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**CHINA OCEAN INDUSTRY GROUP LIMITED**

**中海重工集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00651)**

**INSIDE INFORMATION  
SUPPLEMENTAL ANNOUNCEMENT  
UPDATE ON STATUS OF THE SIX VESSELS**

This announcement is made by China Ocean Industry Group Limited (“**Company**”, and together with its subsidiaries, the “**Group**”), pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Reference is made to announcements of the Company dated 18 May 2017, 26 March 2018, 24 April 2018 and 3 January 2019 in relation to, among other things, the delay in delivery of the seven vessels (the “**Announcements**” and each an “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

Further to the information disclosed in the Announcement dated 3 January 2019, the Board wishes to provide further information on the latest status of the Six Vessels as follows:

## **The Four Vessels**

The issues surrounding the Four Vessels have substantially been resolved following the handing down of the Arbitral Awards. As disclosed in the Announcement dated 3 January 2019, the Company has entered into the Framework Agreement with Yangzi Xinfu Shipbuilding for the acquisition, construction and onward transfer of the Rescinded Vessel. The Company is actively negotiating with prospective purchasers for the remaining three of the Four Vessels and will strive to enter into the relevant acquisition contracts as soon as possible so that the net realisable value of the Four Vessels could be reasonably estimated and necessary evidence could be provided to the auditors to address the disclaimer opinion on the shipbuilding business in the Company's annual results for the year ended 31 December 2017 ("**Disclaimer Opinion**").

## **The Two Vessels**

As for the remaining two of the Six Vessels ("**Two Vessels**"), a new customer has agreed to take over the Two Vessels and continue with the construction, and the relevant acquisition agreements are expected to be entered into within the first quarter of 2019. If the Company failed to obtain evidence of termination or rescission of the original shipbuilding contracts or the enter into relevant termination agreements and new acquisition agreements in respect of the Two Vessels by 31 December 2019, the Company will rescind or cancel the shipbuilding contracts so long as the rescission or cancellation thereof is justified and in accordance with the terms thereunder.

## **Disclaimer Opinion**

After preliminary discussion with the Company's auditors on the aforesaid latest development, the auditors are of the view that:

- (1) Given the auditors' disclaimer opinion on the shipbuilding business in the Company's annual results for the year ended 31 December 2017 ("**Disclaimer Opinion**") relates to the issues surrounding the Six Vessels, the Disclaimer Opinion could only be removed if the issues relating to all the Six Vessels could be resolved for the year ended 31 December 2018.

- (2) In respect of the Four Vessels, pursuant to the Arbitral Awards, the Company would reverse the respective revenue, cost of sales in respect of the Four Vessels and recognize the additional cost associated with the arbitration. The Four Vessels would also be recognised as inventories. In this connection, the disclaimer opinion in relation to the revenue, cost of sales, amount due to customers for contract works in respect of the Four Vessels could be addressed.

Further, if the new acquisition agreements for the Four Vessels could be entered into or any other sufficient evidence could be provided to enable the auditors to assess the net realizable values of the Four Vessels as at 31 December 2018, the uncertainty in relation to the net realizable value of the Four Vessels could also be addressed. Accordingly, the Disclaimer Opinion in respect of the Four Vessels could be removed for the year ended 31 December 2018. However, the auditors may still hold qualified opinion in respect of the opening balances and the financial performance of the Group for the year ended 31 December 2018, since the uncertainties arising in the year ended 31 December 2017 which led to the Disclaimer Opinion are being carried forward to the year ended 31 December 2018.

- (3) Regarding the Two Vessels, as the original shipbuilding contracts in respect of the Two Vessels had not been rescinded or terminated during the year ended 31 December 2018, the disclaimer opinion in relation to the revenue, cost of sales and amounts due to customers for contract work for the year ended 31 December 2018 in respect of the Two Vessels could not be removed.

If the original shipbuilding contracts are rescinded or terminated and the new acquisition agreements could be entered into during the year ending 31 December 2019, this may address the Disclaimer Opinion in respect of the Two Vessels. However, the auditors may still hold qualified opinion in respect of the opening balances and the financial performance of the Group for the year ending 31 December 2019, since the uncertainties arising in the year ended 31 December 2018 which led to the Disclaimer Opinion are being carried forward to the year ending 31 December 2019.

- (4) On the basis of the aforesaid and if no material adverse or unforeseeable issues surrounding the Six Vessels arises in the year ending 31 December 2019, it is expected that the Disclaimer Opinion in relation to the shipbuilding business can be fully addressed and removed in the financial year ending 31 December 2020.

Further announcement(s) in relation to the material development of the aforesaid matter will be made by the Company as and when appropriate in accordance with the Listing Rules.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 15 January 2019

*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, two non-executive directors, namely, Mr. Chau On Ta Yuen and Mr. Lin Lie; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.*