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## **CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED**

**中海船舶重工集團有限公司**

*(Incorporated in the Bermuda with limited liability)*

**(Stock code: 00651)**

### **DISCLOSEABLE TRANSACTION**

#### **ACQUISITION OF 20% EQUITY INTEREST IN ZHEJIANG OCEAN LEASING COMPANY**

The Board is pleased to announce that, on 6 November 2014 (after trading hours), the Purchaser and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the 20% equity interest of Zhejiang Ocean at a consideration of RMB45 million (equivalent to approximately HK\$56.7 million), which will be paid in cash and payable in accordance with the terms of the Equity Transfer Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent of the Company and its connected persons.

#### **THE EQUITY TRANSFER AGREEMENT**

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Set out below are the major terms of the Equity Transfer Agreement:

**Date:** 6 November 2014 (after trading hours)

**Parties:** (1) Merge Limited, being the Purchaser; and  
(2) Texco Inc, being the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are independent of the Company and its connected persons.

**Interest to be acquired:** Equity interest representing 20% of the registered capital of US\$30 million (equivalent to approximately HK\$232.5 million) of Zhejiang Ocean

**Consideration and payment terms:**

The Consideration is RMB45 million (equivalent to approximately HK\$56.7 million), which shall be paid to Zhejiang Ocean as directed by Texco pursuant to the payment instruction given to Merge Limited dated 6 November 2014.

The Consideration will be settled by the Bond Proceeds and will be payable in the following manner:

- (1) RMB36 million (equivalent to approximately HK\$45.4 million), being 80% of the Consideration, within 2 business days upon signing of the Equity Transfer Agreement; and
- (2) RMB9 million (equivalent to approximately HK\$11.3 million), being 20% of the Consideration, within 2 business days upon completion of the Registration.

Pursuant to the Equity Transfer Agreement, relevant tax liabilities arising from payment of the Consideration shall be borne by the Vendor.

The Consideration is determined based on arm's length negotiations between the Purchaser and the Vendor with reference to, among others, the net asset value of Zhejiang Ocean of approximately RMB221 million (equivalent to approximately HK\$278 million) as at 30 September 2014.

**Completion:**

Completion shall take place upon fulfilment of the following:

- (1) the Equity Transfer Agreement having come into effect;
- (2) completion of the Registration; and
- (3) the Purchaser having settled the Consideration in full.

Upon Completion, the Purchaser will be interested in 20% of equity interest in Zhejiang Ocean.

**INFORMATION ABOUT ZHEJIANG OCEAN**

Zhejiang Ocean is a sino-foreign joint equity enterprise established under the laws of the PRC in September 2012 with registered capital of US\$30 million (equivalent to approximately HK\$232.5 million). It is principally engaging in financial leasing business and is the only registered financial leasing company in Zhoushan, Zhejiang Province in the PRC as at the date of this announcement. Zhejiang Ocean is owned as to 45% by Zhoushan Marine, 25% by the Vendor, 25% by Zhejiang Ouhua Shipbuilding Company Limited and 5% by Zhoushan City Dinghai District State-owned Assets Management Company Limited\* (舟山市定海區國有資產經營有限公司). Save that Zhoushan Marine and the Group are joint venture partners of Zhoushan China Ocean Investment Fund\* (舟山中海投創業投資企業), a non-legal person foreign invested venture capital enterprise\* (外商投資創業投資企業) established in the PRC, all the owners of Zhejiang Ocean including the Vendor are all third parties independent of the Company and its connected persons.

Set out below are financial information of Zhejiang Ocean for the financial year ended 31 December 2013 and the unaudited financial information for the nine months ended 30 September 2014:

	<b>As at</b> <b>31 December</b> <b>2013</b> <i>(RMB'000)</i>	<b>As at</b> <b>30 September</b> <b>2014</b> <i>(RMB'000)</i>
Total assets	846,950	1,286,373
Net assets	200,921	221,257
	<b>For the</b> <b>For the</b> <b>year ended</b> <b>31 December</b> <b>2013</b> <i>(RMB'000)</i>	<b>For the</b> <b>nine months</b> <b>ended</b> <b>30 September</b> <b>2014</b> <i>(RMB'000)</i>
Net profit before taxation	18,150	27,115
Net profit after taxation	12,251	20,336

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaging in shipbuilding related business.

As stated in the 2014 interim report and the circular of the Company dated 3 October 2014, the Group is actively re-evaluating its existing business operations by examining diversification into profitable new business models such as financial leasing business in the PRC.

The Directors consider that it is beneficial for the Company to invest in Zhejiang Ocean which is operating a profitable business as evidenced by the rapid growth in assets and profits, with a controlling shareholder (being Zhoushan Marine) which is a state-owned enterprise with good connection in the shipbuilding, ocean engineering and related industries, and there is great potential for development of financial leasing business in the PRC. Further, the Directors consider that the Acquisition would allow the Group to cooperate with the management of Zhejiang Ocean and leverage on their extensive banking and financial leasing experience, which would be beneficial to the business development and diversification of the Group's own financial leasing business in the future.

Having evaluated the current cash positions of the Company, the Directors decided to stick to its decision to reallocate part of the remaining Bond Proceeds to proceed with the Acquisition. The Group is aware that there are other potential purchasers who are also interested in acquiring the 20% equity interest of Zhejiang Ocean and are likely to replace the Purchaser if the Acquisition fell through. The Directors consider that the future development of the Group's financial leasing business will be hindered if the Group did not seize this opportunity to invest in Zhejiang Ocean. Further, as the Directors are actively considering other possible fund raising methods and negotiating with banks for further financing, the Directors believe that the Group can still meet its repayment obligations when they fall due after the Acquisition. In view of the above, the Directors consider that the Group should seize this opportunity and proceed with the Acquisition.

The Directors consider that the terms of the Acquisition have been entered into on normal commercial terms and that such are fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios in respect of the Acquisition is/are more than 5% but less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context otherwise required, the following terms shall have the meaning set opposite to them in this announcement:

“Acquisition”	the acquisition of the 20% equity interest in Zhejiang Ocean by the Purchaser pursuant to the Equity Transfer Agreement
“Board”	Board of Directors
“Bond Proceeds”	the proceeds from the issue of convertible bonds by the Company maturing on 27 June 2017 as disclosed in the announcement of the Company dated 14 May 2014
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (Stock code: 651)
“Completion”	completion of the Acquisition in accordance with the provisions of the Equity Transfer Agreement
“Consideration”	an aggregate of RMB45 million (equivalent to approximately HK\$56.7 million) for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 6 November 2014 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Merge Limited ( 聚合有限公司 ), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Registration”	the registration of change in ownership of the 20% equity interests in Zhejiang Ocean at the relevant branch office of the State Administration for Industry & Commerce of the PRC
“RMB”	renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar, the lawful currency of the United States of America
“Vendor”	Texco Inc, a company incorporated in the United States of America with limited liability
“Zhejiang Ocean”	Zhejiang Ocean Leasing Company Limited* ( 浙江海洋租賃股份有限公司 ), a sino-foreign joint equity enterprise established under the laws of the PRC

“Zhoushan Marine”

Zhoushan Marine Comprehensive Development and Investment Co., Ltd\* (舟山海洋綜合開發投資有限公司), a state-owned enterprise incorporated in PRC and funded by prefecture level Zhoushan government and its subordinate governments of various Districts and a County

“%”

percent

By order of the Board

**China Ocean Shipbuilding Industry Group Limited**

**CHAU On Ta Yuen**

*Chairman*

Hong Kong, 6 November 2014

*For the purpose of illustration only and unless otherwise stated, conversion (i) RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.26 and (ii) US\$ to RMB and HK\$ in this announcement is based on the exchange rate of US\$1.00 to RMB6.15 and HK\$7.75 respectively. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

*The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

*As at the date of this announcement, the Board of the Company comprises six executive directors, namely, Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long, Dr. Tse Kwing Chuen and Mr. Chen Hong; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Xiang Ying.*