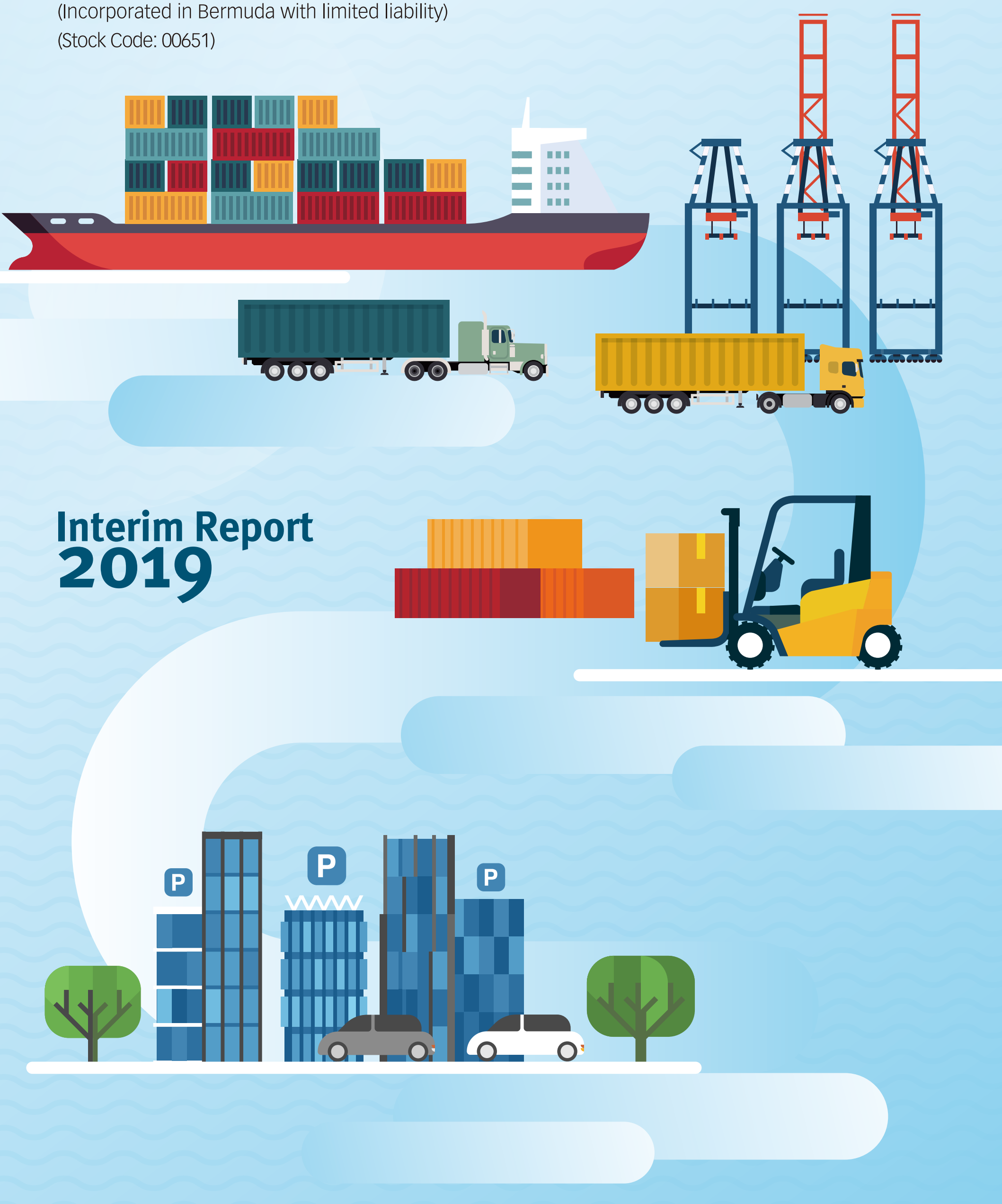
CHINA OCEAN INDUSTRY GROUP LIMITED
中海重工集團有限公司

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

Interim Report 2019



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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 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	3	**38,776**	85,791
Cost of sales		**(42,791)**	(73,847)
Gross (loss) profit		**(4,015)**	11,944
Other income		**2,386**	6,890
Other gains and losses	4	**(3,507)**	(3,468)
Loss from changes in fair value of financial assets at fair value through profit or loss		**(17)**	(21)
Gain on disposal of an associate		**69,507**	–
Selling and distribution expenses		**(1,260)**	(3,231)
Administrative expenses		**(122,117)**	(98,718)
Finance costs	5	**(248,320)**	(123,379)
Share of loss of associates		**(1,440)**	(14,363)
Share of loss of joint ventures		**–**	(249,919)
Loss before tax		**(308,783)**	(474,265)
Income tax credit	6	**5,330**	6,747
Loss for the period	7	**(303,453)**	(467,518)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**32,873**	33,482
Share of translation reserve of associates		**(4,845)**	(4,590)
Share of translation reserve of joint ventures		**54**	(3,512)
Other comprehensive income for the period, net of income tax		**28,082**	25,380
Total comprehensive expenses for the period		**(275,371)**	(442,138)

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

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **HK$'000** **(Unaudited)**	 2018 HK$'000 (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(302,016)**	(464,158)
– Non-controlling interests		**(1,437)**	(3,360)
		(303,453)	(467,518)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(273,750)**	(439,121)
– Non-controlling interests		**(1,621)**	(3,017)
		(275,371)	(442,138)
Loss per share			
– Basic and diluted	8	**HK(2.21) cents**	HK(3.40) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**404,538**	442,726
Investment properties		**21,607**	21,914
Right-of-use assets		**13,161**	–
Prepaid lease payments – non-current portion		**344,822**	349,822
Goodwill		**103,156**	103,156
Intangible assets		**93,546**	116,872
Interests in associates		**35,524**	201,094
Interests in joint ventures		**5,585**	5,531
Equity instruments at fair value through other comprehensive income		**23,391**	23,598
Amount due from an associate – non-current portion		**5,754**	5,805
Deferred tax assets		**455**	459
		1,051,539	1,270,977
CURRENT ASSETS			
Inventories		**335,610**	327,173
Trade and bills receivables	11	**134,575**	182,272
Contract assets		**90,229**	90,328
Other receivables	11	**750,370**	748,467
Prepayment	11	**98,513**	191,751
Tax recoverable		**6,055**	6,007
Amounts due from associates		**6,280**	4,560
Prepaid lease payments		**8,996**	9,142
Financial assets at fair value through profit or loss		**15**	32
Finance lease receivables	12	**3,663**	3,695
Pledged bank deposits and restricted cash		**233**	2,265
Bank balances and cash		**7,356**	10,005
		1,441,895	1,575,697
Assets classified as held for sale	14	**159,285**	–
		1,601,180	1,575,697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	13	**1,377,410**	1,357,228
Amounts due to related parties	15	**430**	721
Amounts due to directors	15	**28,594**	21,925
Amounts due to associates		**37,841**	16,920
Borrowings		**3,402,666**	3,385,253
Lease liabilities		**9,990**	–
Provision for warranty		**766**	2,034
Convertible bonds payables		**179,459**	168,138
		5,037,156	4,952,219
NET CURRENT LIABILITIES		**(3,435,976)**	(3,376,522)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,384,437)**	(2,105,545)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**681,842**	681,842
Reserves		**(3,393,786)**	(3,120,036)
Equity attributable to owners of the Company		**(2,711,944)**	(2,438,194)
Non-controlling interests		**257,817**	259,438
TOTAL DEFICITS		**(2,454,127)**	(2,178,756)
NON-CURRENT LIABILITIES			
Other payables – non-current portion	13	**5,026**	5,070
Lease liabilities – non-current portion		**3,446**	–
Deferred tax liabilities		**61,218**	68,141
		69,690	73,211
		(2,384,437)	(2,105,545)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owner of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Other reserve HK$000	Translation reserve HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019 (audited)	681,842	1,869,321	3,368,411	42,594	26,388	168,034	37,023	42,127	9,240	(8,683,174)	(2,438,194)	259,438	(2,178,756)
Loss for the period	–	–	–	–	–	–	–	–	–	(302,016)	(302,016)	(1,437)	(303,453)
Other comprehensive income (expenses):													
Items that may be reclassified subsequently to profit or loss													
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	33,057	–	–	–	–	33,057	(184)	32,873
Share of translation reserve of associates	–	–	–	–	–	(4,845)	–	–	–	–	(4,845)	–	(4,845)
Share of translation reserve of joint ventures	–	–	–	–	–	54	–	–	–	–	54	–	54
Other comprehensive income (expense) for the period, net of income tax	–	–	–	–	–	28,266	–	–	–	–	28,266	(184)	28,082
Total comprehensive income (expenses) for the period	–	–	–	–	–	28,266	–	–	–	(302,016)	(273,750)	(1,621)	(275,371)
At 30 June 2019 (Unaudited)	681,842	1,869,321	3,368,411	42,594	26,388	196,300	37,023	42,127	9,240	(8,985,190)	(2,711,944)	257,817	(2,454,127)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2018

	Attributable to owner of the Company												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Other reserve HK$000	Translation reserve HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2017 (audited)	681,842	1,869,321	3,368,411	42,594	7,685	132,292	129,910	42,127	9,240	(7,230,626)	(947,204)	51,074	(896,130)
Loss for the period	–	–	–	–	–	–	–	–	–	(464,158)	(464,158)	(3,360)	(467,518)
Other comprehensive income (expenses):													
Items that may be reclassified subsequently to profit or loss													
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	33,139	–	–	–	–	33,139	343	33,482
Share of translation reserve of associates	–	–	–	–	–	(4,590)	–	–	–	–	(4,590)	–	(4,590)
Share of translation reserve of joint ventures	–	–	–	–	–	(3,512)	–	–	–	–	(3,512)	–	(3,512)
Other comprehensive income for the period, net of income tax	–	–	–	–	–	25,037	–	–	–	–	25,037	343	25,380
Total comprehensive income (expenses) for the period	–	–	–	–	–	25,037	–	–	–	(464,158)	(439,121)	(3,017)	(442,138)
Lapse of share options	–	–	–	–	–	–	(43,693)	–	–	43,693	–	–	–
At 30 June 2018 (restated) (unaudited)	681,842	1,869,321	3,368,411	42,594	7,685	157,329	86,217	42,127	9,240	(7,651,091)	(1,386,325)	48,057	(1,338,268)

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 (the "PRC"), the companies established in the PRC are required to transfer 10% of their net profit after taxation, as determined under the relevant accounting principles and financial regulations, to statutory reserve balance until reaches 50% of their registered capital. The transfer to this statutory reserve must be made before the distribution of dividend 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 the PRC are also required to maintain a staff welfare and incentive bonus fund, while the amount and allocation basis are decided by the enterprise.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(14,036)**	(49,399)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,767)**	(34,628)
Purchase of prepaid lease payments	**–**	(1,939)
Proceeds from disposal of property, plant and equipment	**667**	–
Decrease in pledged bank deposits and restricted cash	**2,030**	244
NET CASH USED IN INVESTING ACTIVITIES	**(2,070)**	(36,323)
FINANCING ACTIVITIES		
Borrowings raised	**9,982**	105,135
Repayment of borrowings	**(3,509)**	(41,234)
Interest paid	**(910)**	(12,102)
NET CASH FROM FINANCING ACTIVITIES	**5,563**	51,799
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,543)**	(33,923)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**7,894**	30,310
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**10,005**	15,276
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**7,356**	11,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 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").

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.

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$308,783,000 for the six months ended 30 June 2019 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$3,435,976,000 and HK$2,454,127,000, 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, in negotiation with banks to allow revolving of loans upon their due dates and to borrow new loans, actively pursuing new customers, imposing cost control measures, dispose of part of its assets and investment to obtain funds, negotiating with the local government for providing assistance, issue new shares and issue new convertible bonds, 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS"), the accounting policies and methods of computation used in the condensed consolidated financial information are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

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

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

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

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

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition.

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

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	14,203
Lease liabilities discounted at relevant incremental borrowing rates	13,573
Less: Recognition exemption – short-term leases	(703)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	12,870
Analysed as:	
Current	11,152
Non-current	1,718
	12,870

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	12,870
By class:	
Right-of-use assets	12,870

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.

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 of electronic appliance and operated in Hong Kong.

c) Finance leasing business – provision of direct finance leasing, sale and leaseback, advisory services and provision of factoring services in the PRC.

d) Intelligent car parking and automotive device business – manufacturing and sales of car parking equipment, investment, operation and management of car parks and electronic automotive devices in the PRC.

e) Steel structure engineering and installation – manufacturing and selling of steel structures and fittings for ship, marine equipment, mining equipment, ro-ro equipment, ship, bridge and building steel structure in the PRC.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2019 (Unaudited)

	Shipbuilding business HK$'000	Trading business HK$'000	Finance leasing business HK$'000	Intelligent car parking and automotive device business HK$'000	Steel structure engineering and installation HK$'000	Total HK$'000
Segment revenue						
– External sales	1,248	–	–	15,853	21,675	38,776
Segment result	(214,466)	(17,837)	(9,235)	(34,733)	(64,408)	(340,679)
Unallocated other income						5
Unallocated other gains and losses						(1,837)
Loss from changes in fair value of financial assets at fair value through profit or loss						(17)
Unallocated finance costs						(25,642)
Share of loss of associates						(1,440)
Gain on disposal of an associate						69,507
Unallocated corporate expenses						(8,680)
Loss before tax						(308,783)

Six months ended 30 June 2018 (Unaudited)

	Shipbuilding business HK$'000	Trading business HK$'000	Finance leasing business HK$'000	Intelligent car parking and automotive device business HK$'000	Steel structure engineering and installation HK$'000	Total HK$'000
Segment revenue						
– External sales	16,432	–	–	46,537	22,822	85,791
Segment result	(52,605)	(892)	(24,996)	(35,602)	(53,009)	(167,104)
Unallocated other income						17
Unallocated other gains and losses						(2,929)
Loss from changes in fair value of financial assets at fair value through profit or loss						(21)
Unallocated finance costs						(18,270)
Share of loss of associates						(14,363)
Share of loss of joint ventures						(249,919)
Unallocated corporate expenses						(21,676)
Loss before tax						(474,265)

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:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Assets		
Segment assets		
– Shipbuilding business	802,699	802,174
– Trading business	–	–
– Finance leasing business	286,496	361,392
– Intelligent car parking and automotive device business	559,582	615,065
– Steel structure engineering and installation	756,152	810,733
Total segment assets	2,404,929	2,589,364
Pledged bank deposits and restricted cash and bank balances and cash	7,589	12,270
Interests in associates	35,524	201,094
Interests in joint ventures	5,585	5,531
Investment properties	21,607	21,914
Amounts due from associates	12,034	10,365
Assets classified as held for sale	159,285	–
Unallocated corporate assets	6,166	6,136
Consolidated assets	2,652,719	2,846,674
Liabilities		
Segment liabilities		
– Shipbuilding business	3,097,964	2,836,999
– Trading business	17,748	–
– Finance leasing business	566,669	587,650
– Intelligent car parking and automotive device business	319,022	446,341
– Steel structure engineering and installation	734,527	777,211
Total segment liabilities	4,735,930	4,648,201
Convertible bonds payable	179,459	168,138
Deferred tax liabilities	61,218	68,141
Amounts due to associates	37,841	16,920
Unallocated corporate liabilities	92,398	124,030
Consolidated liabilities	5,106,846	5,025,430

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019 **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Loss on disposal of property, plant and equipment	**(780)**	–
Loss on disposal of investment property	**–**	(825)
Gain on disposal of a subsidiary	**274**	–
Foreign exchange (loss) gain	**(1,837)**	(2,102)
Penalty arising from litigation	**(1,110)**	–
Others	**(54)**	(541)
	(3,507)	(3,468)

5. FINANCE COSTS

	Six months ended 30 June	
	2019 **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Interests on:		
Convertible bonds payable	**20,771**	18,270
Bank borrowings and other borrowings	**180,822**	104,750
Guarantee fee and fund management fee incurred in connection with borrowings	**46,716**	346
Others	**11**	13
	248,320	123,379

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2019 **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Current tax – PRC tax	**12**	413
Deferred tax	**(5,342)**	(7,160)
	(5,330)	(6,747)

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' and chief executives' emoluments:		
Fees, salaries and other benefits	**3,296**	2,340
Contributions to retirement benefits scheme	**36**	36
Other staff costs:		
Salaries and other benefits	**22,236**	24,137
Redundancy fee	**5,076**	–
Contributions to retirement benefits scheme	**3,992**	3,759
Total staff costs	**34,636**	30,272
Auditor's remuneration:		
Audit services	**66**	53
Non-audit services	**700**	500
	766	553
Depreciation of right-of-use assets	**5,117**	–
Depreciation of property, plant and equipment	**34,295**	29,680
Amortisation of prepaid lease payments	**4,856**	5,542
Amortisation of intangible assets	**20,028**	21,582
Minimum lease payments paid under operating leases in respect of rented premises	**5,082**	6,074
Impairment loss recognised in respect of other receivables	**18,967**	10,652
Impairment loss recognised in respect of finance lease receivables	**–**	4,543
Impairment loss recognised in respect of trade receivables	**17,837**	1,601
Cost of inventories recognised as expenses	**42,628**	59,216

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(302,016)**	(464,158)

	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**13,636,839**	13,636,839

For the six months ended 30 June 2019 and 30 June 2018, the computation of diluted loss per share does not assumed the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their assumed conversion or exercise would result in a decrease in loss per share which is regarded as anti-dilutive.

9. DIVIDENDS

No 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.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately HK$4,767,000 (for the six months ended 30 June 2018: HK$34,628,000) for acquisition of property, plant and equipment which located in the PRC.

11. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES/PREPAYMENT

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**156,490**	186,407
Bills receivables	**57**	–
	156,547	186,407
Less: Allowance for credit losses	**(21,972)**	(4,135)
Trade and bills receivables *(Note)*	**134,575**	182,272
Other receivables	**569,293**	521,723
Value-added tax recoverable	**69,179**	72,535
Amounts due from the former shareholders of a subsidiary	**266,709**	270,935
Deposit paid for the construction	**–**	19,380
Deposits placed to agents and a stakeholder	**7,517**	7,584
	912,698	892,157
Less: Allowance for credit losses	**(162,328)**	(143,690)
Other receivables, net of allowance for credit losses	**750,370**	748,467
Prepayment	**98,513**	191,751

Note:

At 30 June 2019 and 31 December 2018, the Group's trade receivables included (1) trade receivables from factoring services with one year credit period; (2) trade receivables from intelligent car parking and automotive device business with average 90 days credit period; (3) retention receivables for intelligent car parking with range from one to two years under the respective terms of contract; and (4) trade receivables from steel structure engineering and installation with 30 days credit period.

At 30 June 2019, trade receivables are non-interest bearing, except for trade receivables from factoring services with aggregate amount of approximately HK$4,147,000 (31 December 2018: HK$4,184,000) which bear interest rate of 12% (2018: 12%) per annum.

11. TRADE AND BILLS RECEIVABLES/OTHER RECEIVABLES/PREPAYMENT (Continued)

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
0 – 90 days	**25,672**	42,205
More than 90 days but not exceeding one year	**31,868**	34,572
In more than one year	**77,035**	105,495
	134,575	182,272

The Group did not hold any collateral over these balances.

12. FINANCE LEASE RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Finance lease receivables within one year	**4,716**	4,758
Less: Unearned finance income	**(764)**	(771)
Present value of minimum lease payment receivables	**3,952**	3,987
Less: Allowance for credit losses	**(289)**	(292)
	3,663	3,695

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.

The finance lease receivables bear interest rate at 7.6% (31 December 2018: 7.6%) per annum.

13. TRADE AND OTHER PAYABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Consideration payable for acquisition of property, plant and equipment – non-current portion	**5,026**	5,070
Trade payables	**153,364**	139,291
Consideration payable for acquisition of prepaid lease payments	**42,619**	42,997
Payable to guarantors	**24,399**	708
Contribution payables to labour union and education funds	**13,442**	13,565
Accrual of contractor fees	**31,598**	37,463
Accrual of government funds	**2,134**	2,152
Other payables and accruals	**1,109,854**	1,121,052
	1,377,410	1,357,228

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
0 – 30 days	**6,193**	6,640
31 – 60 days	**4,966**	16,809
61 – 90 days	**243**	1,261
Over 90 days	**141,962**	114,581
	153,364	139,291

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

14. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 February 2019, Merge Limited, a wholly-owned subsidiary of the Company and the purchaser ("Purchaser 1") entered into the share purchase agreement pursuant to which Merge Limited has conditionally agreed to sell and the Purchaser 1 has conditionally agreed to purchase the 20% equity interest in Zhejiang Ocean Leasing Company Limited ("Zhejiang Ocean")*（浙江海洋租賃股份有限公司）at a maximum Consideration of RMB170 million.

On 30 May 2019 and 30 July 2019, Merge Limited and Purchaser 1 entered into the supplemental agreements to amend and supplement certain terms of the share purchase agreement. Merge Limited and the Purchaser 1 agreed to further adjust the consideration to RMB162,600,000, which shall represent the final amount of consideration payable by the Purchaser 1 to Merge Limited for disposal of 20% equity interest in Zhejiang Ocean.

Completion has not yet taken place as at the date of this report. The Company expected the disposal of 20% equity interest in Zhejiang Ocean will be completed by the end of September 2019. Therefore, the equity interest in Zhejiang Ocean was reclassified from interest in associates to assets classified as held for sale. Details regarding the disposal are disclosed in the Company's circular dated 14 August 2019.

	30 June 2019 HK$'000
Net assets	877,075
Unpaid registered capital	151,117
	1,028,192
Proportion of the Group's ownership interest	20%
Unpaid registered capital by the Group	(47,006)
Exchange adjustments	13
Goodwill	640
Carrying amount of the Group's interest transferred to assets classified as held for sale	159,285

* *For identification purpose*

15. RELATED PARTY DISCLOSURES

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions and balances with related parties during the year/period as follows:

(a) Amounts due to related parties

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Mr. Wang San Long ("Mr. Wang") *(Note i)* – consideration payable for the acquisition of Jiujiang Jinhu Equipment Manufacturing Company Limited ("Jiujiang Jinhu") and accrued salaries	**201**	483
Mr. Wu Ge ("Mr. Wu") *(Note ii)* – consideration payable for the acquisition of Jiujiang Jinhu and accrued salaries	**229**	238
	430	721

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

(b) Amounts due to directors

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Mr. Li Ming ("Mr. Li") *(Note iii)*	**18,290**	11,530
Mr. Zhang Shi Hong ("Mr. Zhang") *(Note iv)*	**10,304**	10,395
	28,594	21,925

Notes:

(i) Mr. Wang was resigned as an executive director of the Company and becomes a senior management of the Group on 21 November 2017. The amount is unsecured, interest-free and repayable on demand.

Mr. Wang had provided a personal guarantee in favour of the Group to guarantee a facility to RMB105,860,000 (year ended 31 December 2018: RMB158,015,000) granted by banks in the PRC during the six months ended 30 June 2019.

(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 personal guarantee in favor of the Group to guarantee a facility of approximately RMB528,202,000 (year ended 31 December 2018: RMB692,454,000) granted by banks in the PRC during the six months ended 30 June 2019.

Mr. Li also had provided a personal guarantee to secure the payment obligations of the borrowings of approximately RMB74,659,000 (year ended 31 December 2018: RMB74,659,000) from one of the shareholders of the Group's associate, Zhejiang Ocean during the six months ended 30 June 2019.

(iv) Mr. Zhang is the executive director of the Company, the amount is unsecured, interest at 12% per annum (2018: 12%) and repayable on demand.

Mr. Zhang has provided a personal guarantee in favour of the Group to guarantee a facility of RMB388,115,000 (year ended 31 December 2018: RMB430,000,000) granted by banks in the PRC during the six months ended 30 June 2019.

15. RELATED PARTY DISCLOSURES (Continued)

(c) The key management of the Group comprises all Directors and chief executives, detail of their remuneration are disclosed in Note 7 to the condensed consolidated financial statements. The remuneration of Directors and chief executives recommended by the remuneration committee and with reference to the market trends.

(d) During the six months ended 30 June 2019 and 30 June 2018, the Group entered into the following transactions with its associates.

	Six months ended 30 June	
	2019 **HK$'000** **(Unaudited)**	2018 HK$'000 (Unaudited)
Rental income	**7**	556
Interest expenses	**1,213**	992
Service income	**162**	1,496

(e) 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.

16. LITIGATIONS AND CONTINGENT LIABILITIES

(a) At 30 June 2019, the Group has not paid the social security fund for and on behalf of its employees which exposed the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 30 June 2019 of approximately HK$59,101,000 (equivalent to RMB52,302,000) in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2018: HK$47,289,000 (equivalent to RMB41,482,000)).

A repayment agreement was signed between Jiangxi Jiangzhou Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding") 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.

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

(b) At 30 June 2019, 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 2019 of approximately HK$6,555,000 (equivalent to RMB5,801,000) in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2018: HK$7,735,000 (equivalent to RMB6,785,000)).

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

(c) On 3 December 2015, Merge Limited and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the "Counter Guarantors") entered into a 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 securitization agreements entered into by Zhejiang Ocean (the "Guarantee"), up to an aggregate amount of RMB900,000,000, together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge Limited shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000.

(d) As disclosed in the Company's circular dated 24 February 2017 (the "VSA Circular"), the financial guarantee of approximately HK$227,514,000 represent the back-to-back corporate guarantees provided by Nantong Huakai Heavy Industry Company Limited*（南通華凱重工有限公司）, ("Nantong Huakai"), (which became the Company's subsidiary on 11 April 2017 upon completion of the acquisition) in favour of Huatai Heavy Industry Limited*（華泰重工有限公司）in 2014 (the "Corporate Guarantee") which remained outstanding as at 30 June 2019. The relevant information including the details of the relevant guarantee agreements are disclosed in the VSA Circular. Due to the failure of two ship owners to fulfill its payment obligation under the relevant shipbuilding contracts, Huatai Heavy Industry Limited had cancelled the relevant export and import cooperation agreements with the vessel agency companies. Pursuant to the terms of the export and import cooperation agreements and the civil mediation agreements, Huatai Heavy Industry Limited was liable to refund the prepaid amount received from the vessel agency companies.

The vendor of Nantong Huakai undertake to use the consideration payable to indemnify Nantong Huakai for all losses and liabilities incurred by Nantong Huakai under the Corporate Guarantee.

* *For identification purpose*

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

(e) The Company had recognised the provision in relation to the litigations of approximately RMB391,110,000 (At 31 December 2018: RMB439,110,000) under "Trade and other payables" and "Other borrowings" in the condensed consolidated statement of financial position as at 30 June 2019. The management are of the opinion that it is not probable that these claims would result in an outflow of economic benefits exceeding the provisions made by the Group. Details are set out as follows:

i. In 2018, a business partner initiated legal proceedings at the Intermediate People's Court of Nantong City against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued amounted to approximately RMB37,478,000 in aggregate.

ii. In 2018, a business partner initiated legal proceedings at the People's Court of Chongchuan District against Nantong Huakai. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB8,400,000 in aggregate.

iii. In 2018, a partner filed litigation to the Intermediate People's Court of Shenyang City against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB5,000,000 in aggregate.

iv. In 2018, a bankruptcy administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and China Ocean Shipbuilding Holdings Limited, a subsidiary of the Company, for bankruptcy revocation, involving litigation amounts of approximately RMB257,611,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

v. In 2018, a shipbuilding administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and Jiujiang Jinhu Equipment Manufacturing Company Limited*（九江金湖裝備製造有限公司）for bankruptcy revocation, involving litigation amounts of RMB63,930,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

vi. In 2018, a business partner of Jiangxi Shipbuilding initiated legal proceedings at the People's Court of Ruichang City against Jiangxi Shipbuilding for funds, involving litigation amounts of RMB12,000,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

vii. In 2018, a contractor initiated legal proceedings at Wuhan Marine Court against Jiangxi Shipbuilding for the failure to make payment for service fees, involving a total amount of approximately RMB6,691,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 30 June 2019.

17. CAPITAL COMMITMENTS

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Contracted for but not provided in the condensed consolidated financial statements:		
Unpaid registered capital for the associates	**67,560**	100,560
Unpaid registered capital for the subsidiaries	**542,626**	604,428
Unpaid registered capital for a joint venture	**113,000**	114,000
Capital expenditure in respect of the acquisition of property, plant and equipment	**27,777**	28,023
	750,963	847,011

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement and valuation processes

The Director is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed below.

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).

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets	Fair value as at 30 June 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
Held-for-trading non-derivative financial assets classified as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position	**Listed equity securities in Hong Kong – approximately 15**	Listed equity securities in Hong Kong – approximately 32	Level 1	Quoted prices in an active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC – approximately 23,391**	Listed equity securities in the PRC – approximately 23,598	Level 1	Quoted prices in an active market	N/A

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.

19. DISPOSAL OF AN ASSOCIATE

On 24 May 2019, the Company received an enforcement order ("Enforcement Order") dated 24 May 2019 issued by the People's Court of Rugao City, Jiangsu Province*（江蘇省如皋市人民法院）("Court") pursuant to which the Court has ordered the Group to transfer its 21.23% and 2.77% equity interest in Nantong Xiangyu Ocean Equipment Company Limited*（南通象嶼海洋裝備有限責任公司）("Nantong Xiangyu") in satisfaction of the outstanding sum in the amount of RMB52,993,897 to Rugao Fugang Construction Company Limited*（如皋市富港工程建設有限公司）("Claimant") and RMB6,926,103 to Nantong Tongbao Shipbuilding Company Limited*（南通市通寶船舶有限公司）, respectively, by Nantong Huakai.

The consideration was settled by offsetting the other borrowing and other payable from those independent third parties to the Group.

Details of the Enforcement Order are disclosed in the Company's announcement dated 27 May 2019.

The transfer of Nantong Xiangyu is accounted for as a disposal of an associate, and resulted in a gain of approximately HK$69,507,000 in the condensed consolidated statement of profit or loss and other comprehensive income during the period ended 30 June 2019, calculated as follows:

	HK$'000
Fair value of consideration received	67,710
Less: Carrying amount of 24% equity interest of Nantong Xiangyu	–
Exchange adjustments	1,797
Gain recognised	69,507

* *For identification purpose*

20. EVENTS AFTER THE END OF REPORTING PERIOD

Major transaction in relation to disposal of 20% equity interest in Zhejiang Ocean

On 28 February 2019, Merge Limited, a wholly-owned subsidiary of the Company and the Purchaser 1 entered into the share purchase agreement pursuant to which Merge Limited has conditionally agreed to sell and the Purchaser 1 has conditionally agreed to purchase the 20% equity interest in Zhejiang Ocean at a maximum Consideration of RMB170 million.

On 30 May 2019 and 30 July 2019, Merge Limited and Purchaser 1 entered into the supplemental agreements to amend and supplement certain terms of the share purchase agreement. Merge Limited and the Purchaser 1 agreed to further adjust the consideration to RMB162,600,000, which shall represent the final amount of consideration payable by the Purchaser 1 to Merge Limited for disposal of 20% equity interest in Zhejiang Ocean.

Completion has not yet taken place as at the date of this report. Details are disclosed in Note 14 to the condensed consolidated financial statements.

Subscription of convertible bonds

On 19 July 2019, the Company and each of the subscribers entered into the subscription agreements, pursuant to which the Company conditionally agreed to issue, and the subscribers conditionally agreed to subscribe for, the convertible bonds with an aggregate principal amount of HK$110,000,000 due 3 years from the date of issue of the convertible bonds at the conversion price of HK$0.64 per conversion share upon the capital reorganisation becoming effective.

Upon full conversion of the convertible bonds at the conversion price, a total of 171,875,000 conversion shares will be issued, representing approximately 33.53% of the issued share capital of the Company had the capital reorganisation become effective and as enlarged by the issue of the conversion shares (assuming that there is no change in the issued share capital of the Company and subject to adjustments to the conversion price).

The gross proceeds and net proceeds of the subscription will be approximately HK$110,000,000 and HK$109,000,000 respectively. The net proceeds is intended to be applied towards repayment of debts owed by the Group and the remaining for general working capital.

Details regarding the subscription of the convertible bonds under specific mandate and proposed capital reorganisation are disclosed in the Company's announcement dated 19 July 2019.

Completion has not yet taken place as at the date of this report.

20. EVENTS AFTER THE END OF REPORTING PERIOD (Continued)

Bankruptcy proceedings against a subsidiary of the Company

On 19 July 2019, Nantong Huakai, a subsidiary of the Company, received a judgment ("Judgment") dated 17 July 2019 from the People's Court (the "Court") of Rugao City, Jiangsu Province, the People's Republic of China ("PRC"), details of which are disclosed in the Company's announcements dated 19 July 2019.

Winding up petition

On 2 August 2019, the Company received a petition (the "Petition") from Titan Petrochemicals Group Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") on the ground that the Company was failure to settle a sum of HK$10,659,201.10, being the outstanding amount owed by the Company to the Petitioner.

The Company has negotiated with the Petitioner for a settlement and an amicable disposal of the matter under the Petition, and endeavored to agree on a joint application to dismiss the Petition.

The Company has received a letter from the Petitioner, pursuant to which the Petitioner will show no objection in case of the application by the Company for a validation order in way of consent summons in order to eliminate the uncertainties arising from the Petition, which are associated with the transfer of the Shares, the subscription of the Convertible Bonds and any issuance of Conversion Shares thereafter.

Details regarding the Petition are disclosed in the Company's announcements dated 5 August 2019 and 28 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

China Ocean Industry Group Limited is engaged in the intelligent car-parking and automotive device business, shipbuilding business, manufacture and sales of steel structure engineering and installation business, trading business and finance leasing business.

The Group has focused on the investments in the real economy with structural adjustment and asset revitalisation as its core works in recent years. The changes in the economic conditions of China initiated a new stage full of challenges and opportunities for the real economy, and also brought us new challenges. During the first half of 2019, the Group continued to adopt active initiatives in revitalising shipbuilding assets and promote cooperation with leading enterprises in order to take full advantage of its assets like land, plants and the shoreline of the Yangtze River. On the other hand, the Group made adjustments to its asset structure by ways including equity transfer and asset disposal.

The Group has relied on promoting the communication with governments and financial institutions for alleviating pressures caused by overburdened indebtedness on the Company. Based on the new requirements introduced by the Central Government in relation to deleveraging and structural adjustments, the Group also adjusted certain strategies in attempt to seek a number of viable ways to reduce the debt burden on the Group.

Generally speaking, in terms of asset revitalisation, structural adjustments and debt reduction, the Group will actively make use of the policies introduced by governments to enable the Group improve its asset and liability structure as soon as possible and lay a foundation for the development of new business by the Group.

For the six months ended 30 June 2019 (the “Period”), the Group recorded external revenue of HK$38.78 million (2018: HK$85.79 million), representing a decrease as compared to the same period of last year, which was mainly due to the increases in the revenue of the shipbuilding business and intelligent car-parking and automotive device business. The debt issues of certain subsidiaries had deteriorated, causing impacts on other subsidiaries through guarantee chain and constituting adverse impacts on both financing and business.

During the Period under review, the Group recorded a gross loss from its previous gross profit position. The gross loss amounted to HK$4.02 million (2018: gross profit of HK$11.94 million), which was mainly due to the loss of the shipbuilding business.

The Group's finance cost increased from HK$123.38 million to HK$248.32 million, mainly due to the interest incurred on prepayment of vessels and the increase in finance cost.

During the Period under review, share of loss of joint ventures decreased from HK$249.92 million to nil, which was due to the provision for the impairment losses on the investments with risks by the Group in last year.

Overall, for the six months ended 30 June 2019, the Group recorded a loss attributable to shareholders of HK$302.02 million (2018: HK$464.16 million), representing a decrease as compared to last year, mainly due to the recognized gain on the disposal of an associate and the significant decrease in share of loss of joint ventures, although there were also adverse impacts on results by factors such as the significant increase in finance costs.

SHIPBUILDING BUSINESS

During the Period under review, the shipbuilding business recorded external revenue of HK$1.25 million (2018: HK$16.43 million), with loss of HK$214.47 million (2018: HK$52.61 million). The increase in loss was mainly attributable to the slowdown in shipbuilding business.

The Group has postponed the disposal of six vessels. The disposal of four of them is still under the negotiations with financial intuitions, the remaining two vessels are under the negotiations with Shipping agencies and new ship owners.

As the shipbuilding business is a priority for the Group's restructuring, the Group will gradually change the business model and product structure of the shipbuilding business with the aim to reduce the loss of the shipbuilding business.

In order to completely change the encumbrance of the shipbuilding business to the Group, the Group continued to promote cooperation with leading shipbuilding enterprises in the industry with a view to restructuring assets of Jiangzhou Shipbuilding. Meanwhile, the Group committed to expanding the logistic, storage and shipping business by leveraging on its location advantages and the shoreline of Yangtze River, and the relevant works are still ongoing.

INTELLIGENT CAR-PARKING AND AUTOMOTIVE DEVICE BUSINESS

For the six months ended 30 June 2019, the intelligent-car parking and automotive device business recorded an external revenue of HK$15.85 million (2018: HK$46.54 million), a decrease of 65.94% over the previous year, which was affected by the litigation of related companies, and the Group will gear its business structure and equity structure in a timely manner to the different situations of its subsidiary companies, in order to better adapt to the changes in the market and mitigate the operating risks of the Group.

STEEL STRUCTURE ENGINEERING AND INSTALLATION BUSINESS

For the six months ended 30 June 2019, the steel structures engineering and installation business recorded an external revenue of HK$21.68 million (2018: HK$22.82 million), remaining basically unchanged from the previous year. The steel structure engineering and installation business is a new major business developed by the Group in recent years, enjoying broad market and large business volume. However, due to the delayed settlement of amounts for contract work and adverse changes in financing environment, there is great pressure on business expansion. At the same time, as the Group's steel structure engineering and installation business is adjacent to the main channel of the lower reaches of the Yangtze River, and there are plans to build a new bridge across the Yangtze River from the plant area, some unfavorable social factors occurred and thus affected the business and development of the Company to a certain extent. The Group tried to introduce local enterprises to restructure the business through disposal of part of its equity interests, but various reasons prompted the local court to accept the bankruptcy petition of Nantong Huakai. The Group will respond positively and consider this to be an opportunity to resolve business restructuring issues through the legal approach.

The Group is still negotiating with cooperative enterprises in respect of the relevant issues on disposal of this business.

For details, please refer to the disclosure of "DISPOSAL OF EQUITY INTEREST IN SUBSIDIARY" under the section headed "NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS".

FINANCE LEASING BUSINESS

The finance leasing company established in Zhoushan with joint contribution by the Group and the government investment platform company is in stable operation. In order to improve the debt situation, the Group will dispose this business.

For details, please refer to the disclosure of "DISPOSAL OF ASSOCIATED COMPANY" under the section headed "NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS".

DISCLAIMER OF OPINION OF 2018 ANNUAL REPORT

As disclosed in the section "Independent Auditor's Report" (the "Auditor's report") of 2018 annual report, the Auditor do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described under the paragraph (a) to (j) headed "BASIC FOR DISCLAIMER OF OPINION" set out in pages 66 to 79 of 2018 annual report, the Auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. Such qualification are mainly the results of the issues surrounding the Six Vessels which have not been delivered to the Two Customers according to the schedule as set out in the respective shipbuilding contracts and the going concern of the Group.

If the measure as stated in point (i) to (iv) under the section "THE BOARD'S PLAN TO ADDRESS THE DISCLAIMER OF OPINION" set out in pages 4 to 5 of the announcement dated 8 August 2019 could be successfully achieved, the qualified opinion in relation to the paragraph (a) to (d) headed "Basic for Disclaimer of Opinion" set out in pages 66 to 70 of 2018 annual report could be removed for the year ending 31 December 2019 or year ending 31 December 2020.

If the measure as stated in point (2) to (3) set out in pages 3 to 5 of the announcement dated 29 May 2019 could be successfully achieved, the qualified opinion in relation to the paragraph (e) to (i) headed "BASIC FOR DISCLAIMER OF OPINION" set out in pages 71 to 77 of 2018 annual report could be removed for the year ending 31 December 2019.

THE SIX VESSELS

In respect of the Rescinded Vessel, the relevant PRC court has been processing the public auction of the Rescinded Vessel since March 2019 and has obtained a valuation on the Rescinded Vessel by a court-appointed valuer in about June 2019 for the purpose of setting the auction price. However, the creditor bank was of the view that the valuation had over-estimated the value of the Rescinded Vessel. As such, pursuant to the negotiation between the creditor bank and the Company in about July 2019, the court agreed to conduct the public auction based on the price agreed between the creditor bank and the Company. The public auction is expected to be completed by the end of November 2019.

For Three of the Four Vessels, the Company is currently negotiating with two potential buyers who are interested in Three of the Four Vessels. One of the potential buyers of Three of the Four Vessels is the Yangzijiang Shipbuilding. Yangzijiang Shipbuilding has indicated that the concrete arrangement to bid for Three of the Four Vessels will not process until the completion of the disposal of the Rescinded Vessel. In additions, the Company is also proactively negotiating with another potential buyer who is interested in Three of the Four Vessels. Feasibilities of alternating Three of the Four Vessels to crane ship, bulk carrier or container ship are being examined. The Management will fight for the terms which is in the best interests of the Company and its shareholders as a whole. As it takes time for the examination and to finalise the details of the terms of framework agreement, optimistically, it is expected that a framework agreement can be reached by the end of December 2019.

For the Two Vessels, the Company has in principal reached agreement on the terms of the formal agreements with the new ship owners which are the potential purchaser of the Two Vessels. The Company is still negotiating with the shipping agent regarding the guarantee to be provided by the shipping agent in favour of the bank that offers advance payment guarantee to the Company. Based on the latest status, the formal agreements are expected to be entered into by end of November 2019.

The Management has spared no efforts in working out solutions for the Six Vessels during 2019. It is expected that before the end of financial year 2019, all the Four Vessels and the Two Vessels will be disposed of.

Upon discussion with the Auditor, if legally-binding agreement will be entered into in relation to the disposal of the Four Vessels during the year ending 31 December 2019, the inventory would be stated at the lower of cost (including budgeted cost to complete the Four Vessels, if any) and net realizable values as at the year ending 31 December 2019. This audit qualification would be removed for the year ending 31 December 2019.

UNCERTAINTIES RELATING TO GOING CONCERN

For the six months ended 30 June 2019, the Group reported loss attributable to the owners of the Company of approximately HK$302,016,000 and had significant net cash used in operating activities for the year ended 30 June 2019. As of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,435,976,000 and the Group had net liabilities of approximately HK$2,454,127,000, in which total borrowings amounted to approximately HK$3,402,666,000, while its bank balances and cash amounted to approximately HK$7,356,000 only. The Auditor was uncertain of the ability of the Group to maintain adequate future cash flow and issue qualified opinion about the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis.

In addition, the Group defaulted on the repayment of certain borrowings and payables on their respective due dates during the year ended 30 June 2019.

The Management has taken certain operating and financing measures into consideration and formed the view that the consolidated financial statements should be prepared on a going concern basis.

The Company has been taking positive steps to address the qualification in relation to going concern, including but not limited to:

(a) the Company has in principal reached agreement on the terms of the formal agreements with the new ship owners which are the potential purchaser of the Two Vessels. The Company is still negotiating with the shipping agent regarding the guarantee to be provided by the shipping agent in favour of the bank that offers advance payment guarantee to the Company;

(b) reference is made to the announcement dated 30 July 2019 and the circular dated 14 August 2019 in relation to the disposal of the Company's 20% equity interest in Zhejiang Ocean at the consideration of RMB162,600,000 (approximately HK$181,315,000). On this basis, it is expected that completion of the registration of the change in shareholder of Zhejiang Ocean shall be completed by the end of September 2019;

(c) reference is made to the supplemental Announcement dated 8 August 2019 in relation to, among other things, the establishment of Mining Co by Yangzijiang Shipbuilding, the Company, Jiangxi Shipbuilding and Wuxi Tianshi Education Goods Co., Ltd.（無錫天石教育用品有限公司）, the Mining Co is expected to be established by the end of November 2019;

(d) negotiate with its bank creditors with the help of Jiangxi Government, and with the support from government for the real economy and private enterprises as an opportunity, to extend the borrowings of the Group from short term to long term, which will reduce the net current outflow pressure of the Group and the current liabilities of the Group will be reduced, and the bank creditors promised that they won't reduce the facility amount, won't force to repay the loan and won't take legal actions;

(e) negotiate with certain suppliers and creditors to extend payment due date in order that the liabilities will be classified as non-current liabilities; and to

(f) reference is made to the announcement dated 19 July 2019, having approached various potential investors, the Company has received support from more investors than originally expected, and in the end two subscribers have conditionally agreed to subscribe for convertible bonds in an aggregate principal amount of HK$110 million.

The Audit Committee understands the uncertainties in relation to going concern and has discussed it with the Management. The Audit Committee shared the same view with the Management. Especially, deliberations were focused on the uncertainty and difficulty faced by the shipbuilding business. Notwithstanding this, the Audit Committee believed that the asset revitalization of Jiangxi Shipbuilding and the new business arising therefrom would enable to broaden the revenue stream of the Group and together with the Company's continued effort in transforming its business. At the same time, the Audit Committee believed that efforts to reduce debts will release the loan pressure on the Company. The Audit Committee is of the view that the Group could address the going concern qualification.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had bank balances and cash (including pledged bank deposits and restricted cash) of approximately HK$7.59 million (31 December 2018: HK$12.27 million) of which HK$0.23 million (31 December 2018: HK$2.27 million) was pledged; short-term borrowings of HK$3,402.67 million (31 December 2018: HK$3,385.25 million); convertible bonds payable amounted to approximately HK$179.46 million (31 December 2018: HK$168.14 million) represented the carrying values of principal amount of HK$189.00 million (31 December 2018: HK$189.00 million). The gearing ratio defined as non-current liabilities and short-term borrowing divided by total shareholders' equity was (1.41) at 30 June 2019 (31 December 2018: (1.59)).

FUND RAISING FROM ISSUE OF SHARES/CONVERTIBLE BONDS

The Company did not conduct any fundraising through issue of shares/convertible securities during the six months ended 30 June 2019. However, the following convertible securities/right to subscribe for convertible securities remained outstanding during the six months ended 30 June 2019:

1. 2016 SUBSCRIPTION AGREEMENT

On 6 December 2016, the Company and Macquarie Bank Limited ("Macquarie") entered into a subscription agreement pursuant to which Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in aggregate principal amount of up to HK$400 million, which is to be issued in 4 tranches with each trance in principal amount of HK$100 million and with interest rate at 2% per annum ("2016 Convertible Notes"). As at the date of this report, the first tranche of 2016 Convertible Notes has been redeemed by the Company in August 2017 and the remaining 3 tranches in aggregate principle amount of HK$300 million have yet to be issued by the Company.

2. 2017 CONVERTIBLE BONDS

On 10 November 2017, the Company issued a 2-year convertible bond in principal amount of HK$189 million with 10% interest rate ("2017 Convertible Bonds") to Pacific Ocean Marine Limited ("Pacific Ocean") pursuant to the relevant subscription agreement dated 10 August 2017 (amended and supplemented on 10 October 2017). Upon full conversion of the 2017 Convertible Bonds at the initial conversion price of HK$0.07 per share, a total of 2,700,000,000 shares would be issued, representing approximately 16.53% of the total enlarged number of issued shares by the allotment and issue of conversion shares. As the date of this report, no conversion shares were issued under the 2017 Convertible Bonds. The net proceeds of HK$189 million from the issuance of the 2017 Convertible Bonds has been fully utilised as follows: HK$170 million was used for repayment of debts and HK$19 million was used for general working capital.

The shareholders' dilution impact in the event of the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price of HK$0.070 per Share are as follows:

Shareholder	**At the 30 June 2019**		**Immediately after full conversion of the Convertible Bonds** *(Note 2)*	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Mr. Li Ming	1,248,777,954	9.16%	1,248,777,954	7.64%
Lead Dragon Limited *(Note 1)*	542,005,000	3.97%	542,005,000	3.32%
Mr. Zhang Shi Hong	216,400,000	1.59%	216,400,000	1.33%
Mr. Zhang Weibing	30,000,000	0.22%	30,000,000	0.18%
Pacific Ocean Marine Limited	0	0%	857,142,857	5.25%
Forward Fund SPC-Double Management Fund SP	0	0%	1,842,857,143	11.28%
Public Shareholders	11,599,655,886	85.06%	11,599,655,886	71.00%
Total:	13,636,838,840	100.00%	16,336,838,840	100.00%

Notes:

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

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

CHARGES ON GROUP ASSETS

As at 30 June 2019, HK$0.23 million (31 December 2018: HK$2.27 million) of deposits, HK$280.14 million (31 December 2018: HK$301.21 million) of property, plant and equipment and HK$206.17 million (31 December 2018: HK$208.17 million) of prepaid lease payments were pledged to banks or other parties to secure borrowings, bills payable and facilities granted to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables and borrowings.

As at 30 June 2019, the Company pledged the entire equity interest of a wholly-owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Ltd., to secure an bank borrowing amounting to RMB107.41 million (31 December 2018: RMB107.41 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Renminbi, Hong Kong Dollars and United States Dollars. As at 30 June 2019, the Group did not hedge its exposure to foreign exchange risk profile as the Group could not find a suitable instrument to manage this exposure. The Board will continue to consider the appropriate hedging measures.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

DISPOSAL OF ASSOCIATED COMPANY

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

The Company has been focusing on manufacturing business and has adopted diversification strategy in the past years. Committing to focus on its core businesses and promote efficient use of its resources, the Company will gradually divest of its non-core businesses while exploiting and strengthening its wharf construction and related logistics business, at the same time, maintaining focus on its manufacturing and service business, in order to generate more cashflow for the Company.

On 30 May 2019, Merge and China Medical entered into the first supplemental agreement to the Share Purchase Agreement ("First Supplemental Agreement") pursuant to which the parties thereto agreed to amend and supplement certain terms of the Share Purchase Agreement.

On 30 July 2019, Merge and China Medical entered into the second supplemental agreement (the "Second Supplemental Agreement") to the Share Purchase Agreement (as amended and supplemented by the First Supplemental Agreement) pursuant to which, among other things, the parties agreed that the Consideration shall be determined at RMB162,600,000, which shall represent the final amount of Consideration payable by China Medical to Merge.

Completion has not yet taken place as at the date of this report.

Details regarding the disposal are disclosed in the Company's announcements dated 28 February 2019, 6 March 2019, 11 April 2019, 3 May 2019, 17 May 2019, 30 May 2019, 15 July 2019 and 8 August 2019 and Company's circular dated 14 August 2019.

FORCED TRANSFER OF EQUITY INTEREST IN ASSOCIATED COMPANY

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

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

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

DISPOSAL OF EQUITY INTEREST IN SUBSIDIARY

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

The Company has been focusing on manufacturing business and has adopted diversification strategy in the past years. Committing to focus on its core businesses and promote efficient use of its resources, the Company will gradually divest of its non-core businesses while exploiting and strengthening its wharf construction and related logistics business, at the same time, maintaining focus on its manufacturing and service business, in order to generate more cashflow for the Company.

Completion has not yet taken place as at the date of this report.

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

Save as disclosed elsewhere under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", there was no new business, material acquisitions and disposals of subsidiaries and associated companies during the Period under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

INVESTMENT AGREEMENT AND COOPERATION AGREEMENT

On 23 November 2018, the Company, Yangzijiang Shipbuilding (Holdings) Ltd. ("Yangzijiang Shipbuilding"), Jiangxi Shipbuilding and Wuxi Tianshi Education Goods Co., Ltd.（無錫天石教育用品有限公司）entered into the Investment Agreement pursuant to which the parties agreed to, among other things, establish a company in the PRC ("Mining Co") and to reorganise the shipbuilding business and assets of Jiangxi Shipbuilding.

On 23 November 2018, the Company entered into the following Cooperation Agreements:

(1) the First Cooperation Agreement with Shenzhen Sufa United Industry Co., Ltd.（深圳市蘇發聯合實業有限公司）("Shenzhen Sufa"), pursuant to which, among other things, Shenzhen Sufa irrevocably agreed to (either alone or with its designated nominee(s)) subscribe for not less than RMB50 million of the registered capital of Mining Co, representing 10% of the registered capital of Mining Co; and

(2) the Second Cooperation Agreement with Beijing Zhongrun Tianxia Enterprise Management Center（北京中潤天下企業管理中心）("Beijing Zhongrun"), pursuant to which, among other things, Beijing Zhongrun irrevocably agreed to subscribe for RMB25 million of the registered capital of Mining Co, representing 5% of the registered capital of Mining Co, and agreed to provide the Loan in the amount of RMB250 million ("Loan") to the Company.

In view of the Investment Agreement and the Cooperation Agreements, the maximum capital contribution to the Mining Co by the Company shall be RMB75 million, which is expected to be satisfied by the Loan obtained from Beijing Zhongrun.

As disclosed in the Company's announcement dated 8 August 2019, the relevant parties agreed that Mining Co will be established when the mining right is about to be set up, which is expected to be in the end of November 2019.

Details regarding the Investment are disclosed in the Company's announcement dated 23 November 2018.

POSSIBLE ACQUISITION

On 4 April 2019, the Company and Qian Jin（錢進）("Qian Jin"), who is a PRC citizen and directly or indirectly interested in certain percentage of equity interests in the Shenzhen Shi Tongji Zhong Ji Shiye Limited（深圳市同濟中基實業有限公司）("Shenzhen Tongji"), entered into the MOU, pursuant to which the Company has conditionally agreed to purchase and Qian Jin has conditionally agreed to sell and procure other shareholders of the Shenzhen Tongji to sell part of or the entire equity interests of the Shenzhen Tongji.

The possible acquisition is subject to, among others, further negotiation concerning the entering into of a formal agreement. As at the date of this report, the terms and conditions of the possible acquisition are still being negotiated and no legally binding agreement has been entered into. As such, the possible acquisition may or may not proceed. The possible acquisition, if materialized, will constitute a notifiable transaction for the Company, and further announcement(s) will be made by the Company in this regard when appropriate in accordance with the Listing Rules.

Details regarding the possible acquisition are disclosed in the Company's announcements dated 4 April 2019.

Having considered the parties' commercial considerations and arrangements, on 29 August 2019 the Company and Qian Jin entered into a termination agreement to terminate the MOU with immediate effect. Upon termination of the MOU, the Company and Qian Jin mutually discharge and release each other from further obligations under the MOU and their respective rights and/or claims against each other arising out of or in connection with the MOU are cancelled and terminated.

Save as discussed elsewhere under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Group had no future plans for material investments as at the date of this report.

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

HUMAN RESOURCES

The Group had around 310 employees as at 30 June 2019. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees in Hong Kong. Shares options may also be granted to eligible persons of the Group.

LITIGATION AND CONTINGENT LIABILITIES

As at 30 June 2019, the material pending litigations and contingent liabilities are set out as follows:

(a) At 30 June 2019, the Group has not paid the social security fund for and on behalf of its employees which exposed the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 30 June 2019 of approximately HK$59,101,000 (equivalent to RMB52,302,000) in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2018: HK$47,289,000 (equivalent to RMB41,482,000). A repayment agreement was signed between Jiangxi Jiangzhou Union Shipbuilding Co., Ltd ("Jiangxi Shipbuilding") 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 2019, 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 2019 of approximately RMB5,801,000 in aggregate, were recorded as "Trade and other payables" in the condensed consolidated statement of financial position (31 December 2018: RMB6,785,000).

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

(c) 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 a 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 securitization agreements entered into by Zhejiang Ocean (the "Guarantee"), up to an aggregate amount of RMB900,000,000, together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Merge Limited shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000.

(d) As disclosed in the Company's circular dated 24 February 2017 (the "VSA Circular"), the financial guarantee of approximately HK$227,514,000 represent the back-to-back corporate guarantees provided by Nantong Huakai Heavy Industry Company Limited（南通華凱重工有限公司）,("Nantong Huakai"), (which became the Company's subsidiary on 11 April 2017 upon completion of the acquisition) in favour of Huatai Heavy Industry Limited（華泰重工有限公司）in 2014 (the "Corporate Guarantee")which remained outstanding as at 30 June 2019. The relevant information including the details of the relevant guarantee agreements are disclosed in the VSA Circular. Due to the failure of two ship owners to fulfill its payment obligation under the relevant shipbuilding contracts, Huatai Heavy Industry Limited had cancelled the relevant export and import cooperation agreements with the vessel agency companies. Pursuant to the terms of the export and import cooperation agreements and the civil mediation agreements, Huatai Heavy Industry Limited was liable to refund the prepaid amount received from the vessel agency companies.

The vendors of Nantong Huakai undertake to use the consideration payable to indemnify Nantong Huakai for all losses and liabilities incurred by Nantong Huakai under the Corporate Guarantee.

(e) The Company had recognised the provision in relation to the litigations of approximately RMB391,110,000 (2018: RMB439,110,000) under "Trade and other payables" and "other borrowings" in the condensed consolidated statement of financial position as at 30 June 2019. The management are of the opinion that it is not probable that these claims would result in an out flow of economic benefits exceeding the provisions made by the Group. Details are set out as follows:

(i) In 2018, a business partner initiated legal proceedings at the Intermediate People's Court of Nantong City against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued amounted to approximately RMB37,478,000 in aggregate.

(ii) In 2018, a business partner initiated legal proceedings at the People's Court of Chongchuan District against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB8,400,000 in aggregate.

(iii) In 2018, a partner filed litigation to the Intermediate People's Court of Shenyang City against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. At the end of the reporting period, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB5,000,000 in aggregate.

(iv) In 2018, a bankruptcy administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and China Ocean Shipbuilding Holdings Limited, a subsidiary of the Company, for bankruptcy revocation, involving litigation amounts of approximately RMB257,611,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

(v) In 2018, a shipbuilding administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and Jiujiang Jinhu Equipment Manufacturing Company Limited for bankruptcy revocation, involving litigation amounts of approximately RMB63,930,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

(vi) In 2018, a business partner of Jiangxi Shipbuilding legal proceedings at the People's Court of Ruichang City against Jiangxi Shipbuilding for funds, involving litigation amounts of approximately RMB12,000,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

(vii) In 2018, a contractor initiated legal proceedings at Wuhan Marine Court against Jiangxi Shipbuilding for the failure to make payment for service fees, involving a total amount of approximately RMB6,691,000. At the end of the reporting period, the action has not yet proceeded to the trial stage.

Other than disclosed above, the Directors are of the opinion that the Group has no other material contingent liabilities at 30 June 2019.

CAPITAL COMMITMENTS

	30 June 2019 HK$'000	31 December 2018 HK$'000
Contracted for but not provided in the condensed consolidated financial statement:		
Unpaid registered capital for the associates	**67,560**	100,560
Unpaid registered capital for the subsidiaries	**542,626**	604,428
Unpaid registered capital for a joint venture	**113,000**	114,000
Capital expenditure in respect of the acquisition of property, plant and equipment	**27,777**	28,023
	750,963	847,011

EVENTS AFTER THE REPORTING PERIOD

Details regarding the the change of address of Hong Kong Branch Share Registrar and Transfer Office are disclosed in the Company's announcements dated 3 July 2019.

On 19 July 2019, Nantong Huakai Heavy Industries Limited Company（南通華凱重工有限公司）("Nantong Huakai"), a subsidiary of the Company, received a judgment ("Judgment") dated 17 July 2019 from the People's Court (the "Court") of Rugao City, Jiangsu Province, the People's Republic of China ("PRC"), details of which are disclosed in the Company's announcements dated 19 July 2019.

On 19 July 2019, the Company and each of the Subscribers entered into the Subscription Agreements, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK$110,000,000 due 3 years from the date of issue of the Convertible Bonds at the Conversion Price of HK$0.64 per Conversion Share upon the Capital Reorganisation becoming effective. Completion of the Subscription under the Subscription Agreements is subject to the conditions set out in the paragraph headed "Conditions Precedent" of the announcement. Detailed terms of the Convertible Bonds are set out in the paragraph headed "Terms and conditions of the Convertible Bonds" of the announcement.

The Board proposes to implement the Capital Reorganisation which will involve the Capital Reduction and the Share Consolidation, details of which are set out in the announcement.

Completion has not yet taken place as at the date of this report.

Details regarding the subscription of convertible bonds under specific mandate and proposed Capital Reorganisation are disclosed in the Company's announcements dated 19 July 2019.

On 2 August 2019, the Company received a petition (the "Petition") from Titan Petrochemicals Group Limited (the "Petitioner") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "High Court") on the ground that the Company was failure to settle a sum of HK$10,659,201.10, being the outstanding amount owed by the Company to the Petitioner. The Company has negotiated with the Petitioner for a settlement and an amicable disposal of the matter under the Petition, and endeavored to agree on a joint application to dismiss the Petition.

The Company has received a letter from the Petitioner, pursuant to which the Petitioner will show no objection in case of the application by the Company for a validation order in way of consent summons in order to eliminate the uncertainties arising from the Petition, which are associated with the transfer of the Shares, the subscription of the Convertible Bonds and any issuance of Conversion Shares thereafter.

Details regarding the Petition are disclosed in the Company's announcements dated 5 August 2019 and 28 August 2019.

Save as discussed elsewhere under the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Group had no other material events after the reporting period as at the date of this report.

PROSPECTS

The improvement of the external environment of the real economy in the PRC will bring new opportunities to the Group's businesses. The Group will strive for a substantial breakthrough in the business integration of Jiangzhou Shipbuilding in 2019 by effectively integrating resources such as docks, coastlines and land. Through combining the expansion of related businesses with the needs of local governments to invite investment, the Group will continue to seek various cooperation opportunities in respect of logistics in Yangtze River, new energy storage and transportation and green building materials, etc..

The current economic environment and various measures adopted by governments have provided favorable conditions for the Group's debt restructuring. The Group will communicate closely with the government and financial institutions in various ways for actively creating conditions to reduce the Group's indebtedness.

In conclusion, although there are problems and difficulties in the development of the real economy, the state is intensifying its support for real economy and private enterprises, and the overall policy will be beneficial to the development of the real economy. The Group will seize the opportunity, through the introduction of new partners, stronger communications and coordination with the governments and financial institutions and reorganization of debts, to expand sources for operating funds. Based on effective integration of existing resources, we will expand its business base in order to enhance its sustainable business capability.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, 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:

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	1,248,577,954	–	9.16%
	Long position	Interest of controlled Corporation	542,005,000 *(note 1)*	–	3.97%
Chau On Ta Yuen	Long position	Beneficial owner	–	45,000,000	0.33%
Zhang Shi Hong	Long position	Beneficial owner	216,400,000	16,000,000	1.70%
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%
Zhang Weibing	Long position	Beneficial owner	30,000,000	–	0.22%

Note 1: Mr. Li Ming is deemed to be interested in the 542,005,000 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 2019.

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 42 to the consolidated financial statements of the Company's 2018 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 2019:

Name	As at 1 January 2019	Exercised during the period	Lapsed during the period	As at 30 June 2019	Date of grant	Exercisable period	Exercise price per share
Directors							
Chau On Ta Yuen	45,000,000	–	–	45,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211
Zhang Shi Hong	16,000,000	–	–	16,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211
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	64,000,000	–	–	64,000,000			
Employees (In aggregate)	66,000,000	–	–	66,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211
Sub-total	66,000,000	–	–	66,000,000			
Others (In aggregate)	196,000,000	–	–	196,000,000	7 May 2014	7 May 2014 to 6 May 2024	HK$0.211
Sub-total	196,000,000	–	–	196,000,000			
Total	326,000,000	–	–	326,000,000			

No share options were exercised, cancelled and lapsed during the six months ended 30 June 2019.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the information disclosed in Note 15 (Related party disclosure) to the unaudited condensed consolidated interim 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 2019, 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 2019.

Name	Long/ Short position	Nature of Interests	Number of shares/ underlying share held	Approximate percentage of the issued shares held at 30 June 2019
Macquarie Group Limited	Long	Beneficial owner	1,666,666,666	12.22%
Forward Fund SPC – Double Management Fund SP	Long	Beneficial owner	1,842,857,143	13.51%
Full House Asset Management Company Limited *(Note 1)*	Long	Asset Manager	1,842,857,143	13.51%
Pacific Ocean Marine Limited	Long	Beneficial owner	857,142,857	6.29%

Notes:

(1) Full House Asset Management Company Limited is the investment manager of Forward Fund SPC – Double Management Fund SP.

DIVIDEND

No dividends were paid or proposed for the six months ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rule regarding Directors' securities transactions. Based on specific enquiry of all the Directors of the Company, the Directors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Group has recognized the importance of transparency and accountability, and the Board believes that shareholders can be benefited from good corporate governance. The Company aims to achieve good standard of corporate governance. As the qualified opinion in relation to the paragraph (d) to (h) headed "BASIC FOR DISCLAIMER OF OPINION" set out in pages 70 to 76 of 2018 annual report were mainly attributable to a series of miscommunications among the Group and between the Company and other professional parties during the preparation of the 2018 Annual Results and thus the Board of the Company considers that as part of the drive to strengthen the communication among the Group and between the Company and other professional parties, to enhance the internal control system of financial reporting of the Group, and to prevent similar audit qualifications in the future, the Company will appoint an internal control consultant to conduct a review of the internal control systems and procedures of the Group in respect of the financial reporting policy and control procedures and make recommendations of remedial measures with a view to comply with paragraph C.2 of appendix 14 of the Listing Rules. For the avoidance of doubt, during the six months ended 30 June 2019, the Company has complied with the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including paragraph C.2 of appendix 14 of the Listing Rules by establishing appropriate and effective control systems, except for the deviations from Codes Provision disclosed below.

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

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

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

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

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

As disclosed in the section "Management Discussion and Analysis" under the paragraphs headed "Uncertainties relating to going concern" set out in pages 13 to 15 and "Report on Corporate Governance" set out in page 29 of 2018 annual report, the auditors of the Company issued a disclaimer of opinion over the Group's ability to continue as a going concern due to the conditions indicate the material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group incurred a loss attributable to owners of the Company of approximately HK$302,016,000 for the six months ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,435,976,000 and the Group had net liabilities of approximately HK$2,454,127,000. Also, in addition to the abovementioned situation of the shipbuilding business of the Group, these conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

For more details regarding the uncertainties relating to going concern are disclosed in the session "MANAGEMENT DISCUSSION AND ANALYSIS" under the paragraphs headed "UNCERTAINTIES RELATING TO GOING CONCERN" set out in pages 40 to 41 of this report.

CHANGE IN INFORMATION OF DIRECTORS

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

- Mr. Li Ming has resigned as as a non-executive director of DST ROBOT Co. Ltd (Stock Code: A090710), a company listed on Korean Stock Exchange, in April 2019.

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 six months ended 30 June 2019.

PRE-EMPTIVE RIGHTS

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE REVIEW OF ACCOUNTS

The Audit Committee of the Company as at the date of this report comprises three independent non-executive directors, namely, Mr. Hu Bai He, Ms. Xiang Siying and Ms. Xiang Ying. The Chairman of the Audit Committee is Mr. Hu Bai He. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the interim financial results of the Group for the six months ended 30 June 2019.

BOARD OF DIRECTORS

The Board of the Company as at the date of this report comprises three executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Zhang Weibing, 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, 29 August 2019