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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)**

### **APPOINTMENT OF INTERNAL CONTROL CONSULTANT**

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

Reference is made to the supplemental announcements published by the Company dated 2 May 2019, 29 May 2019 and 8 August 2019 (the “**Supplemental Announcements**”).

As disclosed in the Supplemental Announcements, (a) the audit qualification on limitation of scope on interests in associates was due to the miscommunication between the Company and the relevant associate companies in arranging the audit for year ended 31 December 2018, (b) the audit qualifications on (i) limitation of scope on impairment on goodwill and intangible assets of intelligent car parking and automotive device business segment; (ii) limitation of scope on impairment on goodwill and intangible assets of steel structure engineering and installation business segment and (iii) limitation of scope on impairment assessment on property, plant and equipment and prepaid lease payments were due to the unavailability of the valuation reports for the two business segments, property, plant and equipment and prepaid lease payments as a results of the miscommunication between the Company’s staff and the independent valuer; and (c) the audit qualification on limitation of scope on adoption of Hong Kong Financial Reporting Standard 9 Financial Instruments was due to the unavailability of a valuation report as a result of the miscommunication between the Company’s staff and the independent valuer.

Given the aforesaid audit qualifications were mainly attributable to a series of miscommunications among the Group and between the Company and other professional parties during the preparation of the 2018 Annual Results and thus the board (the “**Board**”) of directors (the “**Directors**”) of the Company considers the effectiveness of the internal control system of the Group is required to be reviewed and enhanced, As such, the Board is pleased to announce that as part of the drive to strengthen the communication among the Group and between the Company and other professional parties, to enhance the internal control system of financial reporting of the Group, and to prevent similar audit qualifications in the future, the Company has appointed Elite Partners Risk Advisory Services Limited as the Company’s internal control consultant (the “**Internal Control Consultant**”), pursuant to an engagement letter between the parties on 30 August 2019 to conduct a review of the internal control systems and procedures of the Group in respect of the financial reporting policy and control procedures and make recommendations of remedial measures with a view to comply with paragraph C.2 of appendix 14 of the Listing Rules. For the avoidance of doubt, as disclosed in the 2018 Annual Report, the Group has complied the paragraph C2 of appendix 14 of the Listing Rules by establishing appropriate and effective control systems.

The result of the review will assist the Board to determine whether the Group has maintained an appropriate and adequate internal control system required of a listed issuer under the Listing Rules, and to ensure that the Group will have in place proper procedures, systems and monitoring procedures. The scope of the review by the Internal Control Consultant has been reviewed and approved by the Board.

As agreed between the Board and the Internal Control Consultant, it is expected that the review by the Internal Control Consultant will be completed by the end of September 2019, and upon completion of the implementation of the remedial measures as recommended by the Internal Control Consultant, the subsequent follow up review by the Internal Control Consultant of the implementation of such remedial measures will be completed by the end of December 2019.

The Company will make further announcement(s) on any material progress of the above mentioned review by the Internal Control Consultant as and when appropriate.

**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, 3 September 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.*