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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
WITH**

**PETROCHINA KUNLUN GAS CO., LTD (JIANGXI BRANCH)*
IN RESPECT OF POSSIBLE FORMATION OF JOINT VENTURE**

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 is pleased to announce that on 24 July 2019 (after trading hours), the Company and PetroChina Kunlun Gas Co. Ltd (Jiangxi Branch)* (中石油昆侖燃氣有限公司江西分公司) (“**PCKJX**”) entered into a MOU, pursuant to which both parties agree to cooperate by establishing a joint venture (the “**JV**”) to jointly develop the liquefied natural gas (“**LNG**”) utilization project for vehicles and ships in Jiangxi Province, including the construction plan of i) LNG tank storage site and related facilities of the shipyard operated by Jiangxi Jiangzhou Union Shipbuilding Co., Ltd* (江西江州聯合造船有限責任公司) (“**Jiangzhou Shipyard**”) in Ruichang City, Jiangxi Province and ii) the inland river vessel filling station and the expressway LNG fueling station in Jiangxi Province, etc. (the “**Cooperation**”). Both parties shall further negotiate and enter into a cooperation agreement in relation to the formation of the JV (the “**Cooperation Agreement**”).

Subject to the terms of the Cooperation Agreement, both parties agree to cooperate in the following areas:

PCKJX will be responsible for

- i) coordinating LNG resources within the scope of PetroChina's natural gas business to ensure the gas supply for the joint venture and cooperative project, thereby providing favorable conditions for the JV to open up the market and to meet the market demand for LNG used in vehicles and ships; and
- ii) providing technical support in project planning, engineering design and construction.

The Company will be responsible for

- i) actively carrying out the works including site selection, project establishment, obtaining the approval required for the formation of the cooperative project from various government departments; and market expansion by leveraging on its market experience and government resources in Jiangxi Province;
- ii) providing the land, office, ship lock, road, factory and equipment of Jiangzhou Shipyard necessary for the implementation of the Cooperation.

Upon obtaining the internal approval of both parties and subject to satisfactory feasibility studies, the Company and PCKJX will contribute in cash to establish the JV in Ruichang City. The JV will be controlled by PCKJX, which shall hold no less than 51% equity interest, and the Company (or a company designated by the Company with written approval of PCKJX) will hold no more than 49% equity interest in the JV. PCKJX will be responsible for the management and operation and management of the JV will be led by PCKJX, and the JV's financial results will be consolidated into the financial statements of PCKJX.

The MOU has an effective period of two (2) years from the date of the MOU. The MOU does not constitute a legally binding contract or otherwise give rise to legally enforceable rights and obligations, save for provisions relating to confidentiality, governing law and dispute resolutions. All information between the Company and PCKJX in relation to any matters referred to the Cooperation shall be kept confidential and shall not be disclosed to any third party without the prior written consent of the other party, unless it is otherwise required by laws.

Information of the PCKJX

The parent company of PCKJX, PetroChina Kunlun Gas Co. Ltd, is a wholly owned subsidiary of a company incorporated with limited liability in Bermuda and the shares of which are listed on the Stock Exchange. PetroChina Kunlun Gas Co. Ltd mainly engages in the city gas and LPG distribution businesses, including (i) sales and transportation, storage of CNG and LPG; (ii) wholesales of feed gas and sales of propylene, propane and butane; (iii) sale of chemical products and light industry materials; (iv) technical development, consultation and services for gas products; and (v) investments in city gas projects, transfer of technology, leasing of equipment etc.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, PCKJX and its ultimate beneficial owner are Independent Third Parties.

The Board believes that, given the respective strength, resources and expertise of the Group and PCKJX, the proposed Cooperation is expected to bring long term value to the Group.

Shareholders and potential investors of the Company should note that the MOU only sets out the intention of the parties in relation to the proposed Cooperation, and the Cooperation is subject to execution of the Cooperation Agreement. The Board wishes to emphasize that no binding agreement in relation to the proposed Cooperation has been entered into by the Company as at the date of this announcement. The proposed JV, if materialized, may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in respect of the proposed Cooperation as and when appropriate in compliance with the Listing Rules.

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

DEFINITIONS

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

“Board”	the board of Directors
“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: 0651)
“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Director(s)”	the director(s) of the Company
“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 24 July 2019 entered into by the Company and PCKJX setting out the preliminary understanding for the Cooperation
“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
“%”	per cent.

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

Hong Kong, 24 July 2019

As at the date of this announcement, the Board of the Company comprises three executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Zhang Weibing, 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.

* *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.*