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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)

DISCLOSEABLE TRANSACTION INVESTMENT AGREEMENT AND COOPERATION AGREEMENT

THE INVESTMENT AGREEMENT

On 23 November 2018, the Company, Jiangxi Shipbuilding, Yangzijiang Shipbuilding and Wuxi Tianshi entered into the Investment Agreement pursuant to which the parties agreed to, among other things, establish the Mining Co and to reorganise the shipbuilding business and assets of Jiangxi Shipbuilding.

THE COOPERATION AGREEMENTS

On 23 November 2018, the Company entered into the following Cooperation Agreements:

- (1) the First Cooperation Agreement with Shenzhen Sufa pursuant to which, among other things, Shenzhen Sufa irrevocably agreed to (either alone or with its designated nominee(s)) subscribe for not less than RMB50 million of the registered capital of Mining Co, representing 10% of the registered capital of Mining Co; and
- (2) the Second Cooperation Agreement with Beijing Zhongrun pursuant to which, among other things, Beijing Zhongrun irrevocably agreed to subscribe for RMB25 million of the registered capital of Mining Co, representing 5% of the registered capital of Mining Co, and agreed to provide the Loan in the amount of RMB250 million to the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Company's expected maximum capital contribution of RMB75 million exceeds 5% but all of them are less than 25%, the formation of the Mining Co 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 INVESTMENT AGREEMENT

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Principle terms of the Investment Agreement are as follows:

Date: 23 November 2018

Parties: (i) Yangzijiang Shipbuilding;
(ii) The Company;
(iii) Jiangxi Shipbuilding; and
(iv) Wuxi Tianshi.

Effective date: The Investment Agreement shall become effective upon Yangzijiang Shipbuilding and the Company having obtained the relevant board or shareholders' approval.

Establishment of Mining Co

The parties agreed to establish the Mining Co in accordance with the following principal terms. The exact proportion of capital contribution and shareholders of the Mining Co shall be subject to the terms of the definitive investment agreement in respect of the formation of Mining Co and the articles of the Mining Co.

Capital Contribution: The Mining Co shall have a total investment amount of RMB2.5 billion and registered capital of RMB500 million. The registered capital of RMB500 million shall be contributed by the parties in the following proportion:

- (i) RMB300 million, representing 60% of the registered capital of the Mining Co, to be contributed by Yangzijiang Shipbuilding either alone or together with its designated nominee(s);
- (ii) RMB150 million, representing 30% of the registered capital of the Mining Co, to be contributed by the Company either alone or together with its designated nominee(s); and
- (iii) RMB50 million, representing 10% of the registered capital of the Mining Co, to be contributed by Wuxi Tianshi either alone or together with its designated nominee(s).

The parties shall pay up their respective amount of capital contribution in accordance with the following schedule:

- (i) as to the first 50% of the parties' respective capital contribution amount within 10 days from the date of registration of the establishment of the Mining Co; and
- (ii) as to the remaining 50% of the parties' respective capital contribution amount within 5 days upon the Mining Co winning the bid for the Mining Right.

Scope of business of the Mining Co: Mine construction, digging engineering, explosive works, rock excavation processing, cleansing, sales, freight transportation, shipping, terminal loading, foreign investment.

Board composition and management: The board of directors of the Mining Co shall comprise of 7 members, of which Yangzijiang Shipbuilding shall be entitled to appoint 4 members, the Company shall be entitled to appoint 2 members and Wuxi Tianshi shall be entitled to appoint 1 member to the board. The chairman of the board, who shall also be the legal representative of the Mining Co, shall be appointed by Yangzijiang Shipbuilding.

The Mining Co shall have a supervisory committee which shall comprise of 5 members, of which Yangzijiang Shipbuilding shall be entitled to nominate 3 members, the Company shall be entitled to nominate 1 member and Wuxi Tianshi shall be entitled to nominate 1 member. The chairman of the supervisory committee shall be nominated by the Company. Members of the supervisory committee shall be elected by shareholders of the Mining Co.

The amount of capital contribution for the establishment of the Mining Co was arrived at after arm's length negotiations among the Parties, taking into account of the estimated capital requirement for the initial business development of the Mining Co. Given the Company do not have control over the registered capital nor the board of directors of the Mining Co, the Mining Co will not be accounted for as a subsidiary of the Company.

Reorganisation of Jiangxi Shipbuilding's assets and commencement of shipbuilding business

The parties agreed that the Mining Co shall, within 10 business days of winning the bid for the Mining Right, set up the Shipbuilding Co with registered capital of RMB300 million to engage in shipbuilding business. The terms of formation of the Shipbuilding Co shall be subject to the relevant definitive investment agreement and the articles of the Shipbuilding Co.

As regards the operation of the Shipbuilding Co, the Investment Agreement contains provisions setting out the framework for, among other things, the leasing of assets, sharing of utilities and provision of subsidy by the Company to the Shipbuilding Co, which are all subject to the terms of the relevant definitive agreements to be entered into among the relevant parties.

The Board wishes to emphasise that certain transactions contemplated under the Investment Agreement is subject to the execution of definitive agreement(s) by the relevant parties thereto. Such transactions, if materialised, may constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

THE COOPERATION AGREEMENTS

On 23 November 2018, the Company entered into the following Cooperation Agreements with principle terms as follows:

The First Cooperation Agreement

Date:	23 November 2018
Parties:	(i) The Company; and (ii) Shenzhen Sufa.
Subject matter:	The Company and Shenzhen Sufa agreed to cooperate by investing in the Mining Co. Shenzhen Sufa irrevocably agreed to (either alone or with its designated nominee(s)) subscribe for not less than RMB50 million of the registered capital of Mining Co, representing 10% of the registered capital of Mining Co, and the Company shall contribute RMB75 million of the registered capital of Mining Co, representing 15% of the registered capital of Mining Co.

The Second Cooperation Agreement

Date: 23 November 2018

Parties: (i) The Company; and
(ii) Beijing Zhongrun.

Subject matter: The Company and Beijing Zhongrun agreed to cooperate by investing in the Mining Co. Beijing Zhongrun irrevocably agreed to subscribe for RMB25 million of the registered capital of Mining Co, representing 5% of the registered capital of Mining Co.

Beijing Zhongrun shall provide the Loan to the Company for the purpose of investing in infrastructures such as logistics corridors, terminals of Mining Co and general working capital.

INFORMATION OF THE PARTIES

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.

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.

Yangzijiang Shipbuilding

Yangzijiang Shipbuilding is a company incorporated and domiciled in Singapore the issued shares of which are listed on the Singapore Exchange. It is headquartered in Jingjiang, the PRC and principally engaging in investment holding and agency service for shipbuilding and related activities. Yangzijiang Shipbuilding operates through shipbuilding, investments, trading, and others segments and primarily serves ship owners in the United States, Canada, the United Kingdom, Germany, France, Greece, Norway, Argentina, Turkey, Bulgaria, Poland, Australia, Japan, South Korea, Singapore, India, Thailand, Bangladesh, Mainland China, Hong Kong, Taiwan, etc.

Wuxi Tianshi

Wuxi Tianshi is a company established under the laws of the PRC with limited liability and is principally engaging in investment holding.

Shenzhen Sufa

Shenzhen Sufa is a company established under the laws of the PRC with limited liability and is principally engaging in housing construction and investment holding.

Beijing Zhongrun

Beijing Zhongrun is a company established under the laws of the PRC with limited liability and is principally engaging in enterprise management, investment management, consultation, asset management, project investment, property development and property management.

To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, each of Yangzijiang Shipbuilding, Wuxi Tianshi, Shenzhen Sufa, Beijing Zhongrun and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules).

REASONS FOR THE INVESTMENT AGREEMENT AND COOPERATION AGREEMENT

Investment Agreement

Reference is made to the Company's announcements dated 13 March 2018, 26 March 2018 and 10 July 2018 in relation to, among other things, the possible cooperation with Yangzijiang Shipbuilding and Wuxi Tianshi to reorganise Jiangxi Shipbuilding.

The Investment Agreement represents a milestone for implementing the parties' cooperation to reorganise the shipbuilding business carried out by Jiangxi Shipbuilding.

After establishment of the Mining Co and the Shipbuilding Co, the Company will gradually migrate its shipbuilding business currently carried out by Jiangxi Shipbuilding to Mining Co and/or Shipbuilding Co in order to reorganise the business of Jiangxi Shipbuilding. Further, the Investment Agreement also enables the Company to venture into the mining business which is expected to provide a new source of income for the Company.

As the Group's shipbuilding business has recorded operating loss throughout the years which has substantially affected the financial performance of the Group, the Directors believe that the arrangement contemplated under the Investment Agreement and the reorganisation of Jiangxi Shipbuilding's business will enable the Group to improve its financial position.

Cooperation Agreements

The Investment Agreement provides that the Company shall, either alone or with its designated nominee(s), contribute RMB150 million (representing 30% of the registered capital of Mining Co) for establishment of Mining Co. Having considered the current financial position of the Company, and the benefits of introducing other partners to join in the investment in Mining Co, the Directors are of the view that it is in the interest of the Company and its shareholders as a whole to introduce other partners to participate in the investment in Mining Co, such that the Company will subscribe for 15% of the registered capital of Mining Co (representing 15% of the registered capital of Mining Co), Shenzhen Sufa will subscribe for 10% of the registered capital of Mining Co (representing 10% of the registered capital of Mining Co), and Beijing Zhongrun will subscribe for 5% of the registered capital of Mining Co (representing 5% of the registered capital of Mining Co).

The maximum capital contribution of RMB75 million to be contributed by the Company shall be satisfied by the Loan obtained from Beijing Zhongrun.

Moreover, as Shenzhen Sufa is an established company in the business of housing construction and investment holding, Shenzhen Sufa can introduce qualified entities to assist with the consolidation of Jiangxi Shipbuilding's terminal and assets along the riverbank of Yangtze River, and expand the Company's logistics business; whereas Beijing Zhongrun is an established company in the business of investment management. Hence both Shenzhen Sufa and Beijing Zhongrun can contribute their expertise in developing the mining business of the Mining Co which would also be beneficial to the Company.

In view of the aforesaid, the Directors consider that each of the Investment Agreement and Cooperation Agreements and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations, and accordingly 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 Company's expected maximum capital contribution of RMB75 million exceeds 5% but all of them are less than 25%, the formation of the Mining Co 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:

“Beijing Zhongrun”	Beijing Zhongrun Tianxia Enterprise Management Center* (北京中潤天下企業管理中心), a company established under the laws of the PRC
“Board”	the board of Directors

“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)
“Cooperation Agreements”	the First Cooperation Agreement and the Second Cooperation Agreement
“Director(s)”	director(s) of the Company
“First Cooperation Agreement”	the first cooperation agreement dated 23 November 2018 entered into between the Company and Shenzhen Sufa
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investment Agreement”	the investment agreement dated 23 November 2018 entered into among Yangzijiang Shipbuilding, the Company, Jiangxi Shipbuilding and Wuxi Tianshi
“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
“Loan”	the loan in principal amount of RMB250 million granted by Beijing Zhongrun to the Company pursuant to the Second Cooperation Agreement
“Mining Co”	a company to be established under the laws of the PRC among Yangzijiang Shipbuilding (either alone or with its designated nominee(s)), the Company (either alone or with its designated nominee(s)) and Wuxi Tianshi (either alone or with its designated nominee(s)) pursuant to the Investment Agreement

“Mining Right”	the mining right in respect of the limestone ore located in Shitoujing, Ruichang City, the PRC
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Second Cooperation Agreement”	the second cooperation agreement dated 23 November 2018 entered into between the Company and Beijing Zhongrun
“Shenzhen Sufa”	Shenzhen Sufa United Industry Co., Ltd.* (深圳市蘇發聯合實業有限公司), a company established under the laws of the PRC
“Shipbuilding Co”	a company to be established under the laws of the PRC by Mining Co pursuant to the Investment Agreement
“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
“Wuxi Tianshi”	Wuxi Tianshi Education Goods Co., Ltd.* (無錫天石教育用品有限公司), a company established under the laws of the PRC
“Yangzijiang Shipbuilding”	Yangzijiang Shipbuilding (Holdings) Ltd., a company incorporated in domiciled in Singapore the issued shares of which are listed on the Singapore Stock Exchange (stock code: BS6)

“%”

per cent

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

Hong Kong, 23 November 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, 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 Xiang Ying.