

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF SHARES IN A SUBSIDIARY
AND
THE DEBT RESTRUCTURING AGREEMENT**

THE DISPOSAL

On 10 July 2017, the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represent 40% of the total number of issued shares of China Ocean HK, at a Consideration of RMB200,000,000.

The Board announces that Completion of the Disposal is expected to take place on 9 July 2018 pursuant to the terms of the Disposal Agreement.

THE DEBT RESTRUCTURING AGREEMENT

On 6 January 2018, Zhejiang Ouhua, the Purchaser, China Ocean HK, the Vendor and Jiangxi Shipbuilding entered into the Debt Restructuring Agreement pursuant to which the parties thereto agreed that, among other things, the Consideration in the amount of RMB200,000,000 to be paid by the Purchaser to the Vendor pursuant to the Disposal Agreement shall be set off against the outstanding amount of RMB200,000,000 owed by Jiangxi Shipbuilding to Zhejiang Ouhua, whereupon Jiangxi Shipbuilding shall be released from all obligations under such indebtedness.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

On 10 July 2017, the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represent 40% of the total number of issued shares of China Ocean HK, at a Consideration of RMB200,000,000.

The Disposal Agreement

Principle terms of the Disposal Agreement are as follows:

Date:	10 July 2017
Parties:	(i) China Ocean Shipbuilding Holdings Limited, a wholly-owned subsidiary of the Company, as vendor; and (ii) NIBO Trading Company Limited as purchaser.
Asset to be disposed of:	Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 40% of the number of issued shares of China Ocean HK.
Consideration:	The Consideration of RMB200,000,000 shall be settled by the Purchaser upon the Vendor issues a payment notification to the Purchaser.

Conditions Precedent: Completion of the Disposal is conditional upon satisfaction of the following conditions:

- (i) the representations and warranties given by the Vendor under the Disposal Agreement remaining true, accurate and not misleading; and
- (ii) the Vendor legally holds 40% of the issued shares of China Ocean HK.

The Purchaser may, at its sole and absolute discretion, waive any of the conditions precedent above.

If any of the conditions precedent is not fulfilled (or waived by the Purchaser) on or before the date of Completion, the Purchaser shall be entitled to cancel the transaction under the Disposal Agreement whereupon the Vendor and the Purchaser shall not be bound to proceed with the Disposal and the Disposal Agreement shall cease to have effect.

Completion: Completion shall take place within 60 business days upon all conditions precedent having been fulfilled.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser having regard to (i) the investment amount in Zhoushan Fund contributed by China Ocean HK and (ii) the cooperation status with Zhejiang Ouhua. The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

Completion of the Disposal is expected to take place on 9 July 2018 pursuant to the terms of the Disposal Agreement.

Information of China Ocean HK

China Ocean HK is a company incorporated in Hong Kong with limited liability and was an indirect wholly-owned subsidiary of the Company immediately before Completion. China Ocean HK is principally engaged in investment holding and holds 78.74% of the interests in Zhoushan Fund.

Upon Completion, the Company will, through the Vendor hold 60% of the issued shares in China Ocean HK, hence China Ocean HK will remain a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

The financial information of China Ocean HK prepared in accordance with the Hong Kong Financial Reporting Standards for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	For the year ended 31 December		
	2015	2016	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(audited)	(audited)	(audited)
Net profit/(loss) before tax	(1,993,439)	51,334,036	(882,323)
Net profit/(loss) after tax	(1,932,817)	46,111,589	(882,323)

As at 31 December 2016, the audited total asset value and net asset value of China Ocean HK were approximately HK\$527,504,863 and HK\$519,742,502 respectively.

As at 31 December 2017, the audited total asset value and net asset value of China Ocean HK were approximately HK\$540,705,890 and HK\$529,574,639 respectively.

Financial Effect of the Disposal

As explained in the paragraph headed “DEBT RESTRUCTURING AGREEMENT” in this announcement, the Consideration shall be set off against the outstanding amount of RMB200,000,000 owed by Jiangxi Shipbuilding to Zhejiang Ouhua. Accordingly, no proceeds will be received by the Group. Immediately upon Completion, while the Company’s indirect interest in China Ocean HK will be reduced from 100% to 60%, China Ocean HK will remain as a subsidiary of the Company. Accordingly, the financial results and financial positions of China Ocean HK will still be consolidated into the financial statements of the Company after Completion. As the effect of the Disposal will not result in loss of the Company’s control over China Ocean HK, the Disposal will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in profit or loss.

DEBT RESTRUCTURING AGREEMENT

Date: 6 January 2018

Parties:

- (i) Zhejiang Ouhua;
- (ii) the Purchaser;
- (iii) China Ocean HK;
- (iv) the Vendor; and
- (v) Jiangxi Shipbuilding.

Subject Matter: The parties to the Debt Restructuring Agreement acknowledged and agreed that, among other things:

- (i) During the period from 19 December 2014 to 12 October 2015, Zhejiang Ouhua has advanced loans in an aggregate amount of RMB200,000,000 to Jiangxi Shipbuilding and such amount remained outstanding.

- (ii) Jiangxi Shipbuilding and the Vendor are subsidiaries of the Company, and the Sale Shares are held by the Purchaser as nominee on behalf of Zhejiang Ouhua.
- (iii) With effect from the date of the Debt Restructuring Agreement, the Consideration in the amount of RMB200,000,000 to be paid by the Purchaser to the Vendor pursuant to the Disposal Agreement shall be set off against the outstanding amount of RMB200,000,000 owed by Jiangxi Shipbuilding to Zhejiang Ouhua, whereupon Jiangxi Shipbuilding shall be released from all obligations under such outstanding amount.

INFORMATION OF THE PARTIES

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaging in investment holding.

The Purchaser is a nominee of Zhejiang Ouhua which holds the Sale Shares on behalf of Zhejiang Ouhua.

Zhejiang Ouhua

Zhejiang Ouhua is a company established under the laws of the PRC with limited liability and is principally engaging in design and production of container ships, bulk cargo ships, multi-purpose vessels and ocean engineering related equipment.

To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, each of the Purchaser and Zhejiang Ouhua and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules).

The Vendor

The Vendor is a company incorporated in British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Vendor is principally engaging in investment holding.

Jiangxi Shipbuilding

Jiangxi Shipbuilding is a company established under the laws of the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Jiangxi Shipbuilding is principally engaging in manufacturing metal vessel, vessel ancillary products and reparation of vessels.

The Company

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company. Its subsidiaries are principally engaging in the shipbuilding related business, trading business, finance leasing business, intelligent car-parking and automotive device business and steel structure engineering and installation business.

REASONS FOR THE DISPOSAL AND DEBT RESTRUCTURING

Due to the downturn of the shipbuilding market in the PRC, Jiangxi Shipbuilding, which carries out the shipbuilding business of the Group, has encountered difficulties in its business and operation in recent years and the Group has been looking for opportunities to consolidate and reorganise the business of Jiangxi Shipbuilding. The Disposal and the transactions under the Debt Restructuring Agreement is part of the Group's effort to improve its financial position and reorganise its shipbuilding business. Upon Completion, China Ocean HK will be jointly held by the Group and Zhejiang Ouhua, a leading shipbuilding company in the PRC. The Directors believed that this would bring new cooperation opportunities between the Group and Zhejiang Ouhua to revive and reorganise the business of Jiangxi Shipbuilding.

In view of the above, the Directors consider that each of the Disposal Agreement, the Debt Restructuring Agreement and the respective transactions contemplated are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings when used herein:

“Board”	the board of Directors
“China Ocean HK”	China Ocean Shipbuilding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately before Completion and is principally engaged in investment holding and sale agent for shipbuilding
“Company”	China Ocean Industry Group Limited, a company incorporated in Bermuda and the issued shares of which are listed on the Stock Exchange (Stock code: 651)
“Completion”	completion of the Disposal pursuant to the terms of the Disposal Agreement
“Consideration”	the consideration in the sum of RMB200,000,000 payable by the Purchaser to the Vendor for the Disposal under the Disposal Agreement

“Debt Restructuring Agreement”	the debt restructuring agreement dated 6 January 2018 entered into among Zhejiang Ouhua, the Purchaser, China Ocean HK, Jiangxi Shipbuilding and the Vendor
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 10 July 2017 entered into between the Vendor and the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangxi Shipbuilding”	Jiangxi Jiangzhou Union Shipbuilding Co., Ltd* (江西江州聯合造船有限責任公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	NIBO Trading Company Limited, a company incorporated in Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	40 ordinary shares of China Ocean HK, representing 40% of the total number of issued shares of China Ocean HK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Vendor”	China Ocean Shipbuilding Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Zhejiang Ouhua”	Zhejiang Ouhua Shipbuilding Company Limited* (浙江歐華造船股份有限公司), a company established in the PRC
“Zhoushan Fund”	Zhoushan China Ocean Investment Fund* (舟山中海投創業投資企業), a foreign invested venture capital enterprise* (外商投資創業投資企業) established in Zhoushan, Zhejiang Province of the PRC
“%”	per cent

By order of the Board
China Ocean Industry Group Limited
LI Ming
Chairman

Hong Kong, 5 July 2018

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board of the Company comprises four executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Zhang Weibing and Mr. Liu Jin, one non-executive director, namely, Mr. Chau On Ta Yuen; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.