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CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED
中海船舶重工集團有限公司
(Incorporated in the Bermuda with limited liability)
(Stock Code: 00651)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board”) of China Ocean Shipbuilding Industry Group Limited (the “Company”) announced the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 together with comparative figures as follows:-

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<i>Notes</i>	Six months ended 30 June	
		2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Revenue	3	581,978	600,438
Cost of sales		<u>(667,875)</u>	<u>(596,668)</u>
		(85,897)	3,770
Other income		43,098	1,585
Gain on re-measurement of convertible notes		40,988	—
Gain on disposal of subsidiaries		—	124
Change in fair value of investments held for trading		642	(7,941)
Impairment loss on intangible assets		(65,000)	—
Distribution and selling expenses		(834)	(462)
Administrative expenses		(34,340)	(35,195)
Finance costs	4	<u>(67,402)</u>	<u>(55,825)</u>
Loss before tax	5	(168,745)	(93,944)
Taxation	6	<u>36,483</u>	<u>(7,525)</u>
Loss for the period attributable to owners of the Company		(132,262)	(101,469)
Other comprehensive income			
Exchange differences arising on translation		<u>—</u>	<u>3,118</u>
Total comprehensive loss for the period		<u>(132,262)</u>	<u>(98,351)</u>
Loss per share — basic and diluted	7	<u>HK(14.66) cents</u>	<u>HK(14.80) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		1,076,707	1,071,307
Deposit paid for acquisition of property, plant and equipment		3,029	3,029
Prepaid lease payments — non-current portion		334,394	337,899
Intangible asset		<u>348,340</u>	<u>440,152</u>
		<u>1,762,470</u>	<u>1,852,387</u>
Current assets			
Inventories		286,667	333,635
Trade and other receivables	8	652,854	615,640
Prepayment for purchase of raw materials		923,828	1,013,021
Prepaid lease payment - current portion		1,702	1,726
Amounts due from customers for contract work		—	34,292
Tax recoverable		1,245	5,752
Investments held for trading		3,189	1,609
Pledged bank deposits		430,919	387,031
Bank balances and cash		<u>209,667</u>	<u>269,588</u>
		<u>2,510,071</u>	<u>2,662,294</u>
Current liabilities			
Trade, bills and other payables	9	1,010,034	986,094
Amounts due to customers for contract work		1,342,120	1,411,870
Bank borrowings - due within one year		571,699	511,364
Provision for warranty		36,868	33,025
Deferred consideration		<u>—</u>	<u>200,000</u>
		<u>2,960,721</u>	<u>3,142,353</u>
Net current liabilities		<u>(450,650)</u>	<u>(480,059)</u>
		<u>1,311,820</u>	<u>1,372,328</u>

	<i>Notes</i>	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Capital and reserves			
Share capital		45,105	45,105
Reserves		<u>330,343</u>	<u>461,711</u>
		<u>375,448</u>	<u>506,816</u>
Non-current liabilities			
Bank borrowings - due after one year		68,182	113,636
Convertible notes payable		399,335	416,168
Deferred consideration		174,136	—
Deferred tax liabilities		<u>294,719</u>	<u>335,708</u>
		<u>936,372</u>	<u>865,512</u>
		<u>1,311,820</u>	<u>1,372,328</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL

This unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2009, which have been prepared in accordance with HKFRSs (as defined below).

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In preparing the condensed consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$132 million for the six months ended 30 June 2010 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$451 million. After considering the Group’s internal financial resources, present available banking facilities, cash flows to be generated from the operating activities and the estimated net proceeds of the open offer approved by the shareholders of the Company on 16 August 2010, 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.

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except as describe below:

Derecognition

When an existing financial liability’s terms are modified and such modification results in the discounted present value of the cash flows under the new terms including any fees paid net of any fees received is at least 10 per cent different from the discounted present values of the remaining cash flows of the original financial liability, it is accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability or equity instrument or compound instrument with the difference, being the carrying amount of the financial liability extinguished and the fair value of the financial liability or equity instrument or compound instrument issued, recognizes in profit or loss.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3(Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUES AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for service rendered in the normal course of business, net of discounts and sales related taxes. Revenue from shipbuilding represents income arising on construction contracts for shipbuilding during the period.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for resources allocation and performance assessment. The segments are managed separated each of the businesses, which operate in distinct geographical location, provide different types of services which requires different service information to formulate different marketing strategies. The Group’s operating and reportable segment are shipbuilding and metal and securities trading.

The segment information for the six months ended 30 June 2010 is as follows:

	Ship building <i>HK\$'000</i>	Metal and securities trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>581,978</u>	<u>—</u>	<u>581,978</u>
Segment revenue	<u>581,978</u>	<u>—</u>	<u>581,978</u>
Segment result	<u>(178,384)</u>	<u>(186)</u>	(178,570)
Other income			42,456
Gain on change in fair value of convertible notes			40,988
Unallocated corporate expenses			(5,323)
Share-based payment expenses			(894)
Finance costs			<u>(67,402)</u>
Loss before tax			<u>(168,745)</u>

The segment information for the six months ended 30 June 2009 is as follows:

	Ship building <i>HK\$'000</i>	Metal and securities trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>600,438</u>	<u>4,259</u>	<u>604,697</u>
Segment revenue	<u>600,438</u>	<u>—</u>	<u>600,438</u>
Segment result	<u>(28,180)</u>	<u>(8,232)</u>	(36,412)
Other income			1,585
Unallocated corporate expenses			(10,000)
Share-based payment expenses			(2,966)
Finance costs			<u>(46,151)</u>
Loss before tax			<u>(93,944)</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
Convertible notes payable at effective interest rates	26,855	30,984
Imputed interest expense on deferred consideration	10,151	13,277
Bank borrowings (including bills interest)	30,396	9,674
Others	—	1,890
	<u>67,402</u>	<u>55,825</u>

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Share-based payment expense	894	3,688
Amortisation of intangibles assets (included in cost of sales)	26,810	81,317
Depreciation of property, plant and equipment	32,721	23,859
Impairment of intangible assets	65,000	—
Release of prepaid lease payments	3,529	2,443
and after crediting:		
Gain on disposal of property, plant and equipment	<u>619</u>	<u>4</u>

6. TAXATION

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

In accordance with Article 8 of the Foreign Enterprise Income Tax (“FEIT”) law of the People Republic of China (the “PRC”), foreign investment enterprises (“FIEs”) of production nature are eligible to enjoy two years of exemption and three years of 50% deduction in FEIT starting from the first profit - making year (the “2+3 tax holidays”). The fully exempted financial years of Jiangxi Union Shipbuilding Company Limited were the years ended 31 December 2007 and 2008.

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulations, Jiangxi Union Shipbuilding Company Limited continues to enjoy the preferential tax treatment (12.5% effective tax rate, i.e.50% of the applicable tax rate of 25%) for each of the years from 2009 to 2011 Thereafter, the tax rate will ratchet up to 25% from 2012.

7. LOSS PER SHARE

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

	Six months ended 30 June 2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	<u>(132,262)</u>	<u>(101,469)</u>
	Six months ended 30 June 2010 (Unaudited)	2009 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	<u>902,099,651</u>	<u>685,559,873</u>

No diluted loss per share was presented for the period ended 30 June 2010 and 2009 because the exercise of both share options and convertible notes has an anti-dilutive effect.

8. TRADE AND OTHER RECEIVABLES

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Trade receivables	39,475	39,475
Value-added tax recoverable	210,395	195,423
Amount receivable from a stakeholder (Note)	389,298	338,382
Others	<u>13,686</u>	<u>42,360</u>
Total trade and other receivables	<u>652,854</u>	<u>615,640</u>

Note: Certain ship buyers have made progress payment for ship construction contracts to a stakeholder rather than directly to the Group. The amounts received by the stakeholder will be paid over to the Group based on the progress of the contract work.

Trade receivables at the end of the reporting period represent the final instalment receivable from ship buyers which are due in November 2010. Credit period was based on mutual agreements reached between the entity and ship buyers. The Group did not have trade receivables passed due but not impaired as at 30 June 2010.

9. TRADE, BILLS AND OTHER PAYABLES

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payable	113,689	36,413
Bills payable	447,727	346,023
Advance from customers for ship construction contract	310,015	476,084
Interest payable	10,670	30,095
Consideration payable for acquisition of prepaid lease payment	42,859	42,859
Others	85,074	<u>54,620</u>
	<u>1,010,034</u>	<u>986,094</u>

The following is an aged analysis of trade payables and bills payables at the end of reporting periods:

	30 June 2010	31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 - 30 days	24,974	79,409
31 - 60 days	110,401	154,705
61 - 90 days	79,093	9,781
Over 90 days	346,948	<u>138,541</u>
	<u>561,416</u>	<u>382,436</u>

The average credit period on purchase of goods is about 90 days. The Group has financial risk management policies in place to ensure that all payable is settled within the credit timeframe.

Bills payable are secured by pledged bank deposits.

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

MANAGEMENT DISCUSSION AND ANALYSIS

A. *Overview*

During the period under review, the Group is engaged in the production and operation of shipbuilding and trading of securities. For the six months ended 30 June 2010, the Group recorded a revenue of HK\$581.98 million (2009: HK\$600.44 million), representing a slight decrease of 3.07% as compared to the corresponding period of last year. The half-year gross loss was HK\$85.90 million (*including amortisation of intangible assets of HK\$26.81 million*) (2009: gross profit of HK\$3.77 million). The main reasons of the gross loss of the group were due to the exchange difference arising from appreciation in the value of RMB, fluctuations in the price of raw materials costs, penalties and associated additional costs arising from delay in vessels delivery and the estimated foreseeable losses in respect of the foreseeable delay. The amortisation of intangible assets was decreased by approximately HK\$54.51 million from HK\$81.32 million to HK\$26.81 million. The decrease in amortisation was due to the decrease in the carrying amount of intangible assets at the beginning of the reporting period. Other income of the Group for the six months ended 30 June 2010 amounted to approximately HK\$43.10 million (2009: 1.59 million), the other income mainly represented the gain on re-measurement of the deferred consideration due to its extension on repayment due date. The Group also recorded a gain of approximately HK\$40.99 million on re-measurement of convertible notes due to the extension of its maturity date. The Group recorded a gain of 0.64 million on the change in fair value of investments held for trading versus a loss of 7.94 million in the last corresponding period. The Group recorded an impairment loss on intangible assets of HK\$65.00 million, which mainly because of the uncertainty on the renewal of orders from the existing customers. Administrative expenses of the Group for the first half of 2010 remained at a similar level to that for the corresponding period, amounting to HK\$34.34 million (2009: HK\$35.20 million). The finance costs of the Group for the six months ended 30 June 2010 was of approximately HK\$67.40 million, at a 20.73% higher level than that of approximately HK\$55.83 million for the same period in 2009, mainly because of an increase of interest payments as a result of increase in bank borrowings and bills payable. The Group recorded a gain of approximately HK\$36.48 million on taxation versus a loss of HK\$7.53 million in the last corresponding period. The taxation gain mainly represented the release of deferred taxation arising from the extension of convertible notes, the extension of deferred consideration and impairment loss on intangible assets. The Group recorded a loss attributable to shareholders of HK\$132.26 million (2009: loss of HK\$101.47 million) for the six months ended 30 June 2010. The loss for the period under review was increased by approximately 30.4% in comparing with the same period of last year.

B. Shipbuilding business

For the six months ended 30 June 2010, the shipbuilding segment generated a revenue of approximately HK\$581.98 million representing a slight decrease of approximately 3.07% as compared to approximately HK\$600.44million in the corresponding period last year. The shipbuilding segment recorded a loss of HK\$86.57 million (*before deducting impairment loss on intangible assets and amortisation of intangible assets*) (2009: profit of HK\$53.86 million). The increase of loss of shipbuilding segment was mainly due to penalties and associated additional costs arising from delay in vessels delivery and the estimated foreseeable losses in respect of the foreseeable delay. During the period under review, two customers sent rescission notices to the Group requesting for return of the principal payment for shipbuilding and interests. The principal payments for shipbuilding were for vessel building and payments to the Group for the construction services rendered. The disputes between the customers and the Group are in arbitration proceedings. The Company is of the view that no provision for the claims is required at this early stage of the arbitrations.

As at 30 June 2010, the secured order book comprised 29 vessels, including chemical carriers, heavy lift vessels and others. The outstanding order book will sustain shipbuilding operations until mid 2012.

C. Securities trading business and others

For the six months ended 30 June 2010, the securities trading business recorded an insignificant loss of HK\$0.18 million.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (2009: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had cash and bank balances of approximately HK\$640.59 million (31 December 2009: HK\$656.62 million) in which HK\$430.92 million was pledged (31 December 2009: HK\$387.03 million); short term bank loan of HK\$571.70 million (31 December 2009: HK\$511.36 million); long term bank borrowing of HK\$68.18 million (31 December 2009: HK\$113.64 million); long term convertible notes payable amounted to approximately HK\$399.33 million (31 December 2009: HK\$416.17million) represented liabilities component of principal amount of HK\$507.55 million (31 December 2009: HK\$507.55 million). The gearing ratio defined as non-current liabilities and short term loans divided by total shareholders' equity was 4.02 at 30 June 2010 (31 December 2009: 2.72).

On 15 June 2010, the Company announced that not less than 451,049,825 offer shares and not more than 503,195,001 offer shares of the Company to be issued at a subscription price of HK\$0.5 each on the basis of one offer share for every two shares held, together with two bonus shares for every one offer share taken up under the open offer of the Company (the “Open Offer”). The estimated net proceeds of the Open Offer will be not less than approximately HK\$220 million and not more than approximately HK\$246.2 million. The net proceeds will be used for the repayment of debts and general working capital of the Group. The Open Offer was approved by the shareholders at a special general meeting held on 16 August 2010. The offer shares and the bonus shares are scheduled to be allotted and issued on 7 September 2010. The Open Offer has not yet been completed at the date of this announcement.

CHARGES ON GROUP ASSETS

As at 30 June 2010, HK\$430.92 million (31 December 2009: 387.03 million) of bank deposits, HK\$36.10 million (31 December 2009: nil) of prepaid lease payments, HK\$145.95 million (31 December 2009: 79.42 million) of property, plant and equipment, HK\$170.46 million (31 December 2009: 53.29 million) of inventories and HK\$210.40 million (31 December 2009: nil) of value added tax recoverable, were pledged to banks for banking facilities granted by banks to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The income and expenditure of the Group were denominated in Hong Kong Dollar, United States Dollars and EURO. As at 30 June 2010, the Group does not hedge its exposure foreign exchange risk profile. The Board will consider appropriate hedging measure in future as may be necessary.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

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

POST BALANCE SHEET EVENTS

As at 30 June 2010, the Group had no significant post balance sheet events.

LITIGATION

During the period under review, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Group.

For the sake of transparency and to disclose claims of immaterial importance, as at the date of this announcement, Jiangxi Jiangzhou Union Shipbuilding Co. Ltd (“Shipyard”), a wholly owned subsidiary of the Company, and Intrepid Chem 1021 Corp (“Intrepid”) regarding the validity of the rescission notice sent by Intrepid and its request for return of the principal payment for shipbuilding and interest, amounting to US\$24,229,634.62, in addition, the Shipyard and Sloman Neptun Schiffahrts-Aktiengesellschaft (“Sloman”) regarding the validity of the rescission notices sent by Sloman and its request for return of the principal payment for shipbuilding and interest, amounting to US\$48,684,484.75 are in arbitration proceedings. The principal payments for shipbuilding, in accordance with the shipbuilding contracts signed between by Shipyard and, respectively, Intrepid and Sloman (collectively the “Ship Owners”), were for vessel building and payments to Shipyard for the construction services rendered.

If the result of the arbitrations is unfavourable to Shipyard, the Group may be required to return the principal payments for shipbuilding and interests claimed by the Ship Owners where (i) Shipyard might incur a loss resulting from the recoverable amount (through the disposal of the vessels to other parties) of the vessels falling short of the principal payments for shipbuilding and interests as claimed by ship Owners, or (ii) Shipyard might record a gain resulting from the recoverable amount (through the disposal of the vessels to other parties) of the vessels exceeding the principal payments for shipbuilding and interests as claimed by ship owners. As the quality of the vessels of the Group is internationally recognised and in compliance with the international standards, the Company considers that the vessels can be resold to other parties without any material discount on the market price and material modification or alteration.

HUMAN RESOURCES

The Group had around 1,320 employees as at 30 June 2010. It has been the Group’s policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group’s salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

At 30 June 2010, the Group has no material contingent liabilities.

CAPITAL COMMITMENT

At 30 June 2010, the Group has capital expenditure of approximately HK\$41.58million (31 December 2009: HK\$45.91 million) contracted but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

PROSPECTS

Looking into the second half of 2010, the directors expected that the conditions of shipbuilding industry remain challenging. The concern about shipbuilding overcapacity still exists. More ship owners are willing to place new orders in comparing to last year but the price is still at a low level.

The Group will continue adjusting its strategy to intensify its effort on the special vessels markets, closely monitoring the negotiations with the ship-owners and take a more flexible approach to prices and delivery of existing orders and actively assists the financing of ship-owners to ensure performance of secured orders. The primary objective and focus of the Group is on the execution of the existing order book to ensure successful deliveries of the vessels.

The directors will carry out the securities trading business cautiously while the metal trading business was suspended and is likely to be discontinued because the performance of this sector was poor during the past years.

The Directors will continue to reinforce the Group's financial position so that it would be fully prepared to seize suitable investment opportunities when they arise.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company as at the date of report comprise Mr. Hu Bai He, Ms. Xiang Si Ying, Mr. Zhang Xi Ping and Ms. Xiang Ying, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM REPORT

The 2010 interim report will be dispatched to shareholders of the Company and available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company on or before 31 August 2010.

BOARD OF DIRECTORS

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

By order of the Board
CHAU On Ta Yuen
Chairman

Hong Kong, 27 August 2010