

Interim Report  
**2016**



**China Ocean Industry  
Group Limited**  
**中海重工集團有限公司**

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

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The functional currency of the Group was Renminbi (“RMB”) and the Condensed Consolidated Financial Statements are presented in Hong Kong dollars (“HK\$”)



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	<b>168,463</b>	67,253
Cost of sales		<b>(227,554)</b>	(218,907)
Gross loss		<b>(59,091)</b>	(151,654)
Other income		<b>745</b>	3,268
Other gains and losses		<b>(3,484)</b>	73
Change in fair value of investments held for trading		<b>122</b>	(977)
Selling and distribution expenses		<b>(7,206)</b>	(1,399)
Administrative expenses		<b>(71,913)</b>	(37,071)
Finance costs	4	<b>(56,890)</b>	(100,518)
Share of profit of associates		<b>4,091</b>	6,498
Share of losses of joint ventures		<b>(492)</b>	(336)
<b>Loss before tax</b>		<b>(194,118)</b>	(282,116)
Income tax credit (expense)	5	<b>1,361</b>	(366)
Loss for the period	6	<b>(192,757)</b>	(282,482)
<b>Other comprehensive income (expenses):</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of financial statements of foreign operations		<b>18,086</b>	–
Share of translation reserve of associates		<b>(3,941)</b>	–
Share of statutory reserve of associates		<b>455</b>	–
Share of translation reserve of joint ventures		<b>(7,990)</b>	–
Other comprehensive income for the period, net of income tax		<b>6,610</b>	–
Total comprehensive expenses for the period		<b>(186,147)</b>	(282,482)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME** (Continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		(192,245)	(282,482)
– Non-controlling interests		(512)	–
		(192,757)	(282,482)
Total comprehensive expenses attributable to:			
– Owners of the Company		(185,673)	(282,482)
– Non-controlling interests		(474)	–
		(186,147)	(282,482)
<b>Loss per share</b>			
– Basic and diluted	7	HK(1.60) cents	HK(3.32) cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	297,422	315,611
Prepaid lease payments – non-current portion		296,830	301,610
Goodwill		188,057	188,057
Intangible assets		225,760	245,680
Interests in associates		159,452	93,410
Interests in joint ventures		463,636	472,118
Trade receivables – non-current portion	10	348	622
Deposits – non-current portion	10	116	–
Finance lease receivables – non-current portion	11	6,585	13,028
Pledged bank deposits – non-current portion		–	6,962
		<b>1,638,206</b>	<b>1,637,098</b>
<b>CURRENT ASSETS</b>			
Inventories		144,048	101,571
Trade receivables	10	50,419	38,157
Other receivables	10	215,529	200,743
Prepayment for purchase of raw materials	10	244,404	174,930
Prepaid lease payments		7,169	7,231
Investments held for trading		2,074	1,952
Finance lease receivables	11	18,612	15,390
Pledged bank deposits		580	74,571
Bank balances and cash		49,715	70,181
		<b>732,550</b>	<b>684,726</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	12	419,600	499,258
Receipts in advance		17,188	–
Amounts due to customers for contract work		330,659	272,647
Amounts due to related parties	16	3,164	4,163
Amounts due to directors	16	540	597
Borrowings	13	1,134,937	953,153
Convertible bonds payable		301,800	248,609
Contingent consideration payable		315,740	–
Provision for warranty		3,509	–
Tax liabilities		2,043	112
		<b>2,529,180</b>	1,978,539
<b>NET CURRENT LIABILITIES</b>		<b>(1,796,630)</b>	(1,293,813)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(158,424)</b>	343,285

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

At 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	14	599,899	597,899
Reserves		(1,163,863)	(985,315)
Equity attributable to owners of the Company		(563,964)	(387,416)
Non-controlling interests		11,085	644
<b>TOTAL DEFICITS</b>		<b>(552,879)</b>	<b>(386,772)</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings – non-current portion	13	287,549	253,986
Convertible bonds payable – non-current portion		–	45,123
Contingent consideration payable		–	315,740
Deferred tax liabilities		106,674	115,208
Deposit received – non-current portion		232	–
		394,455	730,057
		(158,424)	343,285

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Other reserve HK\$'000 (Note c)	Translation reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	597,899	1,630,063	3,368,411	35,900	-	108,826	135,050	11,343	(6,274,908)	(387,416)	644	(386,772)
Loss for the period	-	-	-	-	-	-	-	-	(192,245)	(192,245)	(512)	(192,757)
Other comprehensive income (expenses):												
<i>Items that may be reclassified subsequently to profit or loss</i>												
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	18,048	-	-	-	18,048	38	18,086
Share of translation reserve of associates	-	-	-	-	-	(3,941)	-	-	-	(3,941)	-	(3,941)
Share of statutory reserve of associates	-	-	-	455	-	-	-	-	-	455	-	455
Share of translation reserve of joint ventures	-	-	-	-	-	(7,990)	-	-	-	(7,990)	-	(7,990)
Other comprehensive income for the period, net of income tax	-	-	-	455	-	6,117	-	-	-	6,572	38	6,610
Total comprehensive income (expenses) for the period	-	-	-	455	-	6,117	-	-	(192,245)	(185,673)	(474)	(186,147)
Deemed disposal of interests of a subsidiary without loss of control	-	-	-	-	685	-	-	-	-	685	10,915	11,600
Issue of shares upon exercise of share options	2,000	11,580	-	-	-	-	(5,140)	-	-	8,440	-	8,440
Transfer	-	-	-	1,238	-	-	-	-	(1,238)	-	-	-
At 30 June 2016 (Unaudited)	599,899	1,641,643	3,368,411	37,593	685	114,943	129,910	11,343	(6,468,391)	(563,964)	11,085	(552,879)
At 1 January 2015 (Audited)	376,536	875,349	3,368,411	34,824	-	98,138	85,856	156,621	(5,774,013)	(778,278)	-	(778,278)
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	-	-	(282,482)	(282,482)	-	(282,482)
Issuance of shares upon conversion of convertible bonds	162,250	513,248	-	-	-	-	-	(128,482)	-	547,016	-	547,016
Transfer	-	-	-	117	-	-	-	-	(117)	-	-	-
At 30 June 2015 (Unaudited)	538,786	1,388,597	3,368,411	34,941	-	98,138	85,856	28,139	(6,056,612)	(513,744)	-	(513,744)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

*For the six months ended 30 June 2016*

- Notes:*
- (a) There was a group reorganisation in 2001 and share consolidation in 2005 and 2006, the aggregate amount of approximately HK\$3,368,411,000 was recorded in contributed surplus.
  - (b) According to the relevant laws in the People's Republic of China ("PRC"), subsidiaries of China Ocean Industry Group Limited (the "Company") (together with the subsidiaries collectively referred to as the "Group") established in the PRC are required to transfer 10% of their net profit before taxation, as determined under the relevant accounting principles and financial regulations, to statutory reserve until the statutory reserve balance reaches 50% of their registered capital. The transfer to this statutory reserve must be made before the distribution of dividends to equity owners. Statutory reserve can be used to offset previous years' losses, if any, and is non-distributable other than upon liquidation. The companies established in PRC are also required to maintain a staff welfare and incentive bonus fund, while the amount and allocation basis are decided by the enterprise.
  - (c) Other reserve represent the different between the cash consideration received and the carrying value of net assets deemed disposed of in an equity transaction with non-controlling interest resulted from the change in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(227,031)</b>	(164,483)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(20,869)	(2,174)
Proceeds from disposal of property, plant and equipment	1	3
Decrease (increase) in pledged bank deposits	79,571	(116)
Capital contribution for establishment of associates	(33,322)	–
Capital injection to an associate	(32,114)	(31,017)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,733)</b>	(33,304)
<b>FINANCING ACTIVITIES</b>		
Borrowings raised	497,678	379,803
Repayment of borrowings	(287,052)	(187,002)
Interest paid	(23,978)	(59,191)
Proceed from issuance of convertible bonds payable	–	60,000
Proceed from issue of shares upon exercise of share options	8,440	–
Capital contribution by non-controlling interests	11,600	–
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>206,688</b>	193,610
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(27,076)</b>	(4,177)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>6,610</b>	–
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>70,181</b>	13,934
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
represented by bank balances and cash	<b>49,715</b>	9,757

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements of China Ocean Industry Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In preparing the condensed 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\$194 million for the six months ended 30 June 2016 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$1,797 million and HK\$553 million, respectively. After considering the Group’s internal financial resources, present available facilities granted by banks and other parties, to be negotiated with the creditors to extend payment due date, actively pursuing new customers, imposing cost control measures, negotiating with the local government for providing assistance and issue new shares, 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.

#### *SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD*

- (i) On 4 January 2016, Merge Limited, a directly wholly-owned subsidiary of the Company, contributed 25% of the registered capital in 浙江千島融資租賃有限公司 (“千島融資租賃”), a company established in the People’s Republic of China (the “PRC”) with registered capital of USD30 million, at the consideration of USD7.5 million, out of which approximately USD1.2 million was paid by Merge Limited during the six months ended 30 June 2016. The Group is able to exercise significant influence over 千島融資租賃 because it has appointed one out of the five directors of 千島融資租賃 under the shareholders’ agreement. 千島融資租賃 is principally engaged in the business of finance leasing services. As at 30 June 2016, the investment in associate, 千島融資租賃, is of approximately HK\$8,907,000.
- (ii) On 21 June 2016, 中海物貿(深圳)有限公司, an indirectly non-wholly owned subsidiary of the Company, entered into an investment agreement with two independent third parties to establish 北京中首智慧停車管理有限公司 (“北京中首智慧”), a company established in the PRC with registered capital of RMB45,000,000, in which 中海物貿(深圳)有限公司 contributed RMB20,650,000 which represented 45.89% of registered capital in 北京中首智慧. The Group is able to exercise significant influence over 北京中首智慧 because it has appointed two out of the five directors of 北京中首智慧 under the shareholders’ agreement. 北京中首智慧 is principally engaged in the business of intelligent parking management and value-added parking management services. As at 30 June 2016, the investment in associate, 北京中首智慧, is of approximately HK\$23,954,000.

## 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 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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements Projects	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



### 3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors, 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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2015, “Intelligent car parking and automotive device business” became a new operating activity of the Group and it is separately assessed by the chief operating decision maker. Therefore, it is reported as a new reportable and operating segment.

Specifically, the Group’s reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

- a) Shipbuilding business – provision of shipbuilding services under shipbuilding construction contracts and operated in the PRC.
- b) Trading business – provision of trading and operated in Hong Kong.
- c) Finance leasing business – provision of direct finance leasing, sale and leaseback, advisory services and provision of factoring services in the PRC.
- d) Intelligent car parking and automotive device business – manufacturing and sales of car parking equipment, investment, operation and management of car parks and electronic automotive devices in the PRC.



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3. REVENUE AND SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2016 (Unaudited)

	Shipbuilding business HK\$'000	Trading business HK\$'000	Finance leasing business HK\$'000	Intelligent car parking and automotive device business HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>Segment revenue</b>						
– External sales	70,992	–	580	96,891	–	168,463
– Inter-segment sales	–	14,885	1,620	–	(16,505)	–
<b>Total segment revenue</b>	<b>70,992</b>	<b>14,885</b>	<b>2,200</b>	<b>96,891</b>	<b>(16,505)</b>	<b>168,463</b>
<b>Segment result</b>	<b>(146,954)</b>	<b>(274)</b>	<b>(3,340)</b>	<b>(3,923)</b>		<b>(154,491)</b>
Unallocated other income						619
Unallocated other gains and losses						(3,457)
Change in fair value of investments held for trading						122
Impairment loss recognised in respect of other receivables						(9,942)
Finance costs						(17,686)
Share of profit of associates						4,091
Share of losses of joint ventures						(492)
Unallocated corporate expenses						(12,882)
<b>Loss before tax</b>						<b>(194,118)</b>

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**3. REVENUE AND SEGMENT INFORMATION** (Continued)

Six months ended 30 June 2015 (Unaudited)

	Shipbuilding business HK\$'000	Trading business HK\$'000	Finance leasing business HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue					
– External sales	65,476	–	1,777	–	67,253
– Inter-segment sales	–	–	3,587	(3,587)	–
<b>Total segment revenue</b>	<b>65,476</b>	<b>–</b>	<b>5,364</b>	<b>(3,587)</b>	<b>67,253</b>
<b>Segment result</b>	<b>(232,345)</b>	<b>–</b>	<b>(2,365)</b>		<b>(234,710)</b>
Unallocated other income					506
Unallocated other gains and losses					79
Change in fair value of investments held for trading					(977)
Finance costs					(42,892)
Share of profit of associates					6,498
Share of losses of joint ventures					(336)
Unallocated corporate expenses					(10,284)
<b>Loss before tax</b>					<b>(282,116)</b>

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3. REVENUE AND SEGMENT INFORMATION (Continued)

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
<b>Assets</b>		
Segment assets		
– Shipbuilding business	<b>1,120,435</b>	1,065,649
– Trading business	<b>3,167</b>	–
– Finance leasing business	<b>26,367</b>	58,090
– Intelligent car parking and automotive device business	<b>541,509</b>	477,145
Total segment assets	<b>1,691,478</b>	1,600,884
Interests in associates	<b>159,452</b>	93,410
Interests in joint ventures	<b>463,636</b>	472,118
Pledged bank deposits and bank balances and cash	<b>50,295</b>	151,714
Unallocated corporate assets	<b>5,895</b>	3,698
Consolidated assets	<b>2,370,756</b>	2,321,824
<b>Liabilities</b>		
Segment liabilities		
– Shipbuilding business	<b>1,953,716</b>	1,791,072
– Trading business	–	–
– Finance leasing business	<b>51,648</b>	57,547
– Intelligent car parking and automotive device business	<b>153,583</b>	101,426
Total segment liabilities	<b>2,158,947</b>	1,950,045
Convertible bonds payable	<b>301,800</b>	293,732
Contingent consideration payable	<b>315,740</b>	315,740
Deferred tax liabilities	<b>106,674</b>	115,208
Unallocated corporate liabilities	<b>40,474</b>	33,871
Consolidated liabilities	<b>2,923,635</b>	2,708,596



## 4. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interests on:		
Convertible bonds payable at effective interest rates	17,502	42,892
Bank borrowings and bill payables	15,240	18,928
Other borrowings	21,244	32,570
Guarantee fee and fund management fee incurred in connection with borrowings	2,904	6,049
Others	-	79
	<b>56,890</b>	<b>100,518</b>

## 5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax – PRC tax	3,879	385
Deferred tax – current period	(5,240)	(19)
	<b>(1,361)</b>	<b>366</b>

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6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Directors' and chief executives' emoluments:		
Fees, salaries and other benefits	2,937	2,897
Contributions to retirement benefits scheme	18	27
Other staff costs:		
Salaries and other benefits	23,534	19,157
Contributions to retirement benefits scheme	3,068	3,278
<b>Total staff costs</b>	<b>29,557</b>	25,359
Auditor's remuneration:		
Audit services	650	650
Non-audit services	350	300
	<b>1,000</b>	950
Depreciation of property, plant and equipment	25,394	29,873
Amortisation of prepaid lease payments	3,600	3,672
Amortisation of intangible assets	19,920	-
Loss on disposal of property, plant and equipment	17	4
Minimum lease payments paid under operating leases in respect of rented premises	3,777	2,478
Shipbuilding contract costs recognised as cost of sales	156,341	218,871
Impairment loss recognised in respect of other receivables	9,942	-
Reversal of impairment loss recognised in respect of finance lease receivables	(28)	-

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**7. 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:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(192,245)	(282,482)

	Six months ended 30 June	
	2016 '000 (Unaudited)	2015 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ( <i>Note</i> )	11,994,907	8,503,567

*Note:*

For the six months ended 30 June 2016 and 30 June 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their conversion/exercise would result in a decrease in loss per share which is regarded as anti-dilutive.

**8. DIVIDENDS**

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period (for the six months ended 30 June 2015: Nil).

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**9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$18,000 (for the six months ended 30 June 2015: HK\$7,000) for cash proceeds of approximately HK\$1,000 (for the six months ended 30 June 2015: HK\$3,000), resulting in a loss on disposal of approximately HK\$17,000 (loss on disposal for the six months ended 30 June 2015: HK\$4,000).

In addition, during the current interim period, the Group paid approximately HK\$20,869,000 (for the six months ended 30 June 2015: HK\$2,174,000) for acquisition of property, plant and equipment in the PRC.

At 30 June 2016, plant and machinery with carrying values of approximately HK\$77,165,000 (31 December 2015: HK\$86,631,000) and buildings of approximately HK\$196,830,000 (31 December 2015: HK\$222,421,000) have been pledged to various banks and a financial institution in the PRC to secure the Group's borrowings (Note 13).

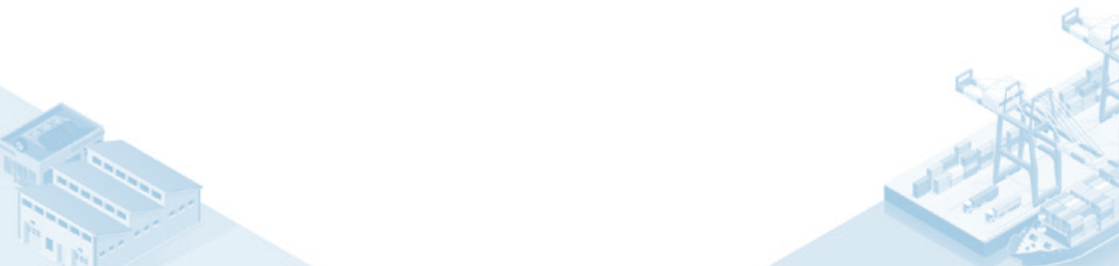
**10. TRADE RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade receivables – non-current portion	<b>348</b>	622
Trade receivables – current portion	<b>50,419</b>	38,157
<b>Total trade receivables (Note a)</b>	<b>50,767</b>	38,779
Deposits – non-current portion (Note b)	<b>116</b>	–
Other receivables	<b>82,764</b>	39,301
Less: Allowance for doubtful debts	<b>(16,608)</b>	(6,916)
Other receivables, net	<b>66,156</b>	32,385
Value-added tax recoverable	<b>142,982</b>	161,767
Deposits placed with agents and a stakeholder (Note c)	<b>6,391</b>	6,591
<b>Total other receivables, net</b>	<b>215,529</b>	200,743
Prepayment for purchase of raw materials (Note d)	<b>244,404</b>	174,930

**10. TRADE RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS** (Continued)

Notes:

- (a) At 30 June 2016, the Group's trade receivables included trade receivables from trading of automotive related products with average 90 days credit period and retention receivables for trading of automotive related products with range of one to two years under the respective terms of contract.
- At 31 December 2015, the Group's trade receivables included trade receivables from the factoring services with one year credit period, trading of automotive related products with average 90 days credit period and retention receivables for trading of automotive related products with range of one to two years under the respective terms of contract.
- At 31 December 2015, trade receivables are non-interest bearing, except for trade receivables from factoring services of approximately HK\$28,556,000 which bear interest rate of 12% per annum.
- (b) The Group has entered into a services contract and paid deposits for a sum of approximately HK\$116,000 as at 30 June 2016 as performance deposits. The performance deposits are interest-free and recoverable in three years under the terms of contract and are included in non-current asset.
- (c) During the six months ended 30 June 2016, certain vessel buyers have made progress payments for ship construction contracts to four agents and one stakeholder (2015: three agents and one stakeholder) rather than directly to the Group. The Group has the entitlement to these progress payments in accordance with the contracts but the balances are placed under custody of the agents/stakeholder to ensure these progress payments are used to pay for the costs to relevant ship construction contracts. The progress payments in custody will be paid over to the Group based on the shipbuilding progress.
- (d) Prepayment for purchase of raw materials represents amount paid for purchase of steel plates and vessel components for shipbuilding but not yet delivered to the Group at the end of the reporting period.



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**10. TRADE RECEIVABLES/DEPOSITS/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS** (Continued)

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
0 – 90 days	<b>43,008</b>	38,779
91 – 180 days	<b>5,041</b>	–
More than 180 days but not exceeding one year	<b>2,256</b>	–
In more than one year	<b>462</b>	–
	<b>50,767</b>	38,779

The Directors considered that no impairment loss on trade receivables that were past due but not impaired as the balances are considered to be recoverable as at 30 June 2016 and 31 December 2015. The Group did not hold any collateral over these balances.

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

**11. FINANCE LEASE RECEIVABLES**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Finance lease receivables – current portion	<b>18,612</b>	15,390
Finance lease receivables – non-current portion	<b>6,585</b>	13,028
	<b>25,197</b>	28,418

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11. FINANCE LEASE RECEIVABLES (Continued)

Amounts receivable under finance leases

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Finance lease receivables	28,020	32,033
Less: Unearned finance income	(2,568)	(3,328)
Net finance lease receivables	25,452	28,705
Less: Accumulated impairment loss	(255)	(287)
	<b>25,197</b>	28,418

The maturity profile of these finance lease receivables from customers at the end of the reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Repayable (including interests)		
Within one year	21,080	17,915
One to two years	6,940	14,118
	<b>28,020</b>	32,033
Repayable (net of interests)		
Within one year	18,612	15,390
One to two years	6,585	13,028
	<b>25,197</b>	28,418
Impairment allowances		
At the beginning of the period/year	287	378
Exchange realignments	(4)	(21)
Reversal for the period/year	(28)	(70)
At the end of the period/year	<b>255</b>	287

Finance lease receivables balances are guaranteed by the holding company of the finance lessee. There were no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

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**12. TRADE, BILLS AND OTHER PAYABLES**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Trade payables	<b>80,289</b>	54,192
Bills payables	–	141,600
	<b>80,289</b>	195,792
Consideration payable for acquisition of prepaid lease payments	<b>43,751</b>	44,505
Payable to guarantors	<b>5,933</b>	5,888
Contribution payables to labour union and education funds	<b>12,759</b>	12,491
Accrual of contractor fees	<b>16,397</b>	17,707
Accrual of government funds	<b>30,160</b>	30,680
Other payables and accruals	<b>230,311</b>	192,195
	<b>419,600</b>	499,258

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
0 – 30 days	<b>12,294</b>	56,526
31 – 60 days	<b>12,329</b>	25,156
61 – 90 days	<b>16,225</b>	72,634
Over 90 days	<b>39,441</b>	41,476
	<b>80,289</b>	195,792

As at 31 December 2015, bills payables are secured by pledged bank deposits.

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

**13. BORROWINGS**

During the current interim period, the Group obtained new bank borrowings and other borrowings amounting to approximately HK\$346,585,000 and HK\$151,093,000 respectively (31 December 2015: HK\$252,520,000 and HK\$742,148,000 respectively).



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**13. BORROWINGS** (Continued)

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

	30 June 2016	31 December 2015
Effective interest rates:		
Fixed-rate borrowings (bank and other borrowings)	<b>0.35% to 30%</b>	0.35% to 30%
Variable-rate borrowings (bank and other borrowings)	<b>4.75% to 7.83%</b>	4.75% to 7.56%

At 30 June 2016 and 31 December 2015, there was no repayment on demand clause on both bank borrowings and other borrowings.

As at 30 June 2016, HK\$0.58 million (31 December 2015: HK\$81.53 million) of deposits, HK\$274 million (31 December 2015: HK\$309.05 million) of property, plant and equipment and HK\$304 million (31 December 2015: HK\$308.84 million) of prepaid lease payments, were pledged to banks for borrowings, guarantees and facilities granted to the Group.

As at 30 June 2016, the Company has pledged the entire equity interest of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. ("Jiangxi Shipbuilding") to secure a bank borrowing amounted to RMB106,580,000 (31 December 2015: RMB107,000,000).

**14. SHARE CAPITAL**

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At 1 January 2015 (Audited), 31 December 2015 (Audited) and <b>30 June 2016 (Unaudited)</b>	<b>20,000,000,000</b>	<b>1,000,000</b>
Issued and fully paid:		
At 1 January 2015 (Audited)	7,530,722,155	376,536
Issue of shares upon conversion of CBVI (as defined in Note a)	3,330,000,000	166,500
Issue of share upon conversion of CBVII (as defined in Note b)	300,000,000	15,000
Issue of shares for the acquisition of subsidiaries (Note c)	259,500,000	12,975
Issue of shares for settlement of loans (Note d)	537,761,685	26,888
At 31 December 2015 (Audited) and 1 January 2016 (Audited)	11,957,983,840	597,899
Issue of shares upon exercise of share options (Note e)	40,000,000	2,000
<b>At 30 June 2016 (Unaudited)</b>	<b>11,997,983,840</b>	<b>599,899</b>

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**14. SHARE CAPITAL** (Continued)

*Notes:*

- (a) During the year ended 31 December 2015, certain holders of the convertible bonds in the principal amount of HK\$1,000,000,000 issued by the Company on 14 May 2014 ("CBVI") converted HK\$666 million of CBVI for 3,330,000,000 new ordinary shares at a conversion price of HK\$0.20 per conversion share.
- (b) During the year ended 31 December 2015, the holders of the convertible bonds in the principal amount of HK\$60,000,000 issued by the Company on 16 February 2015 ("CBVII") converted HK\$60 million of CBVII for 300,000,000 new ordinary shares at a conversion price of HK\$0.20 per conversion share.
- (c) On 4 December 2015, the Company has issued 259,500,000 new ordinary shares to the vendor in relation to the acquisition of the entire issued share capital of Success Capture Limited.
- (d) On 25 September 2015, the Company, Jiangxi Shipbuilding, an indirectly wholly-owned subsidiary of the Company (the "Borrower") and certain creditors of Jiangxi Shipbuilding (the "Creditors") entered into a subscription agreement, in which the Creditors could subscribe for 537,761,685 new ordinary shares of the Company at the subscription price of HK\$0.26 per subscription share, for the settlement of the loans in an aggregate amount of approximately RMB114,944,409 (equivalent to approximately HK\$139,818,038) due to the Creditors with all rights and benefits attaching thereto and thereon. The subscription was completed on 13 November 2015 at a closing price of HK\$0.28 per share.
- (e) On 15 January 2016, the Company issued and allotted 40,000,000 ordinary share to the executive director of the Company, Mr. Li Ming ("Mr. Li"), upon exercise of the share options by Mr. Li at the exercise price of HK\$0.211 per share.

All new shares issued during the six months period ended 30 June 2016 and year ended 31 December 2015 ranked pari passu with the existing shares in all respects.

**15. CAPITAL COMMITMENTS**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Contracted for but not provided in the condensed consolidated financial statements:		
Unpaid registered capital for the associates	<b>95,403</b>	77,500
Unpaid registered capital for the subsidiaries	<b>580,464</b>	161,896
Unpaid consideration payable for the acquisition of 23% equity interest of Jiangxi Petrochina Kunlun Gas Co., Ltd. ("Jiangxi Gas") from Sanya Chengda Investment Limited	-	22,155
Unpaid consideration payable for the acquisition of 24% equity interest of Jiangxi Gas from Nanchang Fubang Pipeline Gas Company Limited	-	23,118
	<b>675,867</b>	284,669

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**16. RELATED PARTY DISCLOSURES**

The Group had the following significant transactions and balances with related parties during the period as follows:

**(a) Amounts due to related parties**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Jiangxi Haoli Fanya Energy Development Co., Ltd. ("Haoli Energy") (Note i)	<b>2,720</b>	3,711
Mr. Wu Ge ("Mr. Wu") (Note ii)		
– advanced loan	<b>26</b>	27
– consideration payable for the acquisition of 九江金湖裝備製造有限公司 and accrued salaries	<b>418</b>	425
	<b>3,164</b>	4,163

**(b) Amounts due to directors**

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Mr. Li (Note iii)	–	(47)
Mr. Zhang Shi Hong ("Mr. Zhang") (Note iv)	<b>(50)</b>	(50)
Mr. Wang San Long ("Mr. Wang") (Note v)		
– consideration payable for the acquisition of 九江金湖裝備製造有限公司 and accrued salaries	<b>(490)</b>	(500)
	<b>(540)</b>	(597)

**(c) Transactions with related parties**

	<b>six months ended 30 June</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Unaudited)
Interest expenses paid and payable to Haoli Energy (Note i)	–	581
Interest expenses paid and payable to Mr. Wang (Note v)	–	129
	–	710

**16. RELATED PARTY DISCLOSURES** (Continued)

- (d) The key management of the Group comprises all Directors and chief executives, their remuneration for the six months ended 30 June 2016 and 30 June 2015 have been disclosed in Note 6 to the condensed consolidated financial statements. The remuneration of Directors and chief executives recommended by the remuneration committee and market trends.

*Notes:*

- (i) The legal representative of Haoli Energy is Mr. Zhang. Mr. Zhang is the executive director and chief executive officer of the Company. The amount due to Haoli Energy is unsecured, interest free (2015:14.4% per annual) and repayable on demand.

During the six months ended 30 June 2016 and year ended 31 December 2015, Haoli Energy provided guarantee to secure the bank borrowings of RMB106,580,000 granted to the Group.

- (ii) Mr. Wu is the senior management of the Group. The amount is unsecured, interest free and repayable on demand.

- (iii) Mr. Li, is the executive director of the Company. The amount is unsecured, interest free and repayable on demand.

Mr. Li has provided a free counter-guarantee in favor of the Group to guarantee a facility of RMB50,000,000 (year ended 31 December 2015: RMB170,000,000) granted by banks in the PRC during the six months ended 30 June 2016.

Mr. Li also had provided a free guarantee to secure the payment obligations of the borrowings of RMB200,000,000 from one of the shareholders of the Group's associate, Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean") during the six months ended 30 June 2016 (year ended 31 December 2015: RMB200,000,000).

- (iv) The amount is unsecured, interest free and repayable on demand.

- (v) Mr. Wang, is the executive director of the Company. The balances of amount due is unsecured, interest free and repayable on demand.

Mr. Wang also had provided a free counter-guarantee in favor of the Group to guarantee a facility of RMB156,700,000 (year ended 31 December 2015: RMB277,000,000) granted by banks in the PRC during the six months ended 30 June 2016.

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.



## 17. 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 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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)			
Held-for-trading non-derivative financial assets classified as investments held for trading in the condensed consolidated statement of financial position	<b>Asset- Approximately 2,074</b>	Asset- Approximately 1,952	Level 1	Quoted bid prices in an active market	N/A
Derivative financial liabilities classified as convertible bonds payable in the condensed consolidated statement of financial position	<b>Liability- Approximately 55,018</b>	Liability- Approximately 55,018	Level 2	Binomial Model – volatility, time to maturity, applicable stock price, risk free rate	N/A
Contingent consideration payable in a business combination	<b>Liability- Approximately 315,740</b>	Liability- Approximately 315,740	Level 3	Income approach – the Company's share price, risk free rate	The estimated profit for the year ending 31 December 2016

There were no transfers between Level 1, 2 and 3 during the six months ended 30 June 2016 and year ended 31 December 2015.

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.

**18. LITIGATIONS AND CONTINGENT LIABILITIES**

- (a) At 30 June 2016, the Group has not paid the social security fund for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 30 June 2016 of approximately HK\$40,560,000 (equivalent to RMB34,966,000) in aggregate, were recorded as "Trade, bills and other payables" in the condensed consolidated statement of financial position (31 December 2015: approximately HK\$39,681,000 (equivalent to RMB33,628,000)).

A repayment agreement was signed between Jiangxi Shipbuilding, a wholly-owned subsidiary of the Company and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund. Per the agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the repayment agreement, no penalty would be imposed by the relevant government authority.

- (b) At 30 June 2016, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The housing provident fund contributions accrued up to 30 June 2016 of approximately HK\$5,317,000 (equivalent to RMB4,584,000) in aggregate, were recorded as "Trade, bills and other payables" in the condensed consolidated statement of financial position (31 December 2015: approximately HK\$6,798,000 (equivalent to RMB5,761,000)).

The Directors are of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.

- (c) The Company had recognised the provision in relation to the litigations of approximately RMB10,381,000 (31 December 2015: RMB10,611,000) under "Trade, bills and other payables" in the condensed consolidated statement of financial position as at 30 June 2016, details are set out as follows:
- (i) In November 2015, a supplier filed its writ to 九江仲裁委員會 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,164,000 and the relevant overdue interests to the plaintiff for payment of gas services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payment and the relevant interests accrued up to 30 June 2016 of approximately RMB4,059,000 in aggregate, were recorded under "Trade, bills and other payables" in the condensed consolidated statement of financial position.



**18. LITIGATIONS AND CONTINGENT LIABILITIES** (Continued)

(c) (Continued)

- (ii) In November 2015, a contractor filed its writ to 上海市金山區人民法院 against Jiangxi Shipbuilding in relation to Jiangxi Shipbuilding had failed to pay a principal of approximately RMB1,372,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 30 June 2016 of approximately RMB1,722,000 in aggregate, were recorded under “Trade, bills and other payables” in the condensed consolidated statement of financial position.
- (iii) In December 2014, a contractor filed its writ to 武漢海事法院 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,220,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payment and the relevant interests accrued up to 30 June 2016 of approximately RMB4,600,000 in aggregate was recorded under “Trade, bills and other payables” in the condensed consolidated statement of financial position.
- (iv) In January 2016, the deposit of RMB13.5 million was confiscated by a bank in the PRC (the “PRC Bank”) resulted from the default payment of an independent third party (the “Borrower”) in which the Group has provided corporate guarantee to the PRC Bank for the Borrower. In March 2016, Jiangxi Shipbuilding filed its writ against the Borrower for the compensation.

- (d) On 3 December 2015, Merge Limited and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the “Counter Guarantors”) entered into the counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd\* (舟山海洋綜合開發投資有限公司) (the “Guarantor”), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitisation agreements entered into by Zhejiang Ocean (the “Guarantee”), up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK\$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge Limited shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK\$221,400,000).

Details of the counter-guarantee are disclosed in the Company’s announcement dated 3 December 2015.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 30 June 2016 and 31 December 2015.

\* For identification purpose only

**19. EVENTS AFTER THE END OF REPORTING PERIOD**

- (i) On 7 July 2016, the Company and the investor, Prosper Talent Limited, entered into the acknowledgement and confirmation which confirmed that the maturity date of the convertible bonds in principal amount of HK\$200,000,000 shall be extended from 8 July 2016 to 8 July 2017. No other terms and conditions of the convertible bonds have been amended.
  
- (ii) On 8 August 2016, Merge Limited, a wholly-owned subsidiary of the Company, and other shareholders of 中海物質(深圳)有限公司 entered into the capital contribution agreement, pursuant to which all shareholders of 中海物質(深圳)有限公司 agreed to increase the existing registered capital of 中海物質(深圳)有限公司 from RMB50 million to RMB100 million by injecting an aggregate of RMB50 million in cash, in which registered capital of RMB15 million to be contributed by Merge Limited.

Upon the completion of the capital contribution, the shareholding of the Group in 中海物質(深圳)有限公司 will be diluted from 80% to 55%.





## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

China Ocean Industry Group Limited is engaged in the production and operation of shipbuilding, trading, and providing financial services business and intelligent car-parking and automotive device business.

In the first half of 2016, the Group's shipbuilding business still faced tremendous pressure due to continuing downturn of the marine market. Since the second half of 2015, through continuously adjusting its shipbuilding business structure, optimizing the allocation of resources, improving the operation efficiency, the Group was able to sustain the current business scale of shipbuilding business and significantly reduce costs. At the same time, financial leasing business achieved steady progress in business development and, created synergies with the Group's other businesses. Following the acquisition of the intelligent car-parking project of Shandong Dereton at the end of 2015, the Group has been focusing on development of intelligent car-parking and automotive device business which achieved significant result during the period under review. In addition, by entering into cooperation agreements and establishing joint ventures with business partners in relevant areas, the Group has been able to utilize multiple resources and advantages to continuously expand the business scope and market share of car-parking business. In light with increasing domestic market demand coped with encouraging policies issued by government of the PRC, the Group is expecting rapid development in our intelligent car-parking and automotive device business with promising prospect.

For the six months ended 30 June 2016, the Group recorded a revenue of HK\$168.46 million (2015: HK\$67.25 million), representing a substantial increase of 150.50% as compared to the same period last year. This increase was mainly due to revenue of HK\$96.89 million contributed by intelligent car-parking and automotive device business (2015: Nil). The Group's shipbuilding business recorded a revenue of HK\$70.99 million (2015: HK\$65.48 million), representing an increase of 8.41% as compared to the same period last year. The Group's financial leasing business contributed a revenue of HK\$0.58 million (2015: HK\$1.78 million), representing a slight decrease as compared to the same period last year. During the period under review, the Group recorded a gross loss of HK\$59.09 million (2015: HK\$151.65 million), representing a significant decrease of 61.04% compared to last year. The gross loss was due to slumping market, increasing competition and, lower pricing of shipbuilding orders.



The Group's selling and administrative expenses increased from HK\$38.47 million to HK\$79.12 million, mainly due to increased sales and administrative activities associated with the expansion of intelligent car-parking and electronic automotive device business. The Group's financial cost decreased significantly by 43.40% from HK\$100.52 million to HK\$56.89 million, mainly due to the great effort in adjusting financing methods and negotiation with subscribers of convertible bonds and creditors to basically convert both convertible bonds and debts into shares by the Group in 2015, resulting a substantial decrease of financial cost.

In conclusion, the Group recorded a loss attributable to shareholders of HK\$192.25 million (in the first half of 2015: loss of HK\$282.48 million) for the six months ended 30 June 2016. The loss for the period under review decreased by approximately 31.94% as compared to the same period last year.

## SHIPBUILDING BUSINESS

During the period under review, despite shipbuilding industry downturn, the Group's shipbuilding business achieved a slight growth compared to the same period last year by the joint effort of its management and staff. The revenue of the Group's shipbuilding segment amounted to HK\$70.99 million (2015: HK\$65.48 million), representing an increase of 8.41% as compared to the same period last year. The Group has commenced the construction of new shipbuilding orders and achieved good progress so far.

As of 30 June 2016, the Group received confirmed orders of 4 heavy lift vessels of 12,500 ton, 4 heavy lift vessels of 14,000 ton and 2 chemical tankers of 16,500 ton in total.

## FINANCIAL LEASING

During the period under review, while expanding its business, the Group's financial leasing business has created synergies with the Group's shipbuilding business and supported our shipbuilding business to go through the sluggish period. As of 30 June 2016, the Group recorded a total revenue of HK\$0.58 million (2015: HK\$1.78 million) from its financial leasing segment. In addition, the Group also shared profits of HK\$4.09 million (2015: HK\$6.50 million) from Zhejiang Ocean Leasing Company Limited and Zhejiang Qiandao Leasing Company Limited (浙江千島融資租賃有限公司), in which the Group holds 20% and 25% equity interests respectively.



## INTELLIGENT CAR-PARKING AND ELECTRONIC AUTOMOTIVE DEVICE BUSINESSES

During the period under review, the Group's intelligent car-parking and electronic automotive device business has made gratifying progress. As of 30 June 2016, this segment recorded a total revenue of HK\$96.89 million (in the first half of 2015: Nil).

During the period under review, the Group has entered various cooperative partnership with multiple enterprises including: jointly formed Shenzhen Zhonghai Saige Intelligent Carparking Development Limited\* (深圳中海賽格智慧停車發展有限公司) with Shenzhen Electronics Group\* (深圳賽格集團); signed JV agreements with investors such as Beijing Shougang Lujie Venture Investment Company Limited\* (北京首鋼綠節創業投資有限公司) and jointly formed Beijing Zhongshou Intelligent Parking Management Company Limited\* (北京中首智慧停車管理有限公司); and signed cooperative agreement with Jiangxi Nanchang Travel Group Limited\* (江西南昌旅遊集團有限公司) to jointly manage car park and relevant military theme park. The Group believes that the cooperation with various business partners will enable us to jointly develop and expand intelligent car-parking business by utilising the resources and strengths of each party.

## OTHERS

During the reporting period, the Group has jointly established Jiangxi River-side Industry Development and Venture Capital Investment Enterprise\* (江西沿江產業發展創業投資企業) with affiliate enterprises of Jiujiang City in JiangXi Province and other investors which was established to acquire and make equity investment in related enterprises leveraging on the Group's strengths in clean energy development and support from local government on organic integration of natural resources of Jiujiang riverside and urban development.

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had bank balances and cash (including pledged bank deposits) of approximately HK\$50.30 million (31 December 2015: HK\$151.71 million) of which HK\$0.58 million (31 December 2015: HK\$81.53 million) was pledged; short-term borrowings of HK\$1,134.94 million (31 December 2015: HK\$953.15 million); long-term borrowings of HK\$287.55 million (31 December 2015: HK\$253.99 million); convertible bonds payable amounted to approximately HK\$301.80 million (31 December 2015: HK\$293.73 million) represented the fair value of principal amount of HK\$252 million (31 December 2015: HK\$252 million). The gearing ratio defined as non-current liabilities and short term borrowing divided by total shareholders' equity was (2.77) at 30 June 2016 (31 December 2015: (4.35)).

## CHARGES ON GROUP ASSETS

As at 30 June 2016, HK\$0.58 million (31 December 2015: HK\$81.53 million) of deposits, HK\$274.00 million (31 December 2015: HK\$309.05 million) of property, plant and equipment and HK\$304.00 million (31 December 2015: HK\$308.84 million) of prepaid lease payments, were pledged to banks for borrowings, guarantees and facilities granted by them to the Group.

As at 30 June 2016, the Company has pledged the entire equity interest of Jiangxi Jiangzhou Union Shipbuilding Co., Ltd to secure a bank borrowing amounted to RMB106,580,000 (31 December 2015: RMB107,000,000).

## 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 2016, 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

- (i) On 7 July 2016, the Company and the investor, Prosper Talent Limited, entered into the acknowledgement and confirmation which confirmed that the maturity date of the convertible bonds in principal amount of HK\$200,000,000 shall be extended from 8 July 2016 to 8 July 2017. No other terms and conditions of the convertible bonds have been amended.
- (ii) On 8 August 2016, Merge Limited, a wholly-owned subsidiary of the Company, and other shareholders of 中海物質(深圳)有限公司 entered into the capital contribution agreement, pursuant to which all shareholders of 中海物質(深圳)有限公司 agreed to increase the existing registered capital of 中海物質(深圳)有限公司 from RMB50 million to RMB100 million by injecting an aggregate of RMB50 million in cash, in which registered capital of RMB15 million to be contributed by Merge Limited.

Upon the completion of the capital contribution, the shareholding of the Group in 中海物質(深圳)有限公司 will be diluted from 80% to 55%.

## LITIGATIONS AND CONTINGENT LIABILITIES

- (a) At 30 June 2016, the Group has not paid the social security fund for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 30 June 2016 of approximately HK\$40,560,000 (equivalent to RMB34,966,000) in aggregate, were recorded as “Trade, bills and other payables” in the condensed consolidated statement of financial position (31 December 2015: approximately HK\$39,681,000 (equivalent to RMB33,628,000)).

A repayment agreement was signed between Jiangxi Jiangzhou Union Shipbuilding Co., Ltd., a wholly-owned subsidiary of the Company and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund. Per the agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the repayment agreement, no penalty would be imposed by the relevant government authority.

- (b) At 30 June 2016, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The housing provident fund contributions accrued up to 30 June 2016 of approximately HK\$5,317,000 (equivalent to RMB4,584,000) in aggregate, were recorded as “Trade, bills and other payables” in the condensed consolidated statement of financial position (31 December 2015: approximately HK\$6,798,000(equivalent to RMB5,761,000)).

The Directors are of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.

- (c) The Company had recognised the provision in relation to the litigations of approximately RMB10,381,000 (31 December 2015: RMB10,611,000) under “Trade, bills and other payables” in the condensed consolidated statement of financial position as at 30 June 2016, details are set out as follows:

- (i) In November 2015, a supplier filed its writ to 九江仲裁委員會 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,164,000 and the relevant overdue interests to the plaintiff for payment of gas services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payment and the relevant interests accrued up to 30 June 2016 of approximately RMB4,059,000 in aggregate, were recorded under “Trade, bills and other payables” in the condensed consolidated statement of financial position.
- (ii) In November 2015, a contractor filed its writ to 上海市金山區人民法院 against Jiangxi Shipbuilding in relation to Jiangxi Shipbuilding had failed to pay a principal of approximately RMB1,372,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payments and the relevant interests accrued up to 30 June 2016 of approximately RMB1,722,000 in aggregate, were recorded under “Trade, bills and other payables” in the condensed consolidated statement of financial position.



- (iii) In December 2014, a contractor filed its writ to 武漢海事法院 against Jiangxi Shipbuilding. It was stated in the writ that Jiangxi Shipbuilding had failed to pay a principal of approximately RMB4,220,000 and the relevant overdue interests to the plaintiff for payment of the vessel decoration services provided by the plaintiff to Jiangxi Shipbuilding. At the end of the reporting period, the principal payment and the relevant interests accrued up to 30 June 2016 of approximately RMB4,600,000 in aggregate was recorded under “Trade, bills and other payables” in the condensed consolidated statement of financial position.
- (iv) In January 2016, the deposit of RMB13.5 million was confiscated by a bank in the People’s Republic of China (the “PRC Bank”) resulted from the default payment of an independent third party (the “Borrower”) in which the Group has provided corporate guarantee to the PRC Bank for the Borrower. In March 2016, Jiangxi Shipbuilding filed its writ against the Borrower for the compensation.
- (d) On 3 December 2015, Merge Limited and other shareholders of Zhejiang Ocean Leasing Company Limited (“Zhejiang Ocean”) as counter guarantors (collectively referred to the “Counter Guarantors”) entered into the counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd\* (舟山海洋綜合開發投資有限公司) (the “Guarantor”), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitisation agreements entered into by Zhejiang Ocean (the “Guarantee”), up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK\$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge Limited shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK\$221,400,000).

Details of the counter-guarantee are disclosed in the Company’s announcement dated 3 December 2015.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 30 June 2016 and 31 December 2015.

\* For identification purpose only

## HUMAN RESOURCES

The Group had around 600 employees as at 30 June 2016. 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.

## CAPITAL COMMITMENTS

At 30 June 2016, the Group has the following capital commitments:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Contracted for but not provided in the condensed consolidated financial statements:		
Unpaid registered capital for the associates	<b>95,403</b>	77,500
Unpaid registered capital for the subsidiaries	<b>580,464</b>	161,896
Unpaid consideration payable for the acquisition of 23% equity interest of Jiangxi Petrochina Kunlun Gas Co., Ltd. ("Jiangxi Gas") from Sanya Chengda Investment Limited	–	22,155
Unpaid consideration payable for the acquisition of 24% equity interest of Jiangxi Gas from Nanchang Fubang Pipeline Gas Company Limited	–	23,118
	<b>675,867</b>	284,669



## PROSPECTS

Looking forward, the Group will devote vigorous effort in developing car-parking business segment. Through cooperation with government authority, technology partners and investment partners, the Group will focus on the integration of car parks planning and design, car parks investment and construction, intelligent car-parking equipment manufacturing and car parks operation and management. With the expansion of urbanization in the PRC, the demand for the development of smart city and intelligent car-parking will continue to increase. Therefore, the Group believes that there will be great potential and prospects in intelligent car-parking and electronic automotive device business.

Although the shipbuilding business of the Group is still facing challenges of overcapacity, low prices and fierce competition, our gross profit margin has been significantly improved by optimizing business structure and introducing experienced and talented management team. The Group believes that our business will continue to expand and generate greater return to our investors, by utilization of the complementary of car-parking equipment manufacturing and the financial support from financial leasing business.

The Group will continue to adopt diversified business strategies to cope with the risks of the PRC's domestic economy downturn, and allocate resources flexibly to seize any possible investment opportunities. Ultimately, the Group will continue to strengthen its overall financial position in preparation for any possible changes in the industry, and to grasp any feasible and profitable investment opportunities.



## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and/or short position of the directors in the shares and underlying shares 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 Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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 share options held	Approximate percentage of the issued shares held
Li Ming	Long position	Beneficial owner	965,927,954	70,000,000	8.63%
	Long position	Interest of controlled Corporation	310,940,000 <i>(note 1)</i>	–	2.59%
Chau On Ta Yuen	Long position	Beneficial owner	–	49,743,000	0.41%
Wang San Long	Long position	Beneficial owner	–	20,110,600	0.17%
Zhang Shi Hong	Long position	Beneficial owner	31,140,000	107,581,000	1.16%
Liu Jin	Long position	Beneficial owner	–	110,000,000	0.92%
Hu Bai He	Long position	Beneficial owner	–	1,000,000	0.01%
Xiang Siying	Long position	Beneficial owner	–	1,000,000	0.01%
Xiang Ying	Long position	Beneficial owner	–	1,000,000	0.01%

*Note 1:* Mr. Li Ming is deemed to be interested in the 310,940,000 shares held by Lead Dragon Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is wholly and beneficially owned by Mr. Li Ming.

Save as disclosed in this report, none of the Directors or their associates had any personal, family, corporate or other interests and/or short position in the equity or debt securities of the Company or any of its associated corporations at 30 June 2016.

## SHARE OPTION SCHEME

Particulars of the Company's share option schemes adopted on 27 May 2002 (the "Scheme 2002") and 27 June 2012 (the "Scheme 2012") are set out in Note 40 to the consolidated financial statements of the Company's 2015 annual report. The purpose of the Scheme 2002 and Scheme 2012 is to recognise and motivate the contribution of the any employee, adviser, consultant, agent, contractor, client and supplier and/or such other person who in the sole discretion of the Board has contributed or may contribute to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

The following table discloses details of the options held by directors, employees and other persons and movements in such holdings during the six months ended 30 June 2016:

Name	As at 1 January 2016	Exercised during the period	As at 30 June 2016	Date of grant	Exercisable period	Exercise price per share
<b>Directors</b>						
Chau On Ta Yuen	4,743,000	-	4,743,000	5 Mar 2008	up to 4 Mar 2018	HK\$5.693
	45,000,000	-	45,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Zhang Shi Hong	1,581,000	-	1,581,000	5 Mar 2008	up to 4 Mar 2018	HK\$5.693
	16,000,000	-	16,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
	90,000,000	-	90,000,000	4 Nov 2015	4 Nov 2015 to 3 Nov 2018	HK\$0.280
Wang San Long	4,110,600	-	4,110,600	7 May 2008	up to 6 May 2018	HK\$4.523
	16,000,000	-	16,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Li Ming	40,000,000	40,000,000	-	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
	70,000,000	-	70,000,000	4 Nov 2015	4 Nov 2015 to 3 Nov 2018	HK\$0.280
Liu Jin	110,000,000	-	110,000,000	4 Nov 2015	4 Nov 2015 to 3 Nov 2018	HK\$0.280
Xiang Siying	1,000,000	-	1,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Hu Bai He	1,000,000	-	1,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Xiang Ying	1,000,000	-	1,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Sub-total	400,434,600	40,000,000	360,434,600			
<b>Employees (In aggregate)</b>						
	2,339,880	-	2,339,880	7 May 2008	up to 6 May 2018	HK\$4.523
	50,000,000	-	50,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
	280,000,000	-	280,000,000	4 Nov 2015	4 Nov 2015 to 3 Nov 2018	HK\$0.280
Sub-total	332,339,880	-	332,339,880			
<b>Others (In aggregate)</b>						
	33,675,300	-	33,675,300	7 May 2008	up to 6 May 2018	HK\$4.523
	196,000,000	-	196,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK\$0.211
Sub-total	229,675,300	-	229,675,300			
<b>Total</b>	<b>962,449,780</b>	<b>40,000,000</b>	<b>922,449,780</b>			

Save the above disclosed 40,000,000 share options were exercised in January 2016, no share options were exercised, cancelled or lapsed during the six months ended 30 June 2016.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the information disclosed in Note 16 (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 2016, save as disclosed below, no persons, not being a Director or chief executive of the Company, had interests and/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 2016.

Name	Long/ Short position	Nature of Interests	Number of shares/ underlying share held	Approximate percentage of the issued shares held at 30 June 2016
Central Huijin Investment Ltd. (Note 1)	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%
China Construction Bank Corporation (Note 1)	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%
CCB International Group Holdings Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%
CCB Financial Holdings Limited (Note 1)	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%

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Name	Long/ Short position	Nature of Interests	Number of shares/ underlying share held	Approximate percentage of the issued shares held at 30 June 2016
CCB International (Holdings) Limited <i>(Note 1)</i>	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%
CCBI Investments Limited <i>(Note 1)</i>	Long	Interest of controlled corporation	806,126,561	6.72%
	Short	Interest of controlled corporation	1,491,334,138	12.43%
Prosper Talent Limited <i>(Note 1)</i>	Long	Beneficial owner	806,126,561	6.72%
	Short	Beneficial owner	1,491,334,138	12.43%
Mr. Li Ming <i>(Note 2)</i>	Long	Beneficial owner	965,927,954	8.05%

*Notes:*

- (1) Prosper Talent Limited is wholly and beneficially owned by CCBI Investments Limited, which in turn is wholly and beneficially owned by CCB International (Holdings) Limited. CCB International (Holdings) Limited is wholly and beneficially owned by CCB International Group Holdings Limited, which is wholly and beneficially owned by China Construction Bank Corporation, which in turn is owned as to approximately 57.26% by Central Huijin Investment Ltd. Therefore, the aforesaid companies were deemed to be interested in the same 806,126,561 shares and 1,491,334,138 short position in shares of the Company directly held by Prosper Talent Limited pursuant to Part XV of the SFO.
- (2) Mr. Li Ming's interest is also disclosed in the above section headed "Directors' Interests in Shares and Underlying Shares".

## 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 2016.

## CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016.

## CHANGE IN INFORMATION OF DIRECTORS

The following Information is set out pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

- Ms. Xiang Ying has resigned as independent director of Guangdong Sky Dragon Ink Group Co. Ltd (Stock code: 300063), a company listed on Shenzhen Stock Exchange on 29 July 2013.
- Mr. Chau On Ta Yuen has resigned as independent director of Leyou Technologies Holdings Limited (Stock code: 1089), a company listed on the Main Board of the Hong Kong Stock Exchange on 4 May 2016.
- Mr. Li Ming was appointed as non-executive director of DST ROBOT Co., Ltd (Stock Code: A090710) on 27 March 2015, a company listed on Korean Stock Exchange.

## 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 Ying, Ms. Xiang Siying and Mr. Hu Bai He and one executive director, Mr. Zhang Shi Hong. The Chairman of the Remuneration Committee is Ms. Xiang Ying.



## NOMINATION COMMITTEE

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

## AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company as at the date of this report comprise Mr. Hu Bai He, Ms. Xiang Siying and Ms. Xiang Ying, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee of the Company.

## BOARD OF DIRECTORS

The Board of the Company as at the date of this report comprises four executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long and Mr. Liu Jin; one non-executive Director, namely, Mr. Chau On Ta Yuen; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.

By order of the Board

**LI Ming**

*Chairman*

Hong Kong, 31 August 2016

