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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION

Financial Adviser



Draco Capital Limited

This announcement is made by the Company 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 of the Listing Rules.

THE MOU

The Board announces that on 4 April 2019 (after trading hours), the Company and the Vendor entered into the MOU, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell and procure other shareholders of the Target Company to sell part of or the entire equity interests of the Target Company.

The possible Acquisition is subject to, among others, further negotiation concerning the entering into of a Formal Agreement. As at the date of this announcement, 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 under Chapter 14 the Listing Rules, and further announcement(s) will be made by the Company in this regard when appropriate in accordance with the Listing Rules.

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On 4 April 2019 (after trading hours), the Company and the Vendor entered into the MOU, pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell and procure other shareholders of the Target Company to sell part of or the entire equity interests of the Target Company. Details of the MOU are set out below.

Date: 4 April 2019

Parties: (i) the Company; and
(ii) the Vendor

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Exclusive period

The Vendor agreed that it will not and will procure that the Target Company and its directors, officers, employees, representatives, agents and existing shareholders not to, directly or indirectly, for a period from the date of the MOU to 3 October 2019, (i) solicit, initiate or encourage enquiries or offers from; or (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Company with respect to the sale or other disposition of the equity interest in or the sale, subscription, or allotment of any part thereof or any other shares of the Target Company. Should the Target Company (and each of its existing shareholders) or the Vendor receive any respective inquiries or invitation, the Company would be informed immediately.

Due diligence

The Company shall conduct due diligence in respect of the possible Acquisition and the Vendor shall undertake to assist and procure the Target Company to assist in ensuring smooth proceeding of the due diligence within the Exclusivity Period.

Legal effect

Save for those provisions relating to the exclusivity, the confidentiality, the due diligence, the governing law and jurisdiction, the provisions of the MOU does not have any legal effect.

INFORMATION ON THE TARGET COMPANY

As advised by the Vendor, the Target Company is a company with limited liability incorporated in the PRC on 1 January 2003 and is a building materials supply chain service provider principally engaged in the trading of cement, commercial concrete, emerging building materials, etc.

REASONS AND BENEFITS FOR ENTERING INTO THE MOU

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.

The possible Acquisition will allow the Group to explore the opportunity of vertically expanding the industry chain of its business and consolidate its related resource. The Board is optimistic about the long term prospects of its business in the PRC.

Through the execution of this MOU, the Group will carefully review this opportunity to strengthen the Group's business and enhance the long-term growth potential of the Company and Shareholders' value.

GENERAL

The possible Acquisition is subject to, among others, further negotiation concerning the entering into of a Formal Agreement. As at the date of this announcement, 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 under Chapter 14 the Listing Rules, and further announcement(s) will be made by the Company in this regard when appropriate in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of part of or the entire equity interest of the Target Company by the Company from the Vendor and/or other shareholders of the Target Company
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Ocean Industry Group Limited (中海重工集團有限公司), a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the Main Board (Stock Code: 00651)

“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exclusive Period”	from the date of MOU to 3 October 2019
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the possible Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange
“MOU”	the Memorandum of Understanding dated 4 April 2019 entered into by the Company and the Vendor setting out the preliminary understanding for the possible Acquisition
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	the ordinary share(s) of par value of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Shi Tongji Zhong Ji Shiye Limited* (深圳市同濟中基實業有限公司), a limited liability company which incorporated in the PRC
“Vendor”	Qian Jin (錢進), who is a PRC citizen and directly or indirectly interested in certain percentage of equity interests in the Target Company
“%”	per cent.

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

Hong Kong, 4 April 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.

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*