THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Ocean Shipbuilding Industry Group Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED
中 海 船 舶 重 工 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

DISCLOSEABLE TRANSACTION – ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUCCESS CAPTURE LIMITED INVOLVING AN ISSUE OF CONSIDERATION SHARES AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

川盟融資有限公司
Chanceton Capital Partners Limited

A letter from the board of directors of the Company is set out on pages 5 to 17 of this circular.

A notice convening the special general meeting (the "**SGM**") to be held at Units 1702-03, 17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 10:00 a.m., on Saturday, 28 November 2015 is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof (as the case may be) should you so wish.

12 November 2015

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement;
"Actual Profit(s)"	has the meaning as detailed in the paragraph headed "Profit Guarantee" in the section headed "Letter from the Board" of this circular;
"Announcements"	the Company's announcements dated 15 October 2015 in relation to, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder;
"Base Profit(s)"	has the meaning as detailed in the paragraph headed "Profit Guarantee" in the section headed "Letter from the Board" of this circular;
"Board"	the board of Directors;
"Chanceton"	Chanceton Capital Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Company;
"Company"	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement;
"connected person(s)"	shall have the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration for the Sale Shares under the Sale and Purchase Agreement as detailed in the paragraph headed "Consideration" in the section headed "Letter from the Board" of this circular;
"Consideration Share(s)"	a maximum of 1,730,000,000 new Shares to be allotted and issued by the Company, credited as fully paid, as settlement of the Consideration;
"Director(s)"	director(s) of the Company;
"Group"	the Company and its subsidiaries;

"Guarantee Profit"	the guarantee by the Vendor that the Net Profit for the Relevant Period shall not be less than RMB60 million (equivalent to approximately HK$73.2 million);
"Guarantors"	Mr. Tang Wuqiang, Mr. Ning Jizhong and Ms. Su Rulin, being three of the shareholders of the Target Company;
"Guidance"	the Guidance Opinions on Strengthening the Construction of Urban Parking Facilities'(加強城市停車設施建設的指導意見) No. 1788/2015 issued by The National Development and Reform Commission on 11 August 2015;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	third party(ies) who are independent of, and not connected with, the Company and its connected persons;
"Issue Price"	HK$0.26 per Consideration Share;
"Last Trading Day"	15 October 2015, being the last trading day prior to the date of the Sale and Purchase Agreement;
"Latest Practicable Date"	11 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2015;
"Mr. Zhang"	Mr. Zhang Shi Hong, the Executive Director;
"Net Profit"	the audited consolidated net profit after taxation of the Target Company and excluding extraordinary items, any amounts received or written back for debt or any other provisions and, such profit shall be calculated by reference to the prevailing generally accepted accounting principles, standards and practices in Hong Kong as calculated by the auditors of the Company or the Purchaser;
"PRC"	the People's Republic of China and for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan;

"Profit Forecast of the Target Group"	has the meaning as detailed in the paragraph headed "Valuation" set out in the section headed "Letter from the Board" of this circular;
"Purchaser"	Brilliant Plus Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
"Relevant Period"	the period from 1 January 2016 to 31 December 2016;
"Reorganisation"	certain reorganisation exercise of the Target Group to be conducted in the manner as contemplated under the Sale and Purchase Agreement;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition dated 15 October 2015 entered into between the Purchaser, the Vendor and the Guarantors;
"Sale Shares"	10,000 ordinary shares of US$1.00 each fully paid in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the Latest Practicable Date;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held on Saturday, 28 November 2015 at 10:00 a.m. for the purpose of approving the Specific Mandate, the notice thereof is set out on pages SGM-1 to SGM-2 of this circular;
"Shandong Dereton"	Shandong Dereton Automotive Parking Equipment Co. Ltd*（山東瑞通停車設備有限公司）, a company incorporated in the PRC and upon completion of the Reorganisation, will become a subsidiary of the Target Company;
"Shandong Ruitong"	Shandong Ruitong (Hong Kong) Parking Management Services Company Limited（山東瑞通（香港）停車管理服務有限公司）, a company incorporated in Hong Kong with limited liability and upon completion of the Reorganisation, will become a subsidiary of the Target Company;
"Shandong Dereton Group"	Shandong Dereton and its subsidiaries;

"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"Shenzhen Shanling"	Shenzhen Shanling Automotive Electronic Technology Co., Ltd.* (深圳市善領汽車電子科技有限公司), a company incorporated in the PRC and currently a wholly-owned subsidiary of Shandong Dereton;
"Specific Mandate"	the mandate to be sought from Shareholders at the SGM for the allotment and issuance of the Consideration Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Success Capture Limited, a company incorporated in the British Virgin Islands with limited liability, with 10,000 ordinary shares of US$1.00 each being issued and fully paid up as at the Latest Practicable Date;
"Target Group"	the Target Company and its subsidiaries;
"US$"	US dollars, the lawful currency of the United States of America;
"Valuation"	the valuation on the Target Group as contained in the Valuation Report;
"Valuation Report"	the valuation report prepared by the Valuer as set out in Appendix I to this circular;
"Valuer"	Roma Appraisal Limited, an independent valuer engaged by the Company to conduct the Valuation;
"Vendor"	Pacific Greatest Limited, a company incorporated in the British Virgin Islands with limited liability;
"ZHONGLEI"	ZHONGLEI (HK) CPA Company Limited, the auditor of the Company; and
"%"	per cent.

Unless otherwise specified in this circular, translations of RMB into HK$ are made in this circular, for illustration only, at the rate of RMB1 to HK$1.22. No representation is made that any amounts in RMB or HK$ could have been or could be converted at that rate or at any other rate or at all.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

* *The English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED
中海船舶重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

Executive Directors:
Mr. Li Ming *(Chairman)*
Mr. Zhang Shi Hong *(Chief Executive Officer)*
Mr. Wang San Long
Ms. Liu Jin

Non-executive Director:
Mr. Chau On Ta Yue

Independent non-executive Directors:
Ms. Xiang Si Ying
Mr. Hu Bai He
Ms. Xiang Ying

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Units 1702-03, 17/F.
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

12 November 2015

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION – ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUCCESS CAPTURE LIMITED INVOLVING AN ISSUE OF CONSIDERATION SHARES AND NOTICE OF SPECIAL GENERAL MEETING

Introduction

Reference is made to the Announcements, pursuant to which it was disclosed that on 15 October 2015 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Guarantors, pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Purchaser has conditionally agreed to acquire and accept, the entire issued share capital of the Target Company at an initial consideration of HK$67,470,000, which shall be satisfied by the allotment and issue of 259,500,000 Consideration Shares upon Completion credited as fully paid. The consideration shall be adjusted upward to a maximum of HK$450,000,000 upon fulfillment of the Guarantee Profit, which shall be satisfied by the further issue of a maximum of 1,470,500,000 Consideration Shares credited as fully paid.

Pursuant to the Sale and Purchase Agreement, up to a maximum of 1,730,000,000 Consideration Shares may be alloted and issued by the Company to the Vendor under the Specific Mandate to be approved by the Shareholders at the SGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares); (ii) details of the Specific Mandate; and (iii) a notice of SGM together with the proxy form.

Details of the Sale and Purchase Agreement

Date: 15 October 2015 (after trading hours)

Parties

(i) Pacific Greatest Limited as the Vendor;

(ii) Brilliant Plus Holdings Limited as the Purchaser; and

(iii) Mr. Tang Wuqiang, Mr. Ning Jizhong and Ms. Su Rulin as the Guarantors

The Vendor is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the fact that the Vendor is held as to 22% by Mr. Zhang (an Executive Director), the Vendor, its ultimate beneficial owners, and the Guarantors, are Independent Third Parties and there is no relationship between the Company and the owners of the remaining 78% interests in the Vendor.

As at the Latest Practicable, the Directors had no intention to engage in any other transactions with parties related to Mr. Zhang or other connected persons of the Company.

Assets to be acquired

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration. The Sale Shares represent the entire issued share capital of the Target Company.

Consideration

As at the Latest Practicable Date, the Company had 11,160,722,155 Shares in issue. The initial consideration of the Acquisition is HK$67,470,000, which shall be adjusted upward to a maximum of HK$450,000,000 if the Guarantee Profit for the Relevant Period is attained. The maximum consideration for the sale and purchase of the Sale Shares is HK$450,000,000 (subject to adjustment as detailed in the

"Profit Guarantee" section below), which shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor (or its nominee(s)) credited as fully paid in the following manner:

1. as to approximately HK$67.47 million by the allotment and issuance of 259,500,000 Consideration Shares on Completion credited as fully paid; and

2. as to a maximum of approximately HK$382.33 million by the allotment and issuance of 1,470,500,000 Consideration Shares credited as fully paid if the Net Profit of RMB60 million for the Relevant Period is attained.

If applicable, any allotment and issue of Consideration Shares shall be made within 60 days after the end of the Relevant Period. The above number of Consideration Shares is subject to adjustment if the Net Profit of the Target Group falls short of the Guarantee Profit. Details of the adjustment mechanism are described in the "Profit Guarantee" section below.

Consideration Shares

The maximum number of Consideration Shares, being 1,730,000,000, represents (i) approximately 15.5% of the existing issued share capital of the Company and (ii) approximately 13.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change to the issued share capital of the Company from the Latest Practicable Date to Completion). The Consideration Shares when allotted and issued, will rank *pari passu* in all respects among themselves and with all existing Shares then in issue on the date of such allotment and issue, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of the issue of the Consideration Shares. The Consideration Shares will be issued pursuant to a Specific Mandate to be the obtained from the Shareholders at the SGM.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK$0.26 per Consideration Share represents:

(i) a premium of approximately 8.79% to the closing price of HK$0.239 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 11.88% to the average closing price of approximately HK$0.2324 per Share as quoted on the Stock Exchange for the last 5 trading days immediately preceding and including the Last Trading Day; and

(iii) a premium of approximately 3.7% to the closing price of HK$0.27 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The aggregate nominal value of the Consideration Shares is approximately HK$86,500,000.

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor guaranteed and warranted to the Purchaser that the Net Profit of the Target Group for the Relevant Period shall not be less than RMB60 million (equivalent to approximately HK$73.2 million).

Pursuant to Sale and Purchase Agreement, 259,500,000 Consideration Shares, representing 15% of the maximum number of Consideration Shares, will be allotted and issued to the Vendor (or its nominees) upon Completion.

If the actual Net Profit ("**Actual Profit(s)**") of the Target Group for the Relevant Period is above the Guarantee Profit, other than the 1,470,500,000 Consideration Shares, the Company is not under any obligation to issue any extra Shares.

In the event that the Actual Profit for the Relevant Period is less than RMB60 million but more than HK$0 ("**Base Profit(s)**"), then the Company shall allot and issue such number of Consideration Shares to the Vendor credited as fully paid based on the following formula:

$$\begin{array}{c}\text{Number of Consideration Shares}\\ \text{to be allotted and issued}\end{array} = \begin{array}{c}\text{(Actual Profit – Base Profit}\\ \text{for the Relevant Period)}\end{array} \times \frac{1{,}470{,}500{,}000}{60{,}000{,}000}$$

Having discussed with the management of the Target Company during the negotiation of the Acquisition, the Board acknowledged (i) the current and potential business performance, including sale contracts and/or memoranda of understanding signed and lists of existing and potential customers and (ii) sales target for year ending 31 December 2016 comprised in the Profit Forecast of the Target Group which was applied for in the Valuation Report. As such, the abovementioned profit guarantees was determined after arm's length negotiations between the parties of the Acquisition after taking into accounts the factors in those discussions.

After the Relevant Period, the Company will review and announce the result of the profit guarantee and will issue and allot the Consideration Shares in accordance with such result.

Indemnity

The Vendor has irrevocably and unconditionally undertaken to the Purchaser that in the Relevant Period, the Net Profit will not be less than HK$0. In the event that the Target Group makes a loss in the Relevant Period, the Vendor will indemnify the Group such loss on a dollar-to-dollar basis in cash within 60 days after the end of the Relevant Period. There is no cap for such cash compensation as mentioned in the Sale and Purchase Agreement.

The Acquisition does not require any material cash outlay as the Consideration for the Sale Shares is to be satisfied by the allotment and issue of the Consideration Shares. The Directors have also taken into consideration that the Vendor has guaranteed profit for the Relevant Period, and they believe that the Acquisition would bring positive contribution and synergy to the Group if such profit guarantee is materialised in the future. And even if the Guarantee Profit is not met, the Group will be indemnified of any loss of the Target Group during the Relevant Period as per the Sale and Purchase Agreement.

Basis of Determination

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations with reference to, among others, (i) the support of PRC governmental policies to the parking management service industry as disclosed in the paragraphs under section "REASONS FOR AND BENEFITS OF THE ACQUISITION" in the "Letter from the Board" of this circular; (ii) the future prospects of the Target Group in automotive parking management industry in the PRC, (iii) the established business operation and sale and distribution channels for automotive parking equipments and devices of the Target Group, (iv) the discussions with the management of the member companies in the Target Group about the sales target comprised in the Profit Forecast of the Target Group; (v) the Valuation Report; and (vi) the issue and allotment of Consideration Shares as Consideration, which does not incur any material cash outlay of the Group. Having considered the above, the Directors consider the Consideration, including the profit adjustment mechanism and indemnity abovementioned, is fair and reasonable.

The Directors consider that the consideration for the Acquisition is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interest of the Company and its shareholders as a whole.

Conditions of the Sale and Purchase Agreement

Completion is subject to the satisfaction (or waiver) of all of the following conditions:

(A) the clearance of all announcement(s) and circular(s) (if required) to be issued by the Company under the Listing Rules and granting of all approvals, if necessary by, *inter alia*, the Stock Exchange or other relevant regulatory authority in respect of all transactions contemplated by the Sale and Purchase Agreement;

(B) the passing by the Shareholders (or where applicable, by the independent Shareholders) of an ordinary resolution at the SGM approving the allotment and issue of Consideration Shares pursuant to the Specific Mandate in accordance with the Listing Rules and the bye-laws of the Company;

(C) the Purchaser undertaking a due diligence investigation in respect of the Target Group including but not limited to the financial affairs, business, assets, results, legal and financing structure of the Target Group and the Purchaser being in its sole and absolute discretion satisfied with the results of such due diligence investigation;

(D) all necessary approval(s) and consents required for the sale and purchase of the Sale Shares having been obtained by the Target Group, the Vendor and the Purchaser (including but not limited to the approval by their respective board of directors and shareholders (where applicable));

(E) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;

(F) no event having occurred since the date of the Sale and Purchase Agreement to Completion, the consequence of which would materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused;

(G) the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) from an independent valuer valuing the Target Group (after the Reorganisation) at a fair market value of not less than HK$450,000,000;

(H) the warranties contained in the Sale and Purchase Agreement given by the Vendor remaining true and accurate and not misleading at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;

(I) all reasonably relevant approvals, consents, licences and/or permits in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;

(J) receipt by the Purchaser of a PRC legal opinion in the form and substance satisfactory to the Purchaser opining on, among other things, the subsidiaries of the Target Group established in the PRC, the assets (including intellectual property rights) owned by the Target Group and the transactions contemplated under the Sale and Purchase Agreement;

(K) the Target Group having completed the Reorganisation and all necessary registration and filing procedures, and all necessary approval in such connection having been obtained; and

(L) all approvals, consents, qualifications having been obtained by the Target Company.

If the above conditions have not been fulfilled or waived by the Purchaser (other than conditions (A), (B), (D) and (E) which may not be waived) on or before the Long Stop Date (or such other date as the parties may agree), the provisions of the Sale and Purchase Agreement (other than the clauses regarding conditions precedent, confidentiality, costs, notice, governing law and service of process) shall from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties thereto in respect of antecedent breaches).

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived. The registration and filing procedures in respect of the Reorganization was carried out with the relevant industry and commerce administration authorities and are expected to be completed before the Long Stop Date.

Completion

Completion shall take place on the fifth business day after all conditions precedent to the Sale and Purchase Agreement have been satisfied or waived by the Company (or such other time and date as the parties to the Sale and Purchase Agreement may agree in writing).

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE

Assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date to the date of the issuance of the Consideration Shares, the following table sets out the shareholding structure of the Company as at the Latest Practicable Date and after the allotment and issue of a maximum of 1,730,000,000 Consideration Shares is set out below:

Shareholders	As at the Latest Practicable Date		After allotment and issue of a maximum of 1,730,000,000 Consideration Shares	
	Number of Shares	*%*	*Number of Shares*	*%*
Li Ming	654,917,500	5.87	654,917,500	5.08
The Vendor	–	–	1,730,000,000	13.42
Public Shareholders	10,505,804,655	94.13	10,505,804,655	81.50
Total	11,160,722,155	100.00	12,890,722,155	100.00

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands, which directly holds 100% interest in Shandong Ruitong. Upon completion of the Reorganisation, the Target Company will indirectly hold 100% shareholding in Shandong Dereton, a company incorporated in the PRC. There are two main operating entities in the Target Group as at the Latest Practicable Date, namely (i) Shandong Dereton, which is principally engaged in sales, manufacturing, design and installation of intelligent automotive parking equipment, was designed to provide parking spaces for storing cars in 2-storey/multi-storey steel-making equipment; and (ii) Shenzhen Shanling, which is principally engaged in design, sale and manufacturing of electronic automotive devices, among others, intelligent rear view mirrors, multi-functional automotive data recorders and Global Positioning System ("**GPS**") in the PRC.

Shandong Dereton was established in 2013 by a senior management of a major automotive parking equipment manufacturer in Shandong Province. Since its establishment, the group of Shandong Dereton focusing on the design, manufacturing, installation, sale and distribution of automotive parking equipments manufactured by its own production facilities situated in its rented plant in Shandong through its established sales and distribution channels with its main customers such as real estate developers, property management companies and governmental institutions in Shaanxi Province and Shandong Province. Shandong Dereton currently has a sale team of 10-20 staff who are responsible for soliciting new customers and handling referrals from existing customers. In the second half of 2015, the business of the Shandong Dereton Group was extended to design, manufacturing and sale of electronic automotive device manufactured by its own production facilities located in its rented plant in Shenzhen through its wholly-owned subsidiary, Shenzhen Shanling in the PRC. In the coming years, the Target Group plans to enter into the area of investment and management of car parks, development and operation of "Internet of Vehicles" with a view to gradually develop itself as a comprehensive automotive parking service provider in the PRC.

As at the Latest Practicable Date, the Shandong Dereton Group has not built its own production plants but is currently renting production plants using self-owned and shared production facilities and equipments for the manufacturing of its products and there is no capital requirements for conducting its business. Save for the financial resources and current available credit facilities of RMB60 million obtained by Shandong Dereton Group from a local PRC bank, the Shandong Dereton Group does not have any financing plan.

Having obtained the legal opinion from the PRC legal adviser, the Directors are of the view that the Shandong Dereton Group has met all regulatory requirements in carrying its existing business.

A summary of the audited/unaudited financial information of Shandong Dereton prepared in accordance with the PRC Accounting Standards, as provided by the Vendor, is as follows:

	For the year ended 31 December 2013	**For the year ended 31 December 2014**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	–	6,368.4 *(Note)*
Net profit (loss) before taxation	(62.1)	175.3
Net profit (loss) after taxation	(62.1)	174.8

Note: All revenue generated by Shandong Dereton for the year ended 31 December 2014 was from the manufacturing, sale and design and installation of automotive parking equipment.

The unaudited consolidated net asset value of Shandong Dereton Group as at 30 September 2015 is approximately RMB31,502,182.

As at the Latest Practicable Date, the Vendor was a company incorporated in the British Virgin Islands and was held as to 22%, 24%, 16%, 17.82%, 20% and 0.18% by Mr. Zhang, Mr. Tang Wuqiang, Ms. Changrong, Ms. Su Rulin. Mr. Ning Jizhong, Ms. Zeng Lulu, owned as to, respectively. The Vendor is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is engaged in the production and operation of shipbuilding, securities trading and providing financial services business.

In the past few years, the global logistic and shipping industry was suffering a downturn which adversely affected the demand of containers and ships and hence the business performance of the Group. As such, as a prudent management approach, the Directors has been actively exploring opportunities to diversify its existing business scope so as to mitigate the business risk of the Group.

According to the Guide, the PRC Central Government aimed to study policies which support and promote automotive parking industry so as to strengthen automotive parking management and facilities to cope with rapid development in urban areas. The main indicated areas of future development as set out in the Guidance includes, among others,

– encouraging participation of social capital;

– lowering the barrier of entry of starting up business and investment of automotive parking construction and equipments;

– promotion of intelligent and informational parking;

– establishment of real-time database for car parking information;

– upgrade the standard of automotive parking facilitates;

– enhancing integrated parking management;

– increasing financial support from financial institution and money lending companies;

– activating flexible utilization of land resources for car parking.

Having considered the above indications set out in the Guidance, the Directors are of the view that the business of the Target Group would enjoy a prosperous prospect amid the encouragement of the relevant governmental policies to be implemented by the PRC Government.

The management of the Company has studied the automotive parking industry in the PRC and approached several potential targets and vendors for negotiations, which include Shandong Dereton and other Independent Third Parties. Eventually, the Company initiated negotiations with the Vendor with a view to acquire Shandong Dereton through the introduction of Mr. Zhang, who is a minority shareholder not being involved in the management and operation of Shandong Dereton.

Due to the lack of (i) sales and distribution channels, (ii) industry recognition, (iii) experienced management and sales team from the Company in the automotive parking management service industry, the Directors chose to acquire an established business instead of setting up a new business by itself to participate in the industry.

The Acquisition represents a crucial step into the automotive parking management service business which could diversify the existing business activities of the Group. In addition, the Directors consider the Acquisition, which would enable the Company to diversity into automotive parking service management business and manufacture of automotive parking equipment and automotive electronic devices, would create synergy by utilising the production capacity of the current shipbuilding production facilities of the Group after modification.

As at the Latest Practicable Date, the Company did not have any intention, negotiation, agreement, arrangement and understanding of

(i) any disposal, scaling-down or terminating its existing business or major operating assets;

(ii) any change in the Company's board composition and shareholding structure;

(iii) save for several preliminary collaborations which were in negotiation relating to the development the parking service management business, any acquisition/investment of new business or injection of any new business to the Group.

Having considered (i) the introduction of the Guidance which indicated the support from the PRC Government in developing the automotive parking management industry in the PRC; (ii) the Group could modify part of its existing large-scale shipbuilding manufacturing facilities with an initial budget of RMB1-2 million within 1-2 months and utilise its existing production capacity to manufacture automotive parking equipments and act as suppliers of Shandong Dereton, the current principal business of which is the manufacturing, sales and distributions of such equipments which would create synergy with the Group's existing business; (iii) the management team of Shandong Dereton was has work experience with professional automotive parking equipment manufacturers in Shandong Province with over 10 years of industrial experience and business network in the sales and distribution channels of the products; (iv) the existing and potential customers of Shandong Dereton; (v) current rapid trend of development of the automotive parking management service industry in the PRC; (vi) The terms of the Sale and Purchase Agreement that a majority of the Consideration will be paid only when the Guarantee Profit is attained and the Company shall be indemnified of any loss of the Target Company during the Relevant Period; (vii) the signed sales contracts and memoranda of understanding with existing and potential customers for the business of the Target Group; (viii) the sufficient capital for development of the Target Group which includes the RMB60 million credit facility obtained from a PRC bank, the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

VALUATION

Given the Valuation Report of the Target Company was prepared based on income approach (discounted future cash flow method), such valuation is regarded as profit forecast (the "**Profit Forecast of the Target Group**") under Rule 14.61 of the Listing Rules and the requirements under Rules 14.62 and 14A.68(7) of the Listing Rules are applicable accordingly. The principal assumptions of the Profit Forecast of the Target Group are set out in Appendix I to this circular.

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its auditors, ZHONGLEI, to report on the calculations of the discounted future cash flows under the Profit Forecast of the Target Company. The report from ZHONGLEI for the purpose of Rule 14.62(2) of the Listing Rules on the Profit Forecast of the Target Company is set out in Appendix III to this circular. Also in accordance with Rule 14.62(3) of the Listing Rules, the Company has engaged Chanceton to review the procedures undertaken by the Directors of the Company in preparing the forecast underlying the valuation prepared by the Valuer. The letter from Chanceton for the purpose of Rule 14.62(3) of the Listing Rules on the Profit Forecast of the Target Group is set out in Appendix II to this circular. Chanceton is satisfied that the forecast has been made by the Board after due and careful enquiry.

To the best of the Directors' knowledge, having made all reasonable enquiries, the Valuer is an Independent Third Party.

Having considered (i) the due diligence work on the supporting documents for the assumptions set out in the Profit Forecasts of the Target Group and (ii) the discussion between the Company and the management of the Target Group regarding the future prospects of the Target Group and (iii) the signed sale contracts and MOUs for the business of the Target Group, the Directors consider the assumption enclosed in the Profit Forecasts of the Target Group are fair and reasonable.

The followings are the qualifications of each expert who has provided its conclusion or advice, which is contained in this circular:

Name	Qualification
Roma Appraisal Limited	Professional valuer
ZHONGLEI (HK) CPA Company Limited	Certified Public Accountants
Chanceton Capital Partners Limited	Corporation licensed under the SFO to carry out type 6 regulated activities (advising on corporate finance)

As at the Latest Practicable Date, each of the experts named above does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

Each of the Valuer, ZHONGLEI and Chanceton has given and has not withdrawn its consent to the publication of this circular with inclusion of its report and all references to its name in the form and context in which it respectively appears in this circular.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition pursuant to the Sale and Purchase Agreement exceed 5% but all the percentage ratios are less than 25%, the Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules and therefore the Company is subject to the reporting and announcement requirements.

As Mr. Zhang is a Director and having a material interest in the Sale and Purchase Agreement, Mr. Zhang had abstained from voting on the board resolution of the Company in relation to the Sale and Purchase Agreement.

SGM

The SGM will be held at Units 1702-03, 17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Saturday, 28 November 2015 at 10:00 a.m., during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the issuance of the Consideration Shares under the Specific Mandate.

The notice of the SGM is set out on pages SGM-1 and SGM-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

Pursuant to the Listing Rules, the consent of Shareholders in general meeting is required for the approving of the Specific Mandate. The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the grant of the Specific Mandate. To the best knowledge of the Company, as at the Latest Practicable Date, no Shareholder has a material interest in the Acquisition and hence all Shareholders can vote on the resolution for approving the grant of the Specific Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

The resolution proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the poll results of the SGM.

RECOMMENDATION

The Board is of the opinion that the proposed issuance of Consideration Shares under the Specific Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of resolution proposed at the SGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By Order of the Board
China Ocean Ship Building Industry Group Limited
Li Ming
Chairman

ROMA

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E-mail info@romagroup.com
http://www.romagroup.com

12 November 2015

China Ocean Shipbuilding Industry Group Limited
Units 1702-03, 17/F,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Case Ref: KYTH/BV2961/AUG15

Dear Sir/Madam,

Re: Valuation of 100% Equity Interest in Success Capture Limited and Its Subsidiaries under the Proposed Group Structure

In accordance with the instructions from China Ocean Shipbuilding Industry Group Limited (hereinafter referred to as the "Company") to us to conduct a business valuation on 100% equity interest in Success Capture Limited (hereinafter referred to as the "Target Company") and its subsidiaries under the proposed group structure (collectively referred to as the "Target Group"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2015 (hereinafter referred to as the "Date of Valuation").

This report states the purpose of valuation, scope of work, economic overview, industry overview, overview of the Target Group, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and opinion of value. Site visit photos are included in appendix I of this report.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited ("Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Target Group will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of the market value of the Target Group, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

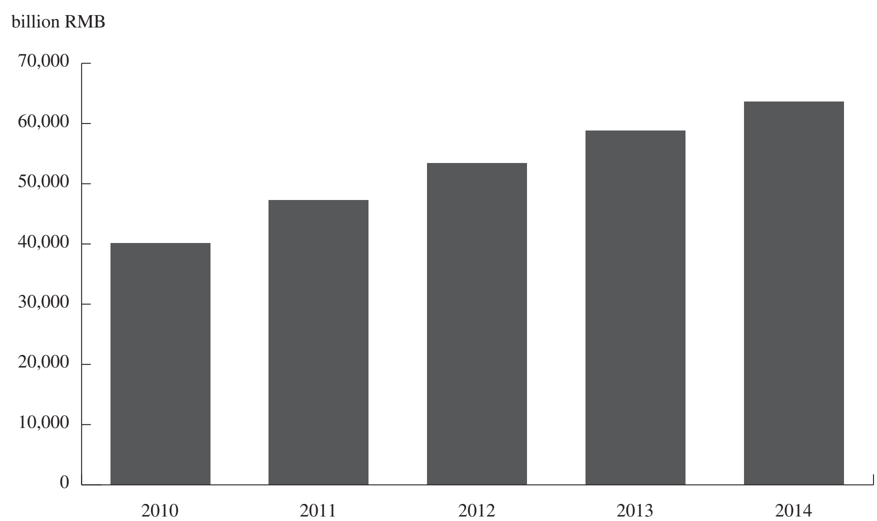
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("GDP") of China in the first two quarters of 2015 was RMB31,417.82 billion, a year-over-year increase of 6.7% comparing to first two quarters of 2014. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("IMF") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2010 to 2014, compound annual growth rate of China's nominal GDP was 12.2%, the Chinese government targeted to grow its GDP by around 7.0% per annum for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2010 to 2014.

Figure 1 – China's Nominal Gross Domestic Product from 2010 to 2014

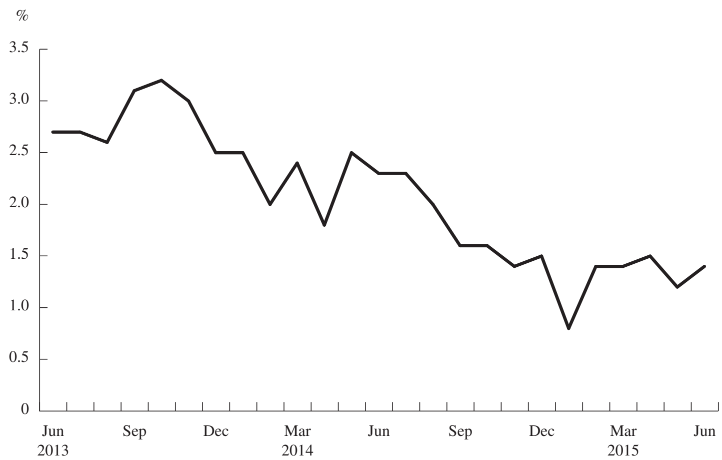


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the IMF, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.0% during 2013. During 2014, the inflation rate dropped and reached 1.5% in December 2014. Figure 2 shows the year-over-year change in consumer price index of China from June 2013 to June 2015.

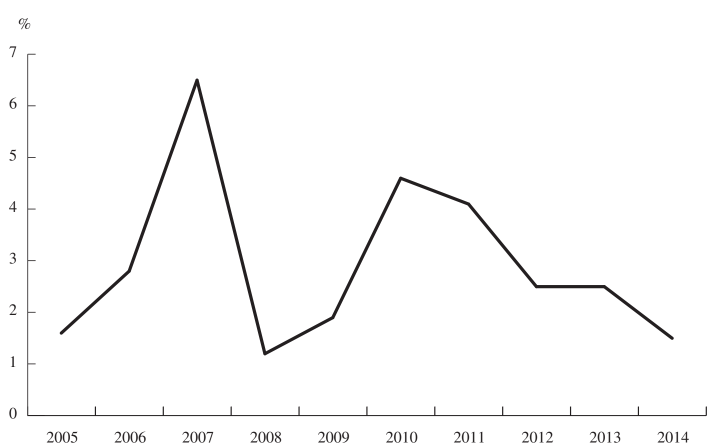
Figure 2 – Year-over-year Change in China's Consumer Price Index from June 2013 to June 2015



Source: National Bureau of Statistics of China

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped to 2.5% in 2012 and 2013, and further to 1.5% in 2014. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2005 to 2014.

Figure 3 – China's Average Inflation Rate from 2005 to 2014



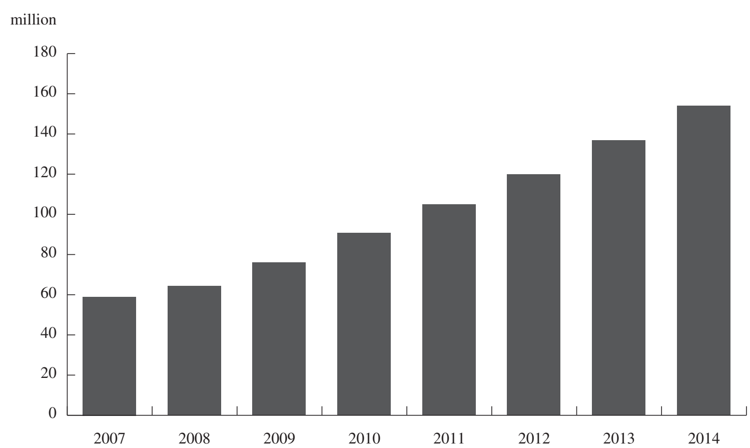
Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of Automobile Population in China

According to a research conducted by Statista Inc., one of the leading statistics companies on the internet, the number of owned automobiles in China increased drastically from 59 million in 2007 to 154 million in 2014. The average 5-year growth rate from 2010 to 2014 was over 15%. Figure 4 shows the number of owned automobiles in China from 2007 to 2014.

Figure 4 – Number of Owned Automobiles in China from 2007 to 2014



Source: Statista Inc.

4.2 Overview of Automotive Parking Industry in China

A news article published by 洞察中國 (China SignPost) stated that shortage of parking spaces has become a nationwide phenomenon due to the strong vehicle ownership growth and limited parking infrastructure. In 2011, Chongqing was short of 190,000 parking spaces and the deficit grew by 400 spaces per day, according to 人民日報 (People's Daily). Xi'an, whilst, reported a deficit of around 400,000 parking spaces at present in the city where residents own around 1.1 million cars, according to 華商汽車 (auto.hsw.cn).

A lottery system to award driving licenses was introduced in Beijing in 2011, in order to reduce driving and curb traffic congestion. There were nearly 5.6 million cars by the end of 2014, with the total number of parking spots estimated at only about 2.9 million. Parking has become a serious problem in Beijing, and in many Chinese cities, as new office and shopping development draw more traffic to the city center than there is parking space. In 2015, Deputy Mayor Zhang Yankun announced a plan which begins in 2016, residents will have to show proof that they have access to a parking spot before they could purchase a vehicle; the plan hopes to alleviate the city's extreme parking shortage in the face of soaring car-ownership.

According to a news article from 新華網 (Xinhuanet) in September 2015, the recent State Council routine meeting focused on seeding up the construction of city parking lots, due to the fact that the shortage in parking lots was estimated at over 50 million. In China, there are two common types of car parking systems, namely traditional and automated. In the long term, automated car parking systems are likely to be more cost effective when compared to traditional parking garages. Multi-storey automated car park systems are less expensive per parking slot by consuming roughly half the space of a conventional parking garage. Both automated car parking systems and automated garage systems reduce pollution, as cars are not running or circling around while drivers look for parking spaces.

4.3 Overview of Automotive Electronics Industry in China

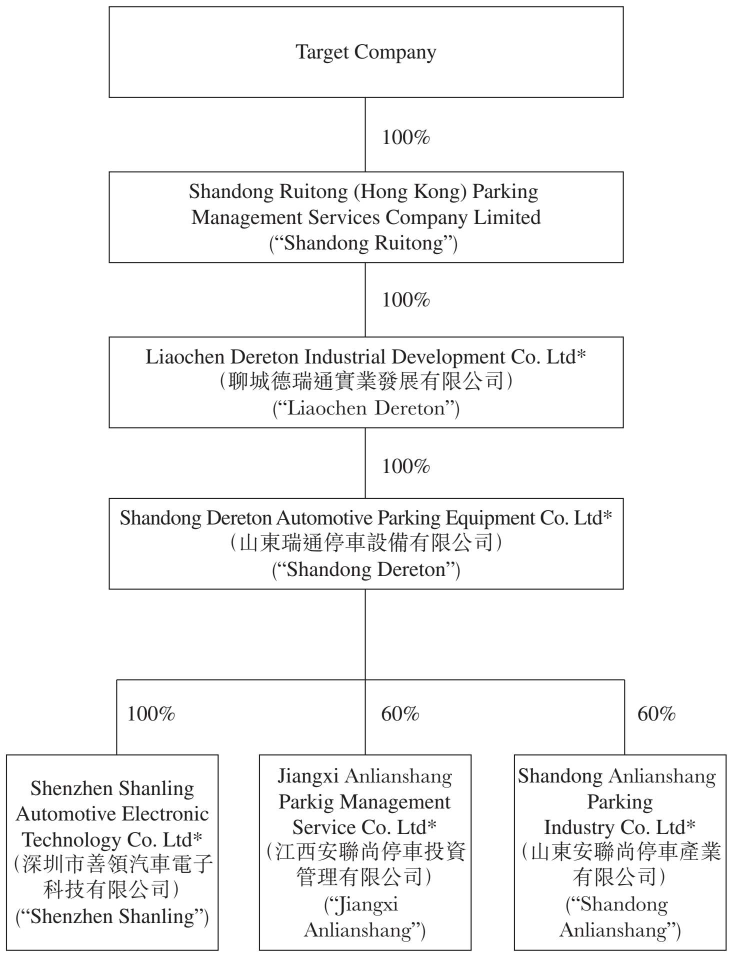
Automotive electronics industry emerges after electronic information technology gets applied to automobiles. From the perspective of applications, automotive electronics can be divided into engine/transmission system, chassis system, body system, communication system, safety system and so forth.

ResearchInChina, a leading independent provider of China business intelligence, has released a research report named "China Car Navigation Industry Report, 2012-2013". In 2012, 3,852 models of passenger cars under 104 brands were on sale in the Chinese market. 1,210 of them had been equipped with navigation systems before launch, with the installation ratio of 31.4%. This ratio was higher than those in the previous two years, only 19.6% and 26.1% in 2010 and 2011 respectively.

Apart from navigation systems, advanced driver assistance systems (ADAS) are becoming more popular in China, as Chinese drivers gradually put forward higher requirements on automotive safety. Sourced from a research report name "Global and China Automotive Electronic Industry Chain Report, 2013-2017" by ResearchInChina, China's ADAS market size hit USD600 million in 2013, and would amount to USD2.7 billion in 2019, with the estimated compound annual growth rate of 29.0% during the period from 2013 to 2017.

5. OVERVIEW OF THE TARGET GROUP

As advised by the Management, the group structure chart of the Target Group under the proposed group structure is illustrated as follows:



Source: Management

The Target Company is an investment holding company incorporated in the British Virgin Islands (“BVI”). Apart from its 100% equity interest in Shandong Ruitong, the Target Company does not have any business operations and significant assets and liabilities.

Shandong Ruitong is an investment holding company incorporated in Hong Kong. Apart from its 100% equity interest in Liaochen Dereton, Shandong Ruitong does not have any business operations and significant assets and liabilities.

* *for identification purposes only*

Liaochen Dereton is a wholly foreign-owned enterprise incorporated in the People's Republic of China ("PRC"). Apart from its 100% equity interest in Shangdong Dereton, Liaochen Dereton does not have any business operations and significant assets and liabilities.

Shandong Dereton was incorporated in the PRC with limited liability. Shandong Dereton is principally engaged in design, manufacturing and installation of intelligent automotive parking equipment in the PRC. Shandong Dereton also directly holds 100% equity interest in Shenzhen Shanling, 60% in Jiangxi Anlianshang and 60% in Shandong Anlianshang.

Shenzhen Shanling was incorporated in the PRC with limited liability. Shenzhen Shanling is principally engaged in operation of "Internet of Vehicles" and design and manufacturing of electronic automotive devices in the PRC.

Jiangxi Anlianshang and Shandong Anlianshang were incorporated in the PRC with limited liability. Jiangxi Anlianshang and Shandong Anlianshang are principally engaged in investment and management of car parks. As at the Date of Valuation, the Management advised that Jiangxi Anlianshang and Shandong Anlianshang do not have any business operations and significant assets and liabilities.

6. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy, automotive parking industry and automotive electronics industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable. We also performed site visits to Shandong Dereton and Shenzhen Shanling, and had meetings with the Management in September 2015.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial condition of the Target Group;

- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;

- Relevant licenses and agreements;

- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and

- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

As advised by the Management, the Target Company, Shangdong Ruitong, Jiangxi Anlianshang and Shandong Anlianshang did not have any business operations and significant assets and liabilities as at the Date of Valuation. Therefore, we mainly estimated the market values of Shandong Dereton and Shenzhen Shanling as at the Date of Valuation.

In the process of valuing Shandong Dereton and Shenzhen Shanling, we have taken into account of the uniqueness of their operations and the industries they are participating respectively. The Market-Based Approach was not adopted because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were hidden. The Asset-Based Approach was also not adopted because it could not capture the future earning potentials, and thus market values of Shandong Dereton and Shenzhen Shanling. We have therefore considered the adoption of the Income-Based Approach in arriving at the market values of Shandong Dereton and Shenzhen Shanling.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation + After-Tax Interest Expense – Change in Net Working Capital – Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \cdots + CF_n/(1+r)^n$$

In which

PVCF = Present value of the expected cash flows;

CF = Expected cash flow;

r = Discount rate; and

n = Number of years.

To adopt this method, we obtained the weighted average cost of capital ("WACC") for Shandong Dereton and Shenzhen Shanling as a basic discount rate. WACC of Shandong Dereton and Shenzhen Shanling is the minimum required return that Shandong Dereton and Shenzhen Shanling must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \text{ x } R_d \times (1 - T_c)$$

In which

R_e *= Cost of equity;*

R_d *= Cost of debt;*

W_e *= Weight of equity value to enterprise value;*

W_d *= Weight of debt value to enterprise value; and*

T_c *= Corporate tax rate.*

8.4.2 Cost of Debt

The cost of debt was determined by the expected borrowing rates of Shandong Dereton and Shenzhen Shanling. Since the interest expenses paid on debts are tax-deductible for Shandong Dereton and Shenzhen Shanling, the cost of Shandong Dereton and Shenzhen Shanling to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("CAPM"), which describes the relationship between the risks of Shandong Dereton and Shenzhen Shanling and expected return to investors. It is calculated by the following formula:

$R_e = R_f + \beta \times$ Market Risk Premium + Other Risk Premium

In which

R_e = *Cost of equity;*

R_f = *Risk-free rate; and*

β = *Beta coefficient.*

8.4.4 Discount Rate for Shandong Dereton

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of Shandong Dereton as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in machinery manufacturing, including parking equipment;
- The companies have sufficient listing and operating histories;
- The companies have major operating segments in China; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Good Friend International Holdings, Inc.	2398.HK	Hong Kong	Good Friend International Holdings, Inc. offers construction services and manufactures products. The company builds parking garages and produces machine tools and forklift trucks.
Create Technology & Science Co., Ltd.	000551.CH	China	Create Technology & Science Co., Ltd. is an investment holding company. Through its subsidiaries, the company manufactures air purification equipment, measuring instruments, bearings, roller pins, grinding tools and materials, crystal elements, elevator and parking equipment, and electronic components. Create Technology also trades automobiles and develops real estate.
Jiangsu Rainbow Heavy Industries Company Limited	002483.CH	China	Jiangsu Rainbow Heavy Industries Company Limited designs, manufactures and sells heavy equipment. The company's main products include hatch covers and lifting equipment.
Shanghai Huitong Energy Resource Co., Ltd.	600605.CH	China	Shanghai Huitong Energy Resource Co., Ltd. manufactures a variety of machinery. The company's products include rubber, plastic injection molding, fine chemical, metals, electronics, and pencil machinery, as well as building parking garage lift system. The company also invests in the real estate business.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of Shandong Dereton adopted as at the Date of Valuation:

Key Parameters	**As at 30 September 2015**
a) Risk-free Rate	3.27%
b) Market Expected Return	14.36%
c) Market Risk Premium	11.09%
d) Beta Coefficient	1.11
e) Other Risk Premium	2.00%
f) Size Premium	3.87%
g) Cost of Equity	21.40%
h) Cost of Debt	7.15%
i) Weight of Equity Value to Enterprise Value	80.42%
j) Weight of Debt Value to Enterprise Value	19.58%
k) Corporate Tax Rate	25.00%
WACC	**18.26%**

Notes:

a) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Date of Valuation as extracted from Bloomberg.

b) The market expected return adopted was the average return in China stock market as at the Date of Valuation as extracted from Bloomberg.

c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.

d) The beta coefficient adopted was the median adjusted beta of the aforementioned comparable companies as extracted from Bloomberg.

e) The other risk premium was adopted to reflect the start-up risks of Shandong Dereton.

f) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.

g) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").

h) The cost of debt adopted was China above 5-years benchmark lending rate as at the Date of Valuation as extracted from Bloomberg, with a spread.

i) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

j) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

k) The corporate tax rate adopted was the corporate tax rate in China.

We adopted the WACC of 18.26% as the discount rate of Shandong Dereton for the valuation as at the Date of Valuation.

8.4.5 Discount Rate for Shenzhen Shanling

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of Shenzhen Shanling as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in design and manufacturing of electronic automotive devices;
- The companies have sufficient listing and operating histories;
- The companies have major operating segments in China; and
- The financial information of the companies is available to the public.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Beijing BDStar Navigation Co., Ltd.	002151.CH	China	Beijing BDStar Navigation Co., Ltd. provides the location-based system integration, satellite navigation and positioning products and location-based information services.
Qiming Information Technology Co., Ltd.	002232.CH	China	Qiming Information Technology Co., Ltd. develops, manufactures, sells and supports software products. The company's main software products are used in auto industry management, manufacturing and individual auto drivers.

Company Name	Stock Code	Listing Location	Business Description
Beijing UniStrong Science & Technology Co., Ltd.	002383.CH	China	Beijing UniStrong Science & Technology Co., Ltd. provides satellite navigation and positioning services. The company's products and services include GPS, GLONASS, Compass navigation & positioning systems, geographic information acquisition systems, high-precision measurement, systems engineering, car navigation, automotive information technology, and avionics.
NavInfo Co., Ltd.	002405.CH	China	NavInfo Co., Ltd. develops, manufactures and sells electronic map product. The company's products include car electronic navigation product, consumer electronic navigation product, and electronic map service.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of Shenzhen Shanling adopted as at the Date of Valuation:

Key Parameters	**As at 30 September 2015**
l) Risk-free Rate	3.27%
m) Market Expected Return	14.36%
n) Market Risk Premium	11.09%
o) Beta Coefficient	1.20
p) Other Risk Premium	2.00%
q) Size Premium	3.87%
r) Cost of Equity	22.47%
s) Cost of Debt	7.15%
t) Weight of Equity Value to Enterprise Value	99.31%
u) Weight of Debt Value to Enterprise Value	0.69%
v) Corporate Tax Rate	25.00%
WACC	**22.35%**

Notes:

l) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Date of Valuation as extracted from Bloomberg.

m) The market expected return adopted was the average return in China stock market as at the Date of Valuation as extracted from Bloomberg.

n) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.

o) The beta coefficient adopted was the median adjusted beta of the aforementioned comparable companies as extracted from Bloomberg.

p) The other risk premium was adopted to reflect the start-up risks of Shenzhen Shanling.

q) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.

r) The cost of equity was determined based on Capital Asset Pricing Model ("CAPM").

s) The cost of debt adopted was China above 5-years benchmark lending rate as at the Date of Valuation as extracted from Bloomberg, with a spread.

t) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

u) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

v) The corporate tax rate adopted was the corporate tax rate in China.

We adopted the WACC of 22.35% as the discount rate of Shenzhen Shanling for the valuation as at the Date of Valuation.

8.4.6 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the 2015 edition of the FMV Restricted Stock Study Companion Guide, a marketability discount of 16.11% was adopted in arriving at the market values of Shandong Dereton and Shenzhen Shanling as at the Date of Valuation.

8.4.7 Sensitivity Analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out sensitivity analyses on the market values of Shandong Dereton and Shenzhen Shanling in respect of 1% and 2% deviation in the discount rates from the status quo. The results of the sensitivity analyses were as follows:

Absolute Change in Discount Rate	**Applied Discount Rate**	**Market Value of Shandong Dereton** *(HKD)*
+2%	20.26%	342,000,000
+1%	19.26%	367,000,000
0%	18.26%	397,000,000
–1%	17.26%	430,000,000
–2%	16.26%	469,000,000

Absolute Change in Discount Rate	**Applied Discount Rate**	**Market Value of Shenzhen Shanling** *(HKD)*
+2%	24.35%	99,000,000
+1%	23.35%	109,000,000
0%	22.35%	121,000,000
–1%	21.35%	133,000,000
–2%	20.35%	147,000,000

8.4.8 Valuation Conclusion

The Management advised the Target Company, Shandong Ruitong, Jiangxi Anlianshang and Shandong Anlianshang did not have any business operations and significant assets and liabilities as at the Date of Valuation. By summing up the market values of Shandong Dereton and Shenzhen Shanling, the market value of the Target Group was estimated as below:

Market Value of Shandong Dereton *(HKD)*	397,000,000
Market Value of Shenzhen Shanling *(HKD)*	121,000,000
Market Value of the Target Group *(HKD)*	**518,000,000**

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- As advised by the Management, the Target Company, Shandong Ruitong, Jiangxi Anlianshang and Shandong Anlianshang did not have any business operations and significant assets and liabilities as at the Date of Valuation;
- The valuation was mainly based on the projections of the future cash flows of Shandong Dereton and Shenzhen Shanling as provided by the Management. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;
- The management accounts of Shandong Dereton and Shenzhen Shanling as at 30 September 2015 were adopted in the valuation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

9.1 Major Assumptions for Shandong Dereton

We have adopted certain specific assumptions on Shandong Dereton in our valuation and the major ones are as follows:

9.1.1 Revenue

- Projected revenue of Shandong Dereton included two streams, namely (i) sales of equipped parking space and (ii) maintenance service;

- Revenue from sales of equipped parking space was calculated by the estimated number of equipped parking space sold and unit price of equipped parking space;

- Estimated number of equipped parking space sold in 2016 was based on one sales agreement and three memorandums of understanding signed by Shandong Dereton with potential customers, including Jinan Chuangxin Property Management Service Co. Ltd*（濟南創信物業服務有限公司）, Shannxi Fuyuan Real Estate Co. Ltd*（陝西福源置業有限公司）, Xianyang Jinwei Real Estate Co. Ltd*（咸陽經緯置業有限公司）and Kunming University of Science and Technology（昆明理工大學）;

- According to the sales agreement and memorandums of understanding, the types of equipped parking space of Shandong Dereton include (i) self-propelled style（自走式）and (ii) mechanical style（機械式）;

- The sales agreement and three memorandums of understanding signed totally account for around 13,000 equipped parking space to be sold by Shandong Dereton in 2016;

- Estimated unit price of equipped parking space in 2016 was based on historical unit price of equipped parking space as advised by the Management. The unit price of (i) self-propelled style equipped parking space is around RMB50,000; while unit price of (ii) mechanical style equipped parking space is around RMB15,500;

- Revenue from maintenance service was calculated by the estimated number of maintenance service provided and unit service charge of maintenance service;

- Total revenue was estimated to be approximately RMB306 million and RMB363 million in 2016 and 2017 respectively;

- Based on 15.0% annual growth on the number of equipped parking space sold estimated by the Management with reference to the industry research reported by China News Service, a state-level news agency sponsored and established by Chinese journalists and renowned overseas Chinese experts, and 3.0% inflation growth on unit price of equipped parking space, total revenue would be increased by around 18.5% per annum from 2017 to 2020; and

- With reference to 3.0% inflation growth on the unit price of equipped parking space, total revenue would be increased by 3.0% per annum from 2021 and onwards.

9.1.2 Cost of Goods Sold

- Cost of goods sold of Shandong Dereton included two streams, namely (i) cost of equipped parking space and (ii) cost of maintenance service;
- Cost of goods sold from cost of equipped parking space was calculated by the estimated number of equipped parking space sold and unit cost of equipped parking space;
- Cost of goods sold from maintenance service was calculated by the estimated number of maintenance service provided and unit service cost of maintenance service;
- Total cost of goods sold was estimated to be approximately RMB224 million and RMB265 million in 2016 and 2017 respectively; and
- Total cost of goods sold would be increased by around 18.6% per annum from 2017 to 2020 and 3.0% from 2021 and onwards.

9.1.3 Sales Related Tax and Value Added Tax

- Sales Related Tax and value added tax were estimated to be 11% and 17% respectively.

9.1.4 Operating Expenses

- Operating expenses included selling expenses and general and administration expenses; and
- Total operating expenses were estimated to be approximately RMB15 million, RMB18 million, RMB23 million, RMB28 million and RMB34 million respectively from 2016 to 2020.

9.1.5 Corporate Income Tax

- China's corporate tax rate of 25% was adopted with reference to current taxation laws in China.

9.1.6 Capital Expenditure and Depreciation

- Capital expenditure was adopted for purchase of plant and equipment during 2015 to 2021 and for maintenance from 2022 and onwards;
- An estimated total capital expenditure of around RMB19 million in relation to purchase of plant and equipment would be spent during 2015 to 2021;

- Regular equipment maintenance and refreshment of around RMB2 million was assumed each year from 2022 and onwards; and

- Depreciation expense in relation to the estimated capital expenditure was estimated based on straight line depreciation.

9.2 Major Assumptions for Shenzhen Shanling

We have adopted certain specific assumptions on Shenzhen Shanling in our valuation and the major ones are as follows:

9.2.1 Revenue

- Projected revenue of Shenzhen Shanling included sales of each product;

- Revenue from sales of each product was calculated by the estimated number of each product sold and unit price of each product;

- Estimated number of each product sold in 2016 was based on thirty one sales agreements signed by Shenzhen Shanling with potential customers including Shanghai Zhuhe Electronic Technology*（上海珠合電子科技）, Shenzhen Jingchengfangzhou Auto Accessories Co. Ltd*（深圳市鑫城方舟汽車用品有限公司）, Jinan Zhiqu Trading Co. Ltd*（濟南知趣商貿有限公司）, Chengdu Fulei Science Technology Co. Ltd*（成都弗雷德科技有限公司）and etc.;

- According to the financial projection as provided by the Management, product types of Shenzhen Shanling include (i) radar detectors（預警儀）, (ii) automotive data recorders（單行車記錄儀）and (iii) intelligent rear view mirrors（後視鏡）and multi-functional automotive data recorders（多功能記錄儀）;

- Estimated unit price of each product in 2016 was based on historical unit price of each product as advised by the Management. The unit price of each product ranges from RMB109 to RMB438;

- Total revenue was estimated to be approximately RMB315 million and RMB390 million in 2016 and 2017 respectively;

- Based on 20.0% annual growth on the number of each product sold estimated by the Management with reference to the growth on number of vehicles in China and market penetration rate of products of Internet of Vehicles（車聯網）and 3.0% inflation growth on unit price of each product, total revenue would be increased by around 23.6% per annum from 2017 to 2020;

- According to Compass Info Consulting Corporation, market penetration rate of products of Internet of Vehicles（車聯網）in China would increase from 8.0% in 2016 to 20.0% in 2020; and

- With reference to 3.0% inflation growth on the unit price of each product, total revenue would be increased by around 3.0% per annum from 2021 and onwards.

9.2.2 Cost of Goods Sold

- Cost of goods sold of Shenzhen Shanling included cost of each product;
- Cost of goods sold from cost of each product was calculated by the estimated number of each product sold and unit cost of each product;
- Total cost of goods sold was estimated to be approximately RMB249 million and RMB305 million in 2016 and 2017 respectively; and
- Total cost of goods sold would be increased by around 22.4% per annum from 2017 to 2020 and 3.0% from 2021 and onwards.

9.2.3 Sales Related Tax and Value Added Tax

- Sales related tax and value added tax were estimated to be 12% and 3% respectively.

9.2.4 Operating Expenses

- Operating expenses included selling expenses and general and administration expenses; and
- Total operating expenses were estimated to be approximately RMB39 million, RMB43 million, RMB60 million, RMB79 million and RMB97 million respectively from 2016 to 2020.

9.2.5 Corporate Income Tax

- China's corporate tax rate of 25% was adopted with reference to current taxation laws in China.

9.2.6 Capital Expenditure and Depreciation

- Capital expenditure was adopted for purchase of plant and equipment during 2015 to 2021 and for maintenance from 2022 and onwards;
- An estimated total capital expenditure of around RMB19 million in relation to purchase of plant and equipment would be spent during 2015 to 2021;
- Regular equipment maintenance and refreshment of around RMB2 million was assumed each year from 2022 and onwards; and
- Depreciation expense in relation to the estimated capital expenditure was estimated based on straight line depreciation.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to, the following:

- Management accounts and financial statements of Shandong Dereton and Shenzhen Shanling;
- Financial projections and business plans of Shandong Dereton and Shenzhen Shanling;
- Market trends of the automotive parking industry and automotive electronics industry in China;
- General descriptions in relation to the Target Group; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the financial projections, company backgrounds and business natures of the Target Group provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Group was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD). The exchange rate adopted in the valuation was approximately RMB1 = HKD1.2193 which was the prevailing exchange rate as sourced from Bloomberg as at the Date of Valuation.

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group and their associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **HKD518,000,000 (HONG KONG DOLLARS FIVE HUNDRED AND EIGHTEEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

APPENDIX I -
PHOTOS OF THE SITE VISITS

Production Base of Shandong Dereton

Automated Car Park Systems

Production Base of Shenzhen Shanling

Electronic Automotive Devices of Shenzhen Shanling

川盟融資有限公司
Chanceton Capital Partners Limited

12 November 2015

PRIVATE & CONFIDENTIAL

The Board of Directors
China Ocean Shipbuilding Industry Group Limited.
Units 1702-03, 17/F.,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Dear Sirs,

Re: Discloseable Transaction – Acquisition of entire issued share capital of Success Capture Limited (the "Target Company") involving an issue of Consideration Shares and notice of special general meeting.

We refer to the valuation report date 12 November 2015 prepared by Roma Appraisals Limited (the "**Valuer**") in relation to the market value of 100% equity interest in the group of Success Capture Limited (the "**Valuation**") as at 12 November 2015.

The principal assumption upon which the Valuation is based are included in the Circular of China Ocean Shipbuilding Industry Group Limited (the "**Company**") dated 12 November 2015 (the "**Circular**"), of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context requires otherwise.

We note that the Valuation has been developed based on discounted cash flow which is regarded as profit forecast (the "**Profit Forecast**") under Rule14.61 of the Listing Rules.

We have discussed with the management of the Company and the management of the Target Group and the Valuer regarding the bases and assumptions of the Profit Forecast to arrive at the Valuation and have reviewed the letter date 12 November 2015 issued by ZHONGLEI (HK) CPA Company Limited, the auditors of the Company, as set out in Appendix III to the Circular in regard to their work performed on the Profit Forecast.

On the basis of the foregoing, we are of the opinion that the Profit Forecast underlying the Valuation for which the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Chanceton Capital Partners Limited
Wong Kam Wah
Managing Director

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

12 November 2015

The Board of Directors
China Ocean Shipbuilding Industry Group Limited
Units 1702-03
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

ACCOUNTANT'S REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE ISSUED SHARE CAPITAL OF SUCCESS CAPTURE LIMITED

TO THE DIRECTORS OF CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED (THE "COMPANY")

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma Appraisals Limited dated 12 November 2015, in respect of the entire issued share capital of Success Capture Limited (the "**Target Company**"), as at 30 September 2015 (the "**Valuation**") is based. The Target Company is a company incorporated in the British Virgin Islands. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in the circular dated 12 November 2015 to be issued by the Company in connection with the acquisition of the entire issued share capital of the Target Company (the "**Circular**").

Directors' Responsibilities for the discounted future estimated cash flows

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report.

Our engagement was conducted in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled with the Assumptions. Our work does not constitute any valuation of the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or concluded any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED
中海船舶重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of China Ocean Shipbuilding Industry Group Limited (the "**Company**") will be held at Units 1702-03, 17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Saturday, 28 November 2015, at 10:00 a.m., to consider and, if thought fit, pass the following ordinary resolution (with or without modifications):

ORDINARY RESOLUTION

1. "**THAT**

(a) the conditional sale and purchase agreement dated 15 October 2015 (the "**Sale and Purchase Agreement**", details of which are disclosed in the circular of the Company dated 12 November 2015 (the "**Circular**")) entered into amongst (i) Pacific Greatest Limited as the vendor; (ii) Brilliant Plus Holdings Limited, a wholly-owned subsidiary of the Company, as the purchaser; and (iii) Mr. Tang Wuqiang, Mr. Ning Jizhong and Ms. Su Rulin as the guarantors, in relation to the sale and purchase of 100% of the issued share capital of Success Capture Limited (the "**Acquisition**") for a maximum consideration of HK$450,000,000, subject to adjustments to be made in accordance with the Sale and Purchase Agreement (a copy of Sale and Purchase Agreement has been produced at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) be and is hereby approved, confirmed and ratified, and THAT all the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved (including but not limited to the initial allotment and issue to the Vendor or its nominee of (i) 259,500,000 ordinary shares of HK$$0.05 each in the share capital of the Company (the "**Share(s)**") at the issue price of HK$0.26 (the "**Issue Price**") each credited as fully paid up and ranking *pari passu* with the existing issued shares of the Company, in settlement of the initial consideration for the Acquisition, and/or (ii) a maximum of 1,470,500,000 Shares at the Issue Price each credited as fully paid up and ranking *pari passu* with the existing issued Shares, in settlement of the remaining consideration for the Acquisition if the Net Profit (as defined in the Circular) of RMB60 million for the Relevant Period (as defined in the Circular) is attained (collectively the "**Consideration Shares**"), pursuant to the Sale and Purchase Agreement;

(b) subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company ("**Director(s)**") be and are hereby specifically authorised to allot and issue the Consideration Shares, credited as fully paid, to the Vendor or its nominee in accordance with the terms and conditions of the Sale and Purchase Agreement; and

(c) any one of the Directors be and is hereby authorised to do all such acts and things and execute all such documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Sale and Purchase Agreement and to implement the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto that are of administrative nature and ancillary to the implementation of the Sale and Purchase Agreement and any other transactions contemplated under or incidental to the Sale and Purchase Agreement."

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

Hong Kong, 12 November 2015

Principal place of business:
Units 1702-03,
17/F, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Notes:

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.

2. A form of proxy for the SGM is enclosed with the notice of the SGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment of the meeting.

3. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolution will be voted by way of poll. As at the date of this notice, none of shareholders of the Company are required to abstain from voting in respect of the above ordinary resolution above.

As at the date of this circular, Company's executive Directors are Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long, Mr. Liu Jin, one non-executive director is Mr. Chau On Ta Yue and the independent non-executive Directors are Ms. Xiang Si Ying, Mr. Hu Bai He and Ms. Xiang Ying.