**210,209**	–
		2,483,557	2,439,314
NET CURRENT LIABILITIES		**(1,633,528)**	(1,328,972)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(558,412)**	(251,000)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	**183,400**	183,400
Reserves		**(1,011,161)**	(906,474)
		(827,761)	(723,074)
NON-CURRENT LIABILITIES			
Borrowings – due after one year	11	**10,523**	31,080
Convertible notes payable	14	**89,783**	278,632
Promissory notes payable	15	**73,747**	68,713
Deferred tax liabilities		**95,296**	93,649
		269,349	472,074
		(558,412)	(251,000)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013 (Audited)	**183,400**	**328,914**	**3,368,411**	**94,108**	**43,693**	**34,824**	**26,972**	**(4,803,396)**	**(723,074)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(102,830)**	**(102,830)**
Exchange differences arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**(1,857)**	**–**	**–**	**–**	**–**	**(1,857)**
Total comprehensive expenses for the period	**–**	**–**	**–**	**(1,857)**	**–**	**–**	**–**	**(102,830)**	**(104,687)**
At 30 June 2013 (Unaudited)	**183,400**	**328,914**	**3,368,411**	**92,251**	**43,693**	**34,824**	**26,972**	**(4,906,226)**	**(827,761)**
At 1 January 2012 (Audited)	183,400	328,914	3,368,411	98,658	43,693	34,824	–	(4,459,295)	(401,395)
Loss for the period	–	–	–	–	–	–	–	(34,817)	(34,817)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	678	–	–	–	–	678
Total comprehensive expenses for the period	–	–	–	678	–	–	–	(34,817)	(34,139)
At 30 June 2012 (Unaudited)	183,400	328,914	3,368,411	99,336	43,693	34,824	–	(4,494,112)	(435,534)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(214,954)**	(39,807)
NET CASH FROM INVESTING ACTIVITIES	**86,983**	102,889
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**28,666**	(75,278)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(99,305)**	(12,196)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,857)**	678
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**138,988**	150,506
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD represented by bank balances and cash	**37,826**	138,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited condensed interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In preparing the condensed consolidated financial statements of China Ocean Shipbuilding Industry Group Limited (the "Company") and its subsidiaries (collectively referred to as 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$102.83 million for the six months ended 30 June 2013 and, as of that date, the Group's had net current liabilities and net liabilities of approximately HK$1,633.53 million and HK$827.76 million, respectively. After considering the Group's internal financial resources, present available facilities granted by banks and other parties, seeking leave to appeal to the court on the awards of the arbitration, to be negotiated with the creditors including convertible note holders to extend payment due date, actively pursuing new customers, imposing cost control measures and negotiating with the local government for providing assistance, 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 condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 cycle

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 20 to the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs and HKASs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed. No operating segments identified by the chief operating decision maker 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 – provision of shipbuilding services under shipbuilding construction contracts and operated in the PRC.

b) Trading business – provision of trading and operated in Hong Kong.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

Six months ended 30 June 2013

	Shipbuilding HK$'000 (Unaudited)	Trading business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue	**387,530**	**–**	**387,530**
Segment result	**(12,567)**	**–**	**(12,567)**
Unallocated other income			**8**
Unallocated other gains and losses			**272**
Change in fair value of investments held for trading			**(458)**
Unallocated corporate expenses			**(8,276)**
Finance costs			**(81,809)**
Loss before tax			**(102,830)**

Six months ended 30 June 2012

	Shipbuilding HK$'000 (Unaudited)	Trading business HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue	833,004	–	833,004
Segment result	7,423	(334)	7,089
Unallocated other income			4,561
Change in fair value of investments held for trading			(1,339)
Gain on settlement of deferred consideration			52,936
Unallocated corporate expenses			(8,404)
Finance costs			(89,661)
Loss before tax			(34,818)

4. FINANCE COSTS

	Six months ended 30 June	
	2013 **HK$'000** **(Unaudited)**	2012 HK$'000 (Unaudited)
Interests on borrowings wholly repayable within five years:		
Convertible notes payable at effective interest rates	**24,624**	18,731
Promissory notes payable at effective interest rates	**6,395**	3,852
Imputed interest expense on deferred consideration	**–**	2,643
Borrowings and others (including guarantee fees, overdue interests and bills payables)	**50,790**	64,435
	81,809	89,661

5. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made since the Group has no assessable profits for both periods.

Under the law of the People's Republic of China (the "PRC") on Enterprise Income Tax ("EIT") and Implementation Regulation of the PRC EIT law, the tax rate of the PRC subsidiaries is 25% effective from 1 January 2008 onwards.

Income tax credit for the six months ended 30 June 2012 represented the reversal of deferred tax liabilities.

No deferred tax asset has been recognised due to unpredictability of future profits streams.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2013 **HK$'000** **(Unaudited)**	2012 HK$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Minimum lease payments under operating leases in respect of rented premises	**1,036**	890
Depreciation of property, plant and equipment	**41,122**	36,824
Amortisation of prepaid lease payments	**3,640**	3,617
Loss on disposal of property, plant and equipment	**–**	589
Shipbuilding contract costs recognised as expenses	**375,259**	802,851
Impairment loss recognised in respect of other receivables	**208**	–

7. 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:

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(102,830)**	(34,817)

	Six months ended 30 June	
	2013	2012
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,667,995**	3,667,995

The computation of diluted loss per share for the periods ended 30 June 2013 and 2012 does not include the outstanding share options and convertible notes as the assumed exercise has an anti-dilutive effect.

8. DIVIDEND

No dividend were paid, declared or proposed during the interim period (six months ended 30 June 2012: Nil). The Directors have determined that no dividend will be paid in respect of the interim period.

9. TRADE RECEIVABLES – NON-CURRENT PORTION AND CURRENT PORTION/BILLS AND OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Trade receivables – non-current portion	**162,682**	134,200
Trade receivables – current portion	**16,368**	16,544
Less: Allowance for doubtful debts	**(794)**	(794)
Trade receivables – current portion, net	**15,574**	15,750
Total trade receivables, net of allowance for doubtful debts *(Note a)*	**178,256**	149,950
Value-added tax recoverable	**147,607**	148,225
Deposits placed with a stakeholder	**1,091**	1,085
Deposits placed to a guarantor *(Note b)*	**18,335**	75,000
Deposit paid for acquisition of property, plant and equipment	**3,359**	3,332
Others receivables *(Note c)*	**97,343**	95,138
Total bills and other receivables	**267,735**	322,780
Prepayment for purchase of raw materials	**266,198**	324,397

Notes:

(a) At 30 June 2013, trade receivables of approximately HK$178,256,000 (equivalent to USD22,850,000) represent the deferral final receivable from a ship buyer, an independent third party of the Group, in relation to the final payments for the acquisition of eight vessels from the Group, by five instalments in 5.5 years and one vessel acquired from the Group, by four instalments in 4.5 years (31 December 2012: approximately HK$149,950,000 (equivalent to USD19,000,000)).

(b) Guarantees have been given by an independent third party in relation to the banking facilities granted to the Group. Guarantee deposits placed were approximately HK$18,335,000 (equivalent to RMB14,551,000) as at 30 June 2013 (31 December 2012: approximately HK$75,000,000 (equivalent to RMB60,000,000)).

(c) The balances mainly include fund withheld by a stakeholder of approximately HK$82,782,000 (equivalent to approximately RMB65,700,000) (31 December 2012: approximately HK$83,675,000 (equivalent to approximately RMB66,940,000)).

9. **TRADE RECEIVABLES – NON-CURRENT PORTION AND CURRENT PORTION/BILLS AND OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS** (Continued)

The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on delivery date at the end of the reporting periods:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within three months	**14,406**	23,625
More than three months but not more than one year	**163,850**	126,325
	178,256	149,950

The aging of trade receivables which are past due but not impaired at 30 June 2013 and 31 December 2012 as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within one year	**3,104**	–
More than one year but not more than two years	**–**	–
	3,104	–

The Directors consider that the carrying amounts of trade, bills and other receivables approximated to their fair values.

10. TRADE, BILLS AND OTHER PAYABLES

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Trade payables	**102,208**	140,535
Bills payables	**219,357**	339,721
	321,565	480,256
Refund to customers for unshaped vessels written-off	**352,637**	372,338
Interest payable	**2,111**	2,111
Consideration payable for acquisition of prepaid lease payments	**47,523**	47,145
Accrual of guarantee fee to a guarantor	**15,474**	12,671
Contribution payables to labour union and education funds	**10,413**	9,439
Accrual of contractor fees	**31,371**	27,642
Accrual of government funds	**33,936**	33,541
Other payables and accruals	**233,458**	175,579
	1,048,488	1,160,722

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
0 – 30 days	**59,579**	153,932
31 – 60 days	**121,772**	124,039
61 – 90 days	**4,527**	38,168
Over 90 days	**135,687**	164,117
	321,565	480,256

Bills payables are secured by pledged bank deposits.

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

11. BORROWINGS

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Bank borrowings	**362,219**	274,619
Other borrowings	**310,643**	364,465
	672,862	639,084
Secured	**235,601**	210,267
Unsecured	**437,261**	428,817
	672,862	639,084

At the end of the reporting period, the above borrowings were repayable as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within one year	**662,339**	608,004
More than one year but not more than two years	**10,523**	31,080
	672,862	639,084
Less: Amounts due within one year shown under current liabilities	**(662,339)**	(608,004)
Amounts due after one year shown under non-current liabilities	**10,523**	31,080

11. BORROWINGS (Continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates were as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Fixed-rate borrowings:		
Within one year	**218,950**	256,389
More than one year but not more than two years	**10,523**	31,080
	229,473	287,469

The exposure of the Group's variable-rate borrowings and the contractual maturity dates were as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Variable-rate borrowings:		
Within one year	**443,389**	351,615

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

Effective interest rates:

	30 June 2013	31 December 2012
Fixed-rate borrowings (bank and other borrowings)	**1.27% to 15%**	3% to 15%
Variable-rate borrowings (bank and other borrowings)	**5.54% to 22.4%**	5.54% to 10.8%

At 30 June 2013 and 31 December 2012, there was no principal amount of the Group's bank borrowings with repayment on demand clause.

12. PROVISION FOR WARRANTY

The Group provides a one-year warranty on shipbuilding and undertakes to repair or replace items that fail to perform satisfactorily. The provision is estimated based on historical data of the level of repairs and replacement.

13. SHARE CAPITAL

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,667,994,886 ordinary shares of HK$0.05 each	**183,400**	183,400

14. CONVERTIBLE NOTES PAYABLE

(a) Issuance of convertible notes for INPAX Group Acquisition

On 5 November 2007, the Company entered into a conditional agreement to issue convertible notes for the acquisition of the entire interest in INPAX Technology Limited and its wholly-owned subsidiary, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (collectively known as the "INPAX Group"). Upon completion, a convertible notes ("CBI") were issued on 16 April 2008 as part of the consideration for the acquisition.

CBI comprised restricted convertible notes and unrestricted convertible notes.

The aggregate principal amount of the unrestricted convertible notes issued is HK$2,400 million.

On 27 April 2010, the Group announced to have entered into an extension agreement with the CBI holders whereby the parties agreed to extend the maturity date of the outstanding convertible notes from 15 April 2011 to 15 April 2012. Except for the extension of the maturity date of the outstanding CBI, each and every term and condition under CBI shall remain unchanged. The extension became effective upon the approval by the shareholders of the Company at a special general meeting held on 25 June 2010 and obtaining of consents and approvals by the Stock Exchange on 29 June 2010. The maturity date of the convertible notes has therefore been extended to 15 April 2012 ("CBII").

On 21 December 2010, the Group entered into subscription agreements with certain holders of CBII to surrender the CBII notes held by them of principal amount of approximately HK$282,549,000 in consideration for the subscription of 1,412,745,760 shares of the Company having a par value of HK$0.05 each at a subscription price of HK$0.2 per subscription share. For the remaining portion of CBII notes with principal amount of HK$225,000,000, the Group entered into agreements with the holders that, i) the conversion price is reduced from HK$4.30 per share to HK$0.22 per share; ii) the maturity date is extended from April 2012 to April 2014; and iii) other terms and conditions remain unchanged ("CBIII"). The transactions became unconditional upon consents and approvals obtained from the Stock Exchange on 31 January 2011 and shareholders at a special general meeting held on 28 January 2011.

14. CONVERTIBLE NOTES PAYABLE (Continued)

(b) Issuance of convertible notes for extinguishment of deferred consideration

On 28 February 2012, the Company's payment obligation of the deferred consideration for the acquisition of INPAX Group in April 2008 of HK$200,000,000 was settled by issuing convertible notes ("CBIV") and promissory notes ("PN") to Million King Investments Limited ("Million King") and/or its nominees.

The aggregated principal amount of the CBIV is HK$105 million, with coupon interest at a rate of 3% per annum and will be accrued on a day-to-day basis on the outstanding principal amount of the CBIV, payable semi-annually in arrears. The holders of the CBIV may convert the whole or any part of the outstanding principal amount of the CBIV into ordinary shares of the Company from 28 February 2012 to 28 February 2015, the date of maturity, at the initial conversion price of HK$0.15 per share.

The fair value of the conversion option component of CBIII and CBIV were calculated using the Binominal option pricing model while the fair value of the liability component of CBIII and CBIV were calculated based on the present value of the contractually determined stream of future cash flows discounted at 14.040% and 13.959%, being the effective interest rate of CBIII and CBIV respectively.

15. PROMISSORY NOTES PAYABLE

On 28 February 2012, part of the deferred consideration was settled by issuing CBIV and PN to Million King and/or its nominees.

The aggregated principal amount of the PN is HK$95 million, bears interest at the rate of 3% per annum and will be accrued on a day-to-day basis on the outstanding principal amount of the PN, payable semi-annually in arrears, up to the maturity date on 31 December 2014. The PN is transferrable only if the relevant principal amount and corresponding interest would be transferred together.

On 31 December 2012, the Company entered into a settlement agreement with Million King and one PN holder. Pursuant to the settlement agreement, other receivables of HK$3,000,000 from Million King shall be fully settled and discharged by HK$5,000,000 principal amount of the PN of the PN holder.

16. COMMITMENTS

(a) Operating lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within one year	**1,837**	1,694
In the second to fifth year inclusive	**–**	692
	1,837	2,386

(b) Capital commitments

At 30 June 2013, the Group has capital expenditure of approximately HK$3.85 million (31 December 2012: approximately HK$3.82 million) contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

17. PLEDGE OF ASSETS

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Deposits	**217,027**	302,447
Inventories	**28,854**	50,911
Property, plant and equipment	**521,993**	563,956
Prepaid lease payments	**334,840**	335,136
Value-added tax recoverable	**147,607**	148,225
	1,250,321	1,400,675

Deposits, inventories, property, plant and equipment, prepaid lease payments, and value-added tax recoverable were pledged to banks and other parties for other borrowings, guarantees and facilities granted by them to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables and other borrowings.

18. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group and in funds under the control of trustees. The Group contributes 5% or HK$1,250 in maximum of relevant payroll costs to the MPF Scheme, which is matched by employees.

The Company's subsidiary in the PRC is a member of the state-managed retirement benefits scheme operated by the government of PRC. The retirement scheme contributions, which are based on a certain percentage of the basic salaries of the relevant subsidiary's employees, are charged to the condensed consolidated statement of profit or loss and other comprehensive income in the period to which they relate and represent the amount of contributions payable by the subsidiary to the scheme. The only obligation of the Group with respect to the retirement benefits scheme operated by the government of PRC is to make the required contributions under the scheme.

The retirement benefit cost charged to the condensed consolidated statement of profit or loss and other comprehensive income represents contributions payable to the scheme by the Group at rate specified in the rules of the scheme.

19. RELATED PARTY TRANSACTIONS

In addition to related party balances detailed in the condensed consolidated financial statement, the Group had the following significant transactions with related parties during the period/year as follows:

(a) At 30 June 2013, the Group borrowed of approximately HK$21,267,000 (equivalent to RMB16,878,000) (31 December 2012: approximately HK$39,848,000 (equivalent to RMB31,878,000)) from Guangchang Zongbang Credit Loan Co., Ltd. ("Zongbang Credit"). The proceeds were used to finance the daily operation of the Group. The Company's executive director, Mr. Li Ming ("Mr. Li") has beneficial interests in Zongbang Credit. The loans are unsecured, interest-bearing at a range from 1.5% to 1.85% (2012: 1.5%-1.85%) per month and repayable within one year.

(b) At 30 June 2013, Zha Jiu Peng and Wu Ge, who are the senior management of a wholly-owned subsidiary of the Company, have advanced loans of approximately HK$319,000 and HK$2,535,000 (equivalent to RMB253,125 and RMB2,012,500) (31 December 2012: HK$312,000 and HK$2,500,000 (equivalent to RMB250,000 and RMB2,000,000)) respectively to the Group. The loans are unsecured, interest-bearing at 15% per annum and repayable in August 2013.

(c) At 30 June 2013, the Group borrowed of approximately HK$5,670,000 (equivalent to RMB4,500,000) (31 December 2012: approximately HK$4,375,000 (equivalent to RMB3,500,000)) from Jiujiang Jiangzhou Heavy Industry Co., Ltd. ("Jiujiang Heavy"). The equity interest of Jiujiang Heavy is owned as to 10% by Jiangxi Jiangzhou Union Shipbuilding Co., Ltd., a wholly-owned subsidiary of the Company. The proceeds were used to finance the daily operation of the Group. The Company's executive director, Mr. Wang San Long ("Mr. Wang") is the representative of Jiujiang Heavy. The loan is unsecured, interest free and repayable on demand.

19. RELATED PARTY TRANSACTIONS (Continued)

(d) At 30 June 2013, the Group borrowed of approximately HK$6,300,000 (equivalent to RMB5,000,000) (31 December 2012: HK$6,250,000 (equivalent to RMB5,000,000)) from Shanghai Xianglong Investment Management Co., LTD. ("Shanghai Xianglong"). The equity interest of Shanghai Xianglong is owned as to 20% by Jiujiang Heavy. The proceeds were used to finance the daily operation of the Group. The loan is unsecured, interest free and repayable on demand.

(e) Mr. Wang, the executive director of the Company, has provided a free counter-guarantee in favor of the Group to guarantee a facility of RMB372,600,000 (31 December 2012: RMB236,100,000) granted by banks in the PRC for the six months ended 30 June 2013.

At 30 June 2013, Mr. Wang has advanced loan of approximately HK$826,000 (equivalent to RMB656,250) (31 December 2012: HK$812,000 (equivalent to RMB650,000)) to the Group. The loan is unsecured, interest-bearing at 15% per annum and repayable in August 2013.

(f) During the 6 months ended 30 June 2013, the Group paid fees of approximately HK$1,638,000 (equivalent to RMB1,300,000) to China Ruilian Holding Corp. ("China Ruilian") (30 June 2012: approximately HK$6,765,000 (equivalent to RMB5,500,000)), in respect of shipbuilding services including guarantee issued by China Ruilian for the Group's entering of certain shipbuilding contracts.

Since July 2012, Mr. Li the Company's executive director, has sold his interests in China Ruilian to a third party and China Ruilian ceased to be a related party of the Group thereafter.

(g) The remuneration of Directors and chief executives during the periods was as follows:

	Six months ended 30 June	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Fees, salaries and other benefits	**2,358**	2,130
Contributions to retirement benefits scheme	**45**	19
	2,403	2,149

The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over the assets of the Group is created in respect of the above transactions. Accordingly, the transactions are exempted from all reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

20. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2013 HK$'000	Fair value as at 31 December 2012 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity securities classified as held-for-trading in the condensed consolidated statement of financial position	**Asset-approximately 1,970**	Asset-approximately 2,430	Level 1	Quoted prices in an active market	N/A	N/A
Convertible notes payable classified as liabilities in the condensed consolidated statement of financial position	**Liability-approximately 299,992**	Liability-approximately 278,632	Level 2	Discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A

There were no transfers between Level 1, 2 and 3 in the current period and prior year.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is engaged in the production and operation of shipbuilding. During the period under review, the shipbuilding market in China has still plagued by the over capacity, a shortage of new orders, a persistent decrease in new building price and appreciation of Renminbi.

For the six months ended 30 June 2013, affected by the downturn of the shipbuilding market, the Group's revenues decreased by 53.48% from HK$833.00 million to HK$387.53 million and the gross profit decreased by 59.30% from HK$30.15 million to HK$12.27 million as compared with the corresponding period of last year. The total of other income and other gains and losses of the Group decreased from HK$17.25 million to HK$5.71 million, mainly due to the decrease in exchange gain. The administrative expenses of the Group were decreased from HK$43.36 million to HK$37.68 million, mainly due to the tight costs control exercised during the reporting period. The finance costs of the Group decreased by 8.76% to HK$81.81 million from HK$89.66 million mainly due to the decrease in costs for obtaining facilities.

In conclusion, the Group recorded a loss attributable to shareholders of HK$102.83 million (2012: loss of HK$34.82 million) for the six months ended 30 June 2013. The loss for the period under review was increased by approximately 195.32% in comparing with the same period of last year. It was mainly due to the declining in revenue, profit margins and the absence of gain on settlement of deferred consideration.

SHIPBUILDING BUSINESS

For the six months ended 30 June 2013, the shipbuilding segment generated revenue of approximately HK$387.53 million representing a decrease of approximately of 53.48% as compared to approximately HK$833.00 million in the corresponding period last year. The decrease mainly due to the works on new orders has not yet commenced because the ship-owner still seeks financial supports from its banks. Since the shipyard did not run in its full capacity and the appreciation of Renminbi, the profit margin of the shipbuilding section has also declined. The shipbuilding segment recorded a loss (before finance costs) of HK$12.57 million (2012: profit of HK$7.42 million).

During the period under review, a debtor deferred payments to the Group that strain the cash position of the Group. However, the debtor still has ships being constructed in the Group. The Group expected to recover the outstanding balances by taking certain measures and making negotiation with the debtor. To face the difficult situation, the Group continued to impose tight costs control measures such as reducing the number of workers.

During the first half of the year, the Group had delivered two heavy lift vessels to a ship-owner and also signed contracts with German ship-buyers for constructing four heavy lift vessels with an option of additional four. As at 30 June 2013, the secured order book of the Group comprised five heavy lift vessels and one multi-purpose vessel. The contracts signed in 2012 for constructing six multi-purposes vessels will become effective if the ship-owner obtains financial support from its banks. In addition, the newly signed eight heavy lift vessels contracts will become effective after certain procedures, such as issuance of refund guarantee, have completed. On the other hand, certain new orders which are currently being negotiated.

OTHER BUSINESS

For the six months ended 30 June 2013, the trading business is inactive and the Group did not record material loss.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

SHARE CAPITAL

There was no movement in share capital during the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had bank balances and cash (including pledged bank deposits) of approximately HK$221.59 million (31 December 2012: HK$309.30 million) in which HK$183.76 million (31 December 2012: HK$269.45 million) was pledged; short-term borrowings of HK$662.34 million (31 December 2012: HK$608.00 million); long-term borrowings of HK$10.52 million (31 December 2012: HK$31.08 million); long-term promissory notes payable amounted to approximately HK$73.75 million (31 December 2012: HK$68.71 million); convertible notes payable amounted to approximately HK$299.99 million (31 December 2012: HK$278.63 million). The gearing ratio defined as non-current liabilities plus short term borrowings (including convertible notes payable) divided by total shareholders' equity was (1.38) at 30 June 2013 (31 December 2012: (1.49)).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollars, United States Dollars and Euro. As at 30 June 2013, the Group did not hedge its exposure to foreign exchange risk profile as the Group could not find a suitable tool to manage this exposure. The Board will continue to consider the appropriate hedging measures.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

There was no new business, material acquisitions and disposals of subsidiaries and associated companies in the period under review.

EVENTS AFTER THE REPORTING PERIOD

On 23 July 2013, the Company entered into the subscription agreements with two subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue an aggregate of 200,000,000 subscription shares at a price of HK$0.102 per subscription share. The gross proceeds from the subscriptions were approximately HK$20.4 million and the net proceeds were approximately HK$20.3 million (representing a net subscription price of approximately HK$0.1015 per subscription share). The Company intended to apply the net proceeds from the subscriptions as general working capital of the Group. The condition precedent under the subscription agreements has been fulfilled and completion of the subscriptions took place on 31 July 2013.

LITIGATION AND ARBITRATION

With reference to an arbitration proceeding between the Company's wholly-owned subsidiary, Jiangxi Jiangzhou Union Shipbuilding Co. Ltd (the "Shipyard"), and Algoma Tankers International Inc. (the "Algoma") relating to the refunds of deposits on rescinded contracts to build three chemical tankers, on 1 May 2013, the awards (the "Awards") granted by the London Arbitration Tribunal (the "Tribunal") were received by Shipyard in which Shipyard is liable to (i) refund the instalments in aggregate of US$35,370,000 (approximately HK$274.47 million); (ii) interests up to 30 April 2013 amounting to US$3,198,649 (approximately HK$24.82 million); and (iii)interests accrued from 1 May 2013 until the date of refund at the daily rate of US$1,552.35 (approximately HK$12,046) (collectively the "Interests"). The Tribunal reserves the right to hear all questions of costs, including both parties' costs and Tribunal's costs (collectively the "Legal Costs").The Shipyard is not satisfied with the result of the Awards and seek leave to appeal to the court on 23 May 2013. The result of application has not yet decided.

Given as security for performance of Shipyard under the shipbuilding contracts, refund guarantees covering the sum of instalments paid have been given to Algoma by two major Chinese banks (the "Original Guarantors") in reliance of certain corporate guarantees provided by certain ultimate guarantors (the "Ultimate Guarantors"). The instalments to be refunded by Shipyard will be fully paid by the Original Guarantors pursuant to the refund guarantees and in return the Original Guarantors may have a recourse against Shipyard and/or the Ultimate Guarantors for the said refund and the Ultimate Guarantors shall have the right against Shipyard to compensate them for the refund paid. The Shipyard intends to settle the instalments, the Interests and the Legal Costs by way of obtaining bank facilities and set-off against the deposits withheld by the Ultimate Guarantors and a bank. As the liability in relation to the arbitration proceedings have been booked under the Company's current liabilities in previous years' annual consolidated statement of financial position, the Board is therefore of the view that, save for the Awards may cause strain to the Group's future cashflow position, the effect of the Awards to the Group's financial position has already been fully reflected in the Group's financial statements.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration or claim of material importance.

HUMAN RESOURCES

The Group had around 930 employees as at 30 June 2013. 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 based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group is required to return the principal payments for the shipbuilding contracts of the vessels in arbitration (details refer to Litigation and Arbitration section) and to pay interests for the principal payments calculated in accordance with the relevant shipbuilding contracts up to the settlement date. The aggregate of principal payments, costs and the interests accrued up to 30 June 2013 of approximately HK$353 million (31 December 2012: HK$372 million) were recorded as "Other Payables" in the condensed consolidated statement of financial position.

Other than disclosed above, the directors of the Company are of the opinion that the Group has no other material contingent liabilities at 30 June 2013.

PROSPECTS

Looking into the second half of 2013, the conditions of shipbuilding industry remain very challenging but it seems to reach its trough. There is limited room for further declines in the new building price and there are some signs that the new orders may increase. On 4 August 2013, the Chinese State Council issued a three year plan to support shipbuilding industry in China. The policy urges local government to support shipbuilders' innovation, pursues high-end products, urges financial institutions to support shipbuilding industry, strictly control new capacity, encouraging mergers and acquisition and pooling of resources in the industry. It will be positive for the shipbuilders in China and in turn to the Group. Currently, the Group continues to strengthen its internal control, enhance efficiency, reduce costs and actively seek out and pursuing opportunities for new orders.

In order to enhance the overall performance of the Group, the Group is actively re-evaluating its existing business operations.

The directors will carry out the securities trading business cautiously and will continue to reinforce the Group's financial position so that it would be fully prepared to seize suitable investment opportunities when they arise.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests of the directors in the share capital of the Company or its associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) INTEREST IN ORDINARY SHARES OF THE COMPANY

Save as disclosed below, none of the directors or their associates had held any ordinary shares of the Company.

Name	Long/Short position	Capacity	Number of ordinary shares held	Number of underlying share held	Approximate percentage of the issued shares held
Li Ming	Long position	Beneficial owner	243,632,500	0	6.64%
	Long position	Interest of controlled Corporation	31,775,000 *(note 1)*	0	0.87%

Note 1: These shares are held by Lead Dragon Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Li Ming.

(II) RIGHTS TO ACQUIRE SHARES IN THE COMPANY

As at 30 June 2013, the directors of the Company had interests in share options to subscribe for shares in the Company granted as follows:

Name of Director	Company/name of associated corporation	Nature of interest	Number of ordinary shares
Chau On Ta Yuen	Company	Personal interest *(Note 1)*	4,743,000
Zhang Shi Hong	Company	Personal interest *(Note 1)*	1,581,000
Wang San Long	Company	Personal interest *(Note 2)*	4,110,600

Notes:

1. Such number of Shares represents the underlying shares of the options granted on 5 March 2008 under the 2002 Scheme (as defined below).

2. Such number of Shares represents the underlying shares of the options granted on 7 May 2008 under the 2002 Scheme (as defined below).

Save as disclosed in this report, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme adopted on 27 May 2002 (the "2002 Scheme") are set out in Note 39 to the consolidated financial statements of the Company's 2012 annual report. The life of 2002 Scheme is ten years from its date of adoption. It has expired on 26 May 2012. As at 30 June 2013, options to subscribe for 46,449,780 shares were granted but not yet exercised under the 2002 Scheme. These options shall remain exercisable pursuant to the rules of the 2002 Scheme.

At the Company's annual general meeting held on 27 June 2012 (the "AGM"), an ordinary resolution was proposed to approve the adoption of a new share option scheme (the "2012 Scheme"), which has taken effect after the resolution was passed at the AGM and the Company obtained the listing approval granted by the Hong Kong Stock Exchange Limited. The purpose of the 2012 Scheme is to recognize and motivate the contribution of eligible participants, to provide incentives to them, to help the Company retaining eligible participants and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Particulars of the 2012 Scheme are set out in the Company's circular dated 28 May 2012. As at 30 June 2013, no options to subscribe for shares were granted under the 2012 Scheme.

The following share options were outstanding as at 1 January 2013 and 30 June 2013:–

				Number of share options		
Name	Date of grant	Exercisable period	Exercise price per share *(Note 1)*	Outstanding at 1.1.2013	Movement during the period *(Note 2)*	Outstanding at 30.06.2013
Directors	5 March 2008	5 March 2008 to 4 March 2018	HK$5.693	2,529,600	–	2,529,600
		5 March 2009 to 4 March 2018	HK$5.693	1,897,200	–	1,897,200
		5 March 2010 to 4 March 2018	HK$5.693	1,897,200	–	1,897,200
				6,324,000	–	6,324,000
	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	1,644,240	–	1,644,240
		7 May 2009 to 6 May 2018	HK$4.523	1,233,180	–	1,233,180
		7 May 2010 to 6 May 2018	HK$4.523	1,233,180	–	1,233,180
				4,110,600	–	4,110,600
				10,434,600	–	10,434,600
Employees	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	935,952	–	935,952
		7 May 2009 to 6 May 2018	HK$4.523	701,964	–	701,964
		7 May 2010 to 6 May 2018	HK$4.523	701,964	–	701,964
				2,339,880	–	2,339,880
Other participants	7 May 2008	7 May 2008 to 6 May 2018	HK$4.523	33,675,300	–	33,675,300
				46,449,780	–	46,449,780

Notes:

1. The initial exercise prices of the shares options granted on 5 March 2008 and 7 May 2008 are HK$0.18 and HK$0.143 respectively. Upon the share consolidation became effective on 25 June 2009 and the open offer and the related bonus element become effective on 7 September 2010, the exercise prices of shares options were adjusted to HK$5.693 and HK$4.523 accordingly.

2. No share option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2013.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the information disclosed in Note 19 (Related party transactions) to the condensed consolidated financial statements, no contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, save as disclosed below, no persons, not being a Director or chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register (the "Register") maintained by the Company pursuant to Section 336 of the SFO. Other than as disclosed below, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company as at 30 June 2013.

Name	Long/Short position	Capacity	Number of ordinary shares held	Number of underlying share held	Approximate percentage of the issued shares held at 30 June 2013
Di Yu Fei	Long	Beneficial owner	0	409,090,909	11.15%
Li Jun	Long	Beneficial owner	7,340,297	386,133,333	10.73%
Yang Li	Long	Beneficial owner	150,590,535	204,545,454	9.68%

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Company has complied the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 period.

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.

REMUNERATION COMMITTEE

The remuneration committee of the Company as at the date of this report comprises three independent non-executive directors, Ms. Xiang Xing, Ms. Xiang Si Ying and Mr. Hu Bai He and one executive director, Mr. Li Ming. The Chairman of the Remuneration Committee is Ms. Xiang Ying.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company as at the date of report comprise Mr. Hu Bai He, Ms. Xiang Si Ying and Ms. Xiang Ying, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been reviewed by the audit committee of the Company.

BOARD OF DIRECTORS

The Board of the Company as at the date of report comprise Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Wang San Long as executive directors, Mr. Hu Bai He, Ms. Xiang Si Ying and Ms. Xiang Ying as independent non-executive directors.

By order of the Board
CHAU On Ta Yuen
Chairman

Hong Kong, 30 August 2013