

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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 THE ENTIRE ISSUED SHARE CAPITAL OF
PACIFIC GREATEST LIMITED
INVOLVING AN ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

THE ACQUISITION

The Board is pleased to announce 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 Success Capture Limited at an initial consideration of HK\$67,470,000, which shall be adjusted upward to a maximum of HK\$450,000,000 upon fulfillment of the Guarantee Profit. Pursuant to the Sale and Purchase Agreement, up to 1,730,000,000 Consideration Shares may be allotted and issued by the Company to the Vendor under the Specific Mandate to be approved by the Shareholders at the SGM.

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 has abstained from voting on the board resolution of the Company in relation to the Sale and Purchase Agreement.

THE SGM

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 date of this announcement, 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.

It is expected that a circular containing, among other matters, (i) details of the Acquisition (including the allotment and issue of the Consideration Shares); (ii) the Specific Mandate; (iii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable, but in any event by no later than 5 November 2015.

Introduction

The Board is pleased to announce 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 issue of 259,500,000 Consideration Share upon Completion. 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.

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

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 (the Executive Director), the Vendor and its ultimate beneficial owners, the Guarantors, are third parties independent of the Company and connected persons of the Company.

Assets to be acquired:

The Purchaser has conditionally agreed to purchase, and the Vendor 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 date of this announcement, the Company has 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 approximately 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)) 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; and
2. as to a maximum of approximately HK\$382.53 million by the allotment and issuance of 1,470,500,000 Consideration Shares 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 mechanism if the audited profit of the Target Group falls short of the Guarantee Profit. Details of the Guarantee Profit and adjustment mechanism are described in the “Profit guarantee” section below.

Consideration Shares

The maximum number of Consideration Shares, being 1,730,000,000, represent (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. 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 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; and
- (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.

The Consideration Shares are to be issued by the Company under the Specific Mandate to be sought from the Shareholders at the SGM. The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing Shares then in issue.

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 Consideration Shares, will be issued and allotted to the Vendor (or its nominees) upon Completion.

If the actual Net Profit (“Actual Profit(s)”) received by the Target Group in the Relevant Period is above the Guarantee Profit, the Company is not under any obligation to issue any extra Shares other than the 1,470,500,000 Consideration Shares.

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

Number of Consideration Shares to be allotted and issued = (Actual Profit – Base Profit for the Relevant Period) × (1,470,500,000/60,000,000)

Indemnity

The Vendor irrevocably and unconditionally undertakes to the Purchaser that in the Relevant Period, net profit will not be less than HK\$0. In the event that the Target Group makes a loss in the Relevant Period, Vendor will indemnify the Group such loss in cash within 60 days after the end of the Relevant Period.

Basis of Determination

The consideration for the Acquisition was agreed between the Purchaser and the Vendor after arm’s length negotiations with reference to, among others, (i) a preliminary valuation report of the Target Group prepared by an independent valuer, (ii) the Guarantee Profit, and (iii) the prospects of the parking management services business carried out by the Target Group.

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 transaction 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) (where applicable) 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 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 is to 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 fair market value at 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 as if repeated 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 transaction 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 31 December 2015 (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).

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

The existing and enlarged shareholding structure of the Company immediately before and after the allotment and issue of a maximum of 1,730,000,000 Consideration Shares is set out below:

Shareholders	As at the date of this announcement		After allotment and issue of a maximum of 1,730,000,000 Consideration Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Li Ming	654,917,500	5.87	654,917,500	5.08
The Vendor	–	–	1,730,000,000	13.42
Public Shareholders	<u>10,505,804,655</u>	<u>94.13</u>	<u>10,505,804,655</u>	<u>81.50</u>
Total	<u>11,160,722,155</u>	<u>100.00</u>	<u>12,890,722,155</u>	<u>100.00</u>

Information of the Target Group:

The Target Company is an investment holding company incorporated in the British Virgin Islands, which directly hold 100% interest in Shandong Ruitong (Hong Kong) Parking Management Services Company Limited. Upon completion of the Reorganisation, the Target Company will hold 100% shareholding in Shandong Ruitong which principally engaged/ would be engaged in (1) design, manufacturing and installation of intelligent automotive parking equipment; (2) investment and management of car parks; (3) operation of “Internet of Vehicles” and (4) design and manufacturing of electronic automotive device in the PRC.

A summary of the audited/unaudited consolidated financial information of the Target Company 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
	<i>RMB\$'000</i>	<i>RMB\$'000</i>
	(audited)	(audited)
Revenue	–	7,666.5
Net profit (loss) before taxation	(62.1)	929.1
Net profit (loss) after taxation	(62.1)	929.6
	As at	
	30 September	
	2015	
	<i>RMB,000</i>	
	(unaudited)	
Net asset value	31,502	

As at the date of this announcement, the Vendor is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zhang, Mr. Tang Wuqiang, Ms. Changrong, Ms. Su Rulin, Mr. Ning Jizhong, Ms. Zeng Lulu, owned as to 22%, 24%, 16%, 17.82%, 20% and 0.18% 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.

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 includes manufacturing of intelligent automotive parking equipment and automotive device, would create synergy by utilising the production capacity to the current shipbuilding production facilities of the Group.

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 profits for the Relevant Period, and they believe that the Acquisition would bring positive contribution to the Group if such profit guarantee is materialised in the future. And even if the Guaranteed Profit is not met, the Group will be indemnified of such loss as per the Sale and Purchase Agreement.

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.

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 has abstained from voting on the board resolution of the Company in relation to the Sale and Purchase Agreement.

THE SGM

Pursuant to the Listing Rules, the consent of Shareholders in general meeting is required for the approval 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 date of this announcement, 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.

It is expected that a circular containing, among other matters, (i) details of the Acquisition (including the allotment and issue of the Consideration Shares); (ii) the Specific Mandate; (iii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable, but in any event by no later than 5 November 2015.

DEFINITIONS

“Acquisition”	the proposed 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” of this announcement
“Base Profit(s)”	has the meaning as detailed in the paragraph headed “Profit guarantee” of this announcement
“Board”	the board of Directors
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in the Bermuda Islands with limited liability, the Shares of which are listed on the Main Board
“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 payable for the Sale Shares under the Sale and Purchase Agreement
“Consideration Share(s)”	a maximum of 1,730,000,000 new Shares to be issued by the Company, credited as fully paid, as payment of the Consideration
“Director(s)”	the 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
“Guarantors”	Mr. Tang WuQiang, Mr. Ning JiZhong and Ms. Su RuLing being three of the shareholders of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties 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
“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
“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
“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
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the mandate to be sought from Shareholders for the allotment and issuance of the Consideration Shares
“SGM”	the special general meeting of the Company to be convened for the purpose of, among others, approving the Specific Mandate

“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 date of the Sale and Purchase Agreement
“Target Group”	the Target Company and its subsidiaries
“US\$”	US dollars, the lawful currency of the United States of America
“Vendor”	Pacific Greatest Limited, a company incorporated in British Virgin Islands with limited liability
“%”	per cent

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

Hong Kong, 15 October 2015

As at the date of this announcement, the 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.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ are calculated at the approximate exchange rate of RMB1.00 to HK\$1.221. This exchange rate is for purpose of illustration only and do not constitute a representation that any amount have been, could have been, or may be, exchanged at this or another rate.