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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 FORCED TRANSFER OF EQUITY INTEREST IN ASSOCIATE COMPANY PURSUANT TO COURT ENFORCEMENT ORDER

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) and 13.25(1)(e) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

THE ENFORCEMENT ORDER

On 24 May 2019, the Company received an enforcement order (“**Enforcement Order**”) dated 24 May 2019 issued by the People’s Court of Rugao City, Jiangsu Province* (江蘇省如皋市人民法院) (“**Court**”) pursuant to which the Court has ordered the Group to transfer its equity interest in Nantong Xiangyu Ocean Equipment Company Limited* (南通象嶼海洋裝備有限公司) (“**Nantong Xiangyu**”) in satisfaction of the outstanding sum owed to Rugao Fugang Construction Company Limited* (如皋市富港工程建設有限公司) (“**Claimant**”).

The Claimant initiated a claim in September 2017 against Nantong Huakai Heavy Industry Company Limited* (南通華凱重工有限公司) (“**Nantong Huakai**”), an indirect wholly-owned subsidiary of the Company, for default in repayment of loan in principal amount of RMB41,000,000 and all related interests. The Company and China Ocean Industry (Shenzhen) Company Limited* (中海重工(深圳)有限公司) (“**China Ocean Shenzhen**”), being guarantors to the relevant loan, were also named as defendants in the Claim. The Claim was settled by a court-directed mediation in December 2017 and Nantong Huakai was required to repay the outstanding sum in the amount of RMB41,000,000 together with interest accrued thereon to the Claimant in four installments prior to 31 December 2018 (“**Mediation Order**”).

As Nantong Huakai failed to settle the outstanding sum according to the Mediation Order, the Court has ordered under the Enforcement Order, among others, that:

- (1) China Ocean Shenzhen shall transfer the 21.23% equity interest it held in Nantong Xiangyu at the consideration of RMB52,993,897, to the Claimant in satisfaction of the outstanding sum in the amount of RMB52,993,897 upon the Enforcement Order being served on the Claimant; and
- (2) China Ocean Shenzhen shall transfer the remaining 2.77% equity interest it held in Nantong Xiangyu at the consideration of approximately RMB6,926,103 to Nantong Tongbao Shipbuilding Company Limited* (南通市通寶船舶有限公司) (“**Nantong Tongbao**”), a party other than involved in the Claim, in satisfaction of the outstanding sum owed to Nantong Tongbao in the amount of RMB6,926,103 upon the Enforcement Order being served on Nantong Tongbao.

(collectively the “**Forced Transfer**”)

IMPACT ON THE GROUP

China Ocean Shenzhen and Nantong Huakai are indirect wholly-owned subsidiaries of the Company. Immediately before the issue of the Enforcement Order, Nantong Xiangyu was owned as to 24% by China Ocean Shenzhen. The 24% equity interest was subscribed by the Group at RMB48,000,000. Accordingly, Nantong Xiangyu has been accounted for as an associate company using the equity method and its financial results have not been consolidated in the Group’s financial statements.

Upon completion of the Forced Transfer, the Group will cease to hold any equity interest in Nantong Xiangyu and Nantong Xiangyu will cease to be accounted for as an associate company of the Company.

The value of the total assets or the amount of loss or revenue attributable to the Group's interest in Nantong Xiangyu as shown in the latest audited consolidated financial statements of the Company for the year ended 31 December 2018 represented more than 5% under the applicable percentage ratios defined under Rule 14.04(9) of the Listing Rules. The directors of the Company consider that the profit resulting from the Forced Transfer will have no material adverse impact on the Group's results and financial position.

Given that the Forced Transfer is made pursuant to the Enforcement Order issued by the Court, pursuant to FAQ Series 9, FAQ No.3 released by the Stock Exchange, the Forced Transfer does not constitute a "transaction" as defined in Chapter 14 of 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, 27 May 2019

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, 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.