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 ANNOUNCMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 together with comparative figures as follows:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	**Six months ended 30 June** **2011** ***HK$'000*** **(Unaudited)**	 2010 *HK$'000* (Unaudited)
Revenue	3	**620,551**	581,978
Cost of sales		**(652,883)**	(667,875)
		(32,332)	(85,897)
Other income		**44,822**	43,098
Gain on modification of convertible notes payable		**4,262**	40,988
Loss on extinguishment of convertible notes payable		**(7,241)**	—
Change in fair value of investments held for trading		**596**	642
Impairment loss on intangible assets		**—**	(65,000)
Impairment loss on property, plant and machinery		**(50,000)**	—
Distribution and selling expenses		**(721)**	(834)
Administrative expenses		**(60,349)**	(34,340)
Finance costs	4	**(68,265)**	(67,402)
Loss before tax	5	**(169,228)**	(168,745)
Taxation	6	**11,082**	36,483
Loss for the period attributable to owners of the Company		**(158,146)**	(132,262)
Exchange differences arising on translation		**(3,687)**	—
Total comprehensive loss for the period		**(161,833)**	(132,262)
			(restated)
Loss per share - basic and diluted	7	**HK(4.68) cents**	HK(12.24) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**1,076,743**	1,095,865
Deposit paid for acquisition of property, plant and equipment		**3,212**	3,136
Prepaid lease payments - non-current portion		**341,089**	342,732
Pledged deposits for other borrowings		**31,807**	31,059
		1,452,851	1,472,792
Current assets			
Inventories		**324,205**	348,115
Trade and other receivables	8	**466,958**	428,974
Prepayment for purchase of raw materials		**764,079**	737,330
Prepaid lease payment - current portion		**1,805**	1,762
Tax recoverable		**5,274**	5,150
Investments held for trading		**4,534**	3,938
Pledged bank deposits		**446,046**	389,603
Bank balances and cash		**314,707**	142,608
		2,327,608	2,057,480
Current liabilities			
Trade, bills and other payables	9	**1,403,402**	1,221,387
Amounts due to customers for contract work		**1,208,689**	863,925
Borrowings - due within one year		**469,017**	593,306
Provision for warranty		**33,994**	34,097
Deferred consideration		**201,737**	—
		3,316,839	2,712,715
Net current liabilities		**(989,231)**	(655,235)
		463,620	817,557

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Capital and reserves			
Share capital		**183,400**	112,762
Reserves		**(206,357)**	(221,117)
		(22,957)	(108,355)
Non-current liabilities			
Borrowings - due after one year		**85,337**	100,360
Convertible notes payable		**196,937**	427,293
Deferred consideration		**—**	187,543
Deferred tax liabilities		**204,303**	210,716
		486,577	925,912
		463,620	817,557

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The 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 2010, which have been prepared in accordance with 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$158 million for the six months ended 30 June 2011 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$989 million. After considering the Group's internal financial resources, present available facilities granted by banks and other financial institutions, high probability to extend the maturity date of the deferred consideration and cash flows to be generated from the operating activities, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at 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 2010. In addition, the Group has adopted the HK (IFRIC) - Int 19 Extinguishing Financial Liabilities with Equity Instruments during the current period. HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. The Group has entered into transactions of this nature during the period under review. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

In the current period, the Group has applied the following new and revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets

HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The application of the above new and revised standards and interpretations in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following 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.

HKAS 1 (amendment)	Presentation of financial statements [3]
HKAS 12 (amendment)	Deferred tax: recovery of underlying assets [2]
HKAS 19 (2011)	Employee benefits [4]
HKAS 27 (2011)	Separate financial statement[4]
HKAS 28 (2011)	Investments in associates and joint ventures [4]
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters [1]
HKFRS 9	Financial instruments [4]
HKFRS 10	Consolidated financial statements [4]
HKFRS 11	Joint arrangements [4]
HKFRS 12	Disclosures of interests in other entities [4]
HKFRS 13	Fair value measurement [4]

Notes:

[1] Effective for financial periods beginning on or after 1 July 2011

[2] Effective for financial periods beginning on or after 1 January 2012

[3] Effective for financial periods beginning on or after 1 July 2012

[4] Effective for financial periods beginning on or after 1 January 2013

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 trading business.

The segment information for the six months ended 30 June 2011 is as follows:

	Ship building *HK$'000*	**Trading business & others** *HK$'000*	**Total** *HK$'000*
Segment revenue	**620,551**	**—**	**620,551**
Segment result	**(135,827)**	**(27)**	**(135,854)**
Other income			**44,822**
Loss on change in fair value of convertible notes			**(2,979)**
Unallocated corporate expenses			**(6,952)**
Finance costs			**(68,265)**
Loss before tax			**(169,228)**

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

	Ship building *HK$'000*	Trading business & others *HK$'000*	Total *HK$'000*
Segment revenue	581,978	—	581,978
Segment result	(178,384)	(186)	(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			(67,402)
Loss before tax			(168,745)

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
Convertible notes payable at effective interest rates	**16,211**	26,855
Imputed interest expense on deferred consideration	**14,194**	10,151
Borrowings and others (including guarantee fee and bills interest)	**37,860**	30,396
	68,265	67,402

5. LOSS BEFORE TAX

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Amortisation of intangibles assets (included in cost of sales)	**—**	26,810
Depreciation of property, plant and equipment	**36,391**	32,721
Impairment of intangible assets	**—**	65,000
Impairment of property, plant and equipment	**50,000**	—
Share-based payment expense	**—**	894
Release of prepaid lease payments	**3,697**	3,529
and after crediting:		
Gain on disposal of property, plant and equipment	**—**	619

6. TAXATION

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

Under the Law of the People Republic of China (the "PRC") on Enterprise Income Tax ("EIT") and Implementation Regulations of the EIT law, the tax rate of the PRC subsidiaries is 25% effective 1 January 2008 onwards. Jiangxi Union Shipbuilding Company Limited enjoys 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 step up to 25% from 2012.

Tax credit for the period represented the reversal of deferred tax liabilities.

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

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	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	**(158,146)**	(132,262)

	Six months ended 30 June	
	2011	2010
	'000	*'000*
	(Unaudited)	(Unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,379,202**	1,080,625

No diluted loss per share was presented for the period ended 30 June 2011 and 2010 because the exercise of both share options and convertible notes has an anti-dilutive effect.

Note: The weighted average of ordinary shares for the purposes of calculating basic and diluted loss per share for the six months ended 30 June 2010 have been retrospectively adjusted for the bonus element of the open offer of rights shares completed in September 2010.

8. TRADE AND OTHER RECEIVABLES

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Trade receivables	**40,891**	39,929
Less: Allowance for doubtful debts (Note 1)	**(40,891)**	(39,929)
	—	—
Value-added tax recoverable	**236,559**	240,434
Deposits placed with a stakeholder (Note 2)	**204,218**	170,113
Others	**26,181**	18,427
Total trade and other receivables	**466,958**	428,974

Note 1: In March 2011, an overseas debtor filed for insolvency. Accordingly, the trade receivable was fully provided.

Note 2: Certain vessel buyers have made progress payment for ship construction contracts to a stakeholder rather than directly to the Group. The Group has the entitlement to these progress payments in accordance with the contracts but they are placed under custody of the stakeholder to ensure these progress payments are used to pay for the costs incurred by the Group relevant to shipbuilding construction contracts. The progress payments in custody will be paid over to the Group based on the progress of the shipbuilding contract.

The Group did not have trade receivables that were overdue but not impaired as at 30 June 2011 and 31 December 2010.

9. TRADE, BILLS AND OTHER PAYABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payable	**153,722**	63,522
Bills payable	**480,723**	313,689
Advance from customers for ship construction contracts	**174,824**	293,045
Provision for refunds to customers	**441,246**	423,172
Interest payable	**2,340**	2,340
Dividend payable to former equity holders of a subsidiary	**23,060**	22,518
Consideration payable for acquisition of prepaid lease payment	**45,441**	44,372
Others	**82,046**	58,729
	1,403,402	1,221,387

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 30 days	**198,618**	117,995
30 - 60 days	**202,834**	142,116
61 - 90 days	**114,464**	61,801
Over 90 days	**118,529**	55,299
	634,445	377,211

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 and property, plant and equipment.

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 2011, the Group recorded a revenue of HK$620.55 million (2010: HK$581.98 million), representing an increase of 6.63% as compared to the corresponding period of last year. The Group's gross loss decreased by 62.36% to HK$32.33 million (2010: gross loss of HK$85.90 million). This was mainly due to absence of amortisation costs on intangible assets and lower foreseeable losses were recognised in the current period. During the period under review, the Group received an one-off grants of HK$26.19 million from government and recorded exchange gain of HK$6.82 million on the translation of monetary items for the entities recorded transactions other than the Group's functional currency. These gains were setoff against a gain of HK$36.01 million on re-measurement of deferred consideration in corresponding period of last year, As a result, the Group's other income slightly increased by 3.99% to HK$44.82 million (2010: HK$43.10 million) as higher interest income received. The administrative expenses of the Group were increased from HK$34.34 million to HK$60.35 million. This was primarily due to the Group has paid HK$26.19 million additional land use tax to government during the period under review. The finance costs of the Group for the six months ended 30 June 2011 was of approximately HK$68.27 million, remained at a similar level with that of approximately HK$67.40 million for the same period in 2010. The Group recorded a gain of approximately HK$11.08 million (2010: HK$36.48 million) on taxation. This was primarily due to lower tax credit arising from reversal of deferred taxation.

The Group recorded a loss attributable to shareholders of HK$158.15 million (2010: loss of HK$132.26 million) for the six months ended 30 June 2011. The loss for the period under review was increased by approximately 19.58% in comparing with the same period of last year.

B. ***Shipbuilding business***

In the first half of 2011, the concerns were growing for the volatility and uncertainty about prospects for global economy. As the shipbuilding market has highly correlated with the world economy, the recovery of shipbuilding business was slowing down. Coupled with the over supplies of new vessels, the appreciation in the value of Renminbi and the increase in labour costs, the operating environment remains challenging. In the first half of this year, the

Group has strengthened its production by replacing old staff and improving the control measures. In addition, the Group also re-negotiated the terms with ship-buyers. These measures are likely to improve the general delay in delivery of vessels.

For the six months ended 30 June 2011, the shipbuilding segment generated revenue of approximately HK$620.55 million representing an increase of approximately of 6.63% as compared to approximately HK$581.98 million in the corresponding period last year. The shipbuilding segment recorded a loss of HK$135.83 million (2010: loss of HK$178.38 million). This was mainly due to absence of amortisation costs. The Group still recorded a gross loss was mainly due to the exchange difference arising from appreciation in the value of Renminbi, certain terms of contracts were revised to secure the successful delivery of vessels and lower shipbuilding prices.

As at 30 June 2011, the secured order book comprised 19 vessels, including 3 chemical carriers (including reinstated contracts), 14 heavy lift vessels and 2 multi-purposes vessels. These vessels are scheduled for delivery up to first quarter of 2013.

C. ***Trading business and others***

For the six months ended 30 June 2011, the trading business recorded an insignificant loss of approximately HK$27,000.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

SHARE CAPITAL

The following is a summary of the authorised share capital and the issued share capital of the Company.

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 *HK$'000* (Audited)
Authorised:		
20,000,000,000 (2010: 5,000,000,000) ordinary shares of HK$0.05 each (Note 1)	**1,000,000**	250,000
Issued and fully paid:		
3,667,994,886 (2010: 2,255,249,126) ordinary shares of HK$0.05 each (Note 2)	**183,400**	112,762

Note 1: Pursuant to an ordinary resolution at the annual general meeting held on 23 June 2011, the authorised share capital of the Company was increased from HK$250,000,000 divided into 5,000,000,000 shares to HK$1,000,000,000 divided into 20,000,000,000 shares by the creation of additional 15,000,000,000 shares.

Note 2: During the period under review, certain convertible note holders surrendered approximately 282.55 million of convertible notes for the subscription of 1,412,745,760 new shares.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and bank balances of approximately HK$760.75 million (31 December 2010: HK$532.21 million) in which HK$446.05 million was pledged (31 December 2010: HK$389.60 million); short term borrowings of HK$469.02 million (31 December 2010: HK$593.31 million); long term borrowing of HK$85.34 million (31 December 2010: HK$100.36 million); long term convertible notes payable amounted to approximately HK$196.94 million (31 December 2010:HK$427.29 million) represented liability and equity component of principal amount of HK$225.00 million (31 December 2010: HK$507.00million). The gearing ratio defined as non-current liabilities and short term borrowing divided by total shareholders' equity was (41.63) at 30 June 2011 (31 December 2010: (14.02)).

CHARGES ON GROUP ASSETS

As at 30 June 2011, HK$477.85 million (31 December 2010: HK$420.66 million) of bank deposits and pledged deposits, HK$342.89 million (31 December 2010: HK$344.50 million) of prepaid lease payments, HK$277.35 million (31 December 2010: HK$279.58 million) of property, plant and equipment, HK$153.55 million (31 December 2010: HK$180.47 million) of inventories and HK$236.56 million (31 December 2010: HK$240.43 million) of value added tax recoverable, were pledged to banks and other financial institutions for borrowings and facilities granted by them to the Group. The pledge on the bank deposits will be released upon the settlement of relevant bills payables.

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 2011, the Group does not hedge its exposure foreign exchange risk profile as the Group could not find a tool suitable to manage this exposure. The Board will continue to consider the appropriate hedging measures.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

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

POST BALANCE SHEET EVENTS

As at 30 June 2011, the Group had no significant post balance sheet events.

LITIGATION AND ARBITRATION

As at the date of this report, Jiangxi Jiangzhou Union Shipbuilding Co. Ltd ("Shipyard"), a wholly owned subsidiary of the Company, has various arbitration proceedings in progress with three ship-buyers over the validity of rescission notices sent by them. The ship-buyers sent the rescission notices to the Shipyard on the ground that the Shipyard failed to meet the contracted delivery date.

(1) *Intrepid Chem ("Intrepid"):*

Intrepid requested for return of the principal payment for shipbuilding and interest, amounting to approximately US$48 million. During the period under review, Intrepid and shipyard have reached settlement agreements to reinstate the contracts in arbitration while cancelled another contract which was still in a preliminary stage of construction as a whole package and then informed the arbitration tribunal that the arbitrations were stayed. According to the terms of agreement, a vessel in arbitration has been delivered to Intrepid and the arbitration with Intrepid has fully settled in August 2011. As the estimated foreseeable losses have been fully recognized in previous years, the directors consider that there is no material financial impact to the results of the Group.

(2) *Sloman Neptun Schiffahrts-Aktiengesellschaft ("Sloman"):*

Sloman requested for return of the principal payment for shipbuilding and interest, amounting to approximately US$73 million. The principal payments for shipbuilding, in accordance with the shipbuilding contracts signed between Shipyard and, Sloman was for vessel building and payments to Shipyard for the construction services rendered. The proceeding is currently in the stage of exchanging of witness statements and the hearing is scheduled to be conducted on 12 December 2011 in England. 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 Sloman. 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 Sloman. 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.

(3) *Algoma Tankers International Inc. ("Algoma"):*

Alogma requested for return of the principal payment for shipbuilding and interest, amounting to approximately US$39million are in arbitration proceedings. The principal payments for shipbuilding, in accordance with the shipbuilding contracts signed between Shipyard and Algoma was for vessel building and payments to Shipyard for the construction services rendered. The proceeding is currently in the stage of exchanging of evidence and the hearing is scheduled to be conducted on 19 July 2012 in England. 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 Alogma.

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

HUMAN RESOURCES

The Group had around 1,330 employees as at 30 June 2011. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group has various arbitration proceedings in progress with three ship-buyers over the validity of rescission notices sent by them.

If the result of the arbitrations is unfavourable to the Group, the Group will be required to return the principal payments for the shipbuilding contracts of the vessels in arbitration and to pay interests for the principal payments calculated in accordance with the relevant shipbuilding contracts, which amount to approximately HK$588 million (excluding the reinstated contracts) (31 December 2010: HK$773 million) in aggregate, to the ship-buyers.

COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

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

	30 June 2011 *HK$'000* **(Unaudited)**	31 December 2010 HK$'000 (Audited)
Within one year	**970**	1,013
In the second to fifth year inclusive	**—**	464
	970	1,477

(b) CAPITAL COMMITMENTS

At 30 June 2011, the Group has capital expenditure of approximately HK$18.73 million (31 December 2010: HK$24.40 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 2011, the directors expect that the conditions of shipbuilding industry remain challenging. The concern about shipbuilding overcapacity remains exist. To face this difficult situation, the Group strengthens its internal control, enhance efficiency and reduce costs. The Group also strengthens its sale team and actively pursues opportunities for new orders. As the western countries' economy have still not recovered and the sovereign debt crises may lead them into recession, the Group has been actively seeking domestic shipbuilding orders instead of solely depends on international market. Over past years development, the Group's infrastructure facilities and the skill of labour have been improved. In light of these advantages, the Group considers that there has a comparative advantage in competing new contracts.

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

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 2011.

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 and Ms. Xiang Ying, all being independent non-executive directors. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been reviewed by the audit committee of the Company.

PUBLICATION OF INTERIM REPORT

The 2011 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 in due course.

BOARD OF DIRECTORS

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

By order of the Board
CHAU On Ta Yuen
Chairman

Hong Kong, 30 August 2011