

The 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.

CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Formerly known as 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 FORMATION OF JOINT VENTURE

On 18 March 2016 (as supplemented on 21 March 2016), the First Limited Investor (an indirect wholly-owned Subsidiary of the Company) entered into the JV Agreement with the Required Investor and the Second Limited Investor for the formation of the Joint Venture to invest in providing energy and related service to Logistics Centers first in Jiangxi Province and then spread to those in the whole ocean engineering business in the PRC.

Pursuant to the JV Agreement, the initial investment amount in the Joint Venture will be RMB505,000,000 contributed as to RMB100,000,000 by the First Limited Investor, RMB100,000,000 by the Second Limited Investor and RMB5,000,000 by the Required Investor and RMB300,000,000 by other limited investors to be sourced by the Required Investor (the Required Investor will be obligated to paid up for any shortfall if the Required Investor fails to source sufficient capital from other limited investors for such capital contribution within the Capital Contribution Period mentioned below). The Required Investor needs to assume liabilities of the Joint Venture if the assets of the Joint Venture are insufficient to discharge its liabilities, while the First Limited Investor and the Second Limited Investor are not liable for any of the debts of the Joint Venture, other than to the extent of the value of their respective investment in the Joint Venture.

Since the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the formation of the Joint Venture exceed 5% but less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

On 18 March 2016 (as supplemented on 21 March 2016), the First Limited Investor (an indirect wholly-owned Subsidiary of the Company) entered into the JV Agreement with the Required Investor and the Second Limited Investor for the formation of the Joint Venture. The principal terms of the JV Agreement are as follows:–

The JV Agreement

Date: 18 March 2016 (as supplemented on 21 March 2016)

Parties:

- (1) Jiujiang Baopu Assets Management Company (Limited Partnership) as the required investor, which needs to assume liabilities of the Joint Venture if the assets of the Joint Venture are insufficient to discharge its liabilities
- (2) China Ocean (LNG) Limited as the limited investor
- (3) Jiujiang State-owned Assets Management Company as the limited investor

The limited investors are not liable for any of the debts of the Joint Venture, other than for the value of their respective investment amount in the Joint Venture.

Scope of Business: The Joint Venture will engage in (i) equity investment using its own capital fund through investment in newly established enterprises, existing enterprises, acquisition of equity interest from corporate investors and any other investment modes as allowed by PRC laws and regulations; (ii) provision of management consultancy services to investee companies and provision of consultancy services for setting up enterprises; and (iii) any other business approved by the relevant PRC authorities.

The capital investment should be restricted to enterprises registered in Jiujiang City, Jiangxi Province in PRC.

Term of operation of Joint Venture: 7 years from the date of issue of the business license of the Joint Venture. Subject to the approval of all the parties, the term of operation may be extended for a further period of 2 years.

The first 5 years will be the investment period of the Joint Venture and no new investments may be made by the Joint Venture after this investment period.

- Investment Amount:
- (1) RMB5,000,000 to be contributed by the Required Investor, representing 1% of the interests in the Joint Venture
 - (2) RMB100,000,000 to be contributed by the First Limited Investor, representing 19.8% of the interests in the Joint Venture
 - (3) RMB100,000,000 to be contributed by the Second Limited Investor, representing 19.8% of the interests in the Joint Venture
 - (4) RMB300,000,000 to be contributed by the other limited Investors to be sourced by the Required Investor, representing 59.4% of the interests in the Joint Venture (the Required Investor will be obligated to paid up for any shortfall if the Required Investor fails to source sufficient capital from other limited investors for such capital contribution within the Capital Contribution Period mentioned below)

Capital Contribution Period: The aforesaid investment amounts are to be paid to the Joint Venture in cash in full at the later of and after fulfilment of all the Conditions Precedent and within 5 years from the date of issue of the business license (營業執照) of the Joint Venture.

The aforesaid investment amounts are determined after arm's length negotiation of the parties and with reference to the initial funding needs of the Joint Venture and the agreed share of each party in the interest in the Joint Venture.

Conditions Precedent: The JV Agreement will take effect upon the satisfaction of the following conditions:

- (1) the approval of JV Agreement has been obtained from the relevant government authorities; and
- (2) each of the parties to the JV Agreement has obtained the necessary internal and/or external consent and approval required under the laws and regulations (including but not limited to the Listing Rules) applicable to such party, if any, for the entering into of the JV Agreement.

Management of the Joint Venture: In general, the Joint Venture shall be managed by the Management Committee, save that the Required Investor, which will be employed by the Joint Venture as the management enterprise, shall be responsible for and shall have the power to carry out, among others, the following matters:

- (1) seeking investment opportunities and potential investment projects for the Joint Venture and for the Management Committee to approve;
- (2) conducting due diligence and gathering information in respect of the investment projects and the entities being invested;
- (3) information collection and management of invested projects;

- (4) exercising the rights in relation to the investment projects approved by the Management Committee;
- (5) opening bank accounts and issuing cheque for and on behalf of the Joint Venture;
- (6) employing suitable professional for the Joint Venture;
- (7) management of capital of Joint Venture;
- (8) entering into agreements in relation to the business of Joint Venture for and on behalf of the Joint Venture; and
- (9) other management responsibilities required by the Joint Venture.

For items (4), (5) and (8) above (save for (a) (i) issuing cheques involving an amount not more than RMB0.5 million or (ii) paying an aggregate accumulated amount of less than RMB1 million within one year to a single person or enterprise; (b) the entering into of the agreements involving a consideration of less than HK\$3 million and (c) exercising the voting right of the Joint Venture in the invested entities in relation to the approval of various loan transactions and the related transactions providing securities and guarantees for the same), the Required Investor shall give each member of the Management Committee 10 Business Days' prior notice. The Required Investor may proceed with the matter provided that no written disagreement on the stipulated matter is received from any member of the Management Committee within 10 Business Days after the issuance of the notice. If there is any such written disagreement within the aforesaid period, the Required Investor may only proceed with the matter subject to the approval of 80% of the members of the Management Committee.

The Required Investor, as the management enterprise, will receive the following fees and return:–

- (1) 2% of the then total investment amount and 1% of committed but not yet paid investment in the Joint Venture per annum;
- (2) the investment amount is the net amount after a particular investment project is withdrawn; and
- (3) no management fee should be charged when operation term of Joint Venture expires.

Management
Committee:

The Management Committee consists of five members, of which the First Limited Investor will be entitled to appoint two members; the Required Investor will be entitled to appoint two members and the Second Limited Investor will be entitled to appoint one member.

The following shall be subject to the unanimous consent of the Management Committee:

- (1) amending the constitution of the Joint Venture;
- (2) termination of business, dissolution and winding up of the Joint Venture; and
- (3) any structural change of the Management Committee.

Save as the aforesaid, the other key matters to be approved by the Management Committee shall be subject to consent of at least 80% of the members thereof, while other matters shall be subject to the consent of the majority of the members thereof.

Profit Distribution
Arrangement:

The principal and revenue after expenses of each of the investment projects of the Joint Venture are required to be distributed to each party to the Joint Venture after the withdrawal of the Joint Venture from the relevant investment projects according to the following distribution order in the first 3 years' operation:

- (1) firstly, equal amount of expected rate of return of a bank loan under the regulation of Peoples' Bank of China per annum to the Second Limited Investor;
- (2) secondly, after after the distribution to Second Limited Investor pursuant to (1) above, the First Limited Investor and the Second Limited Investor shall, in proportion to their respective investment amounts in the Joint Venture, receive all distributions until each of them has received a 8% annualised return on their respective investment amounts;
- (3) thirdly, after the distribution pursuant to (1) and (2) above, the Required Investor shall receive 20% of the remaining amount of the principal and revenue after expenses of the investment projects of the Joint Venture;
- (4) fourthly, in respect of the remaining amount (i.e. 80% of the remaining amount of the principal and revenue after expenses of the investment projects), save for the Second Limited Investor, each of the parties to the Joint Venture shall be entitled to receive such remaining amount in proportion to their respective investment amounts in the Joint Venture; and
- (5) if the Joint Venture obtain shares in a listed company ("the Listed Shares") after the listing of an investment project, the cash income from the disposal of the Listed Shares (or a party to the Joint Venture may request for the distribution of the Listed Shares) should be further negotiated and approved by all the Investors.

As the Joint Venture has not been established, it does not have any assets or business and has not generated any revenue as at the date of signing of the JV Agreement.

Given (i) the First Limited Investor will be entitled to appoint two of the five members in the Management Committee; and (ii) the Required Investor, in which an indirect wholly-owned subsidiary of the Company controls three out of five members of the board of directors, will be entitled to appoint another two of the five members in the Management Committee, the Group will de facto control the majority of the Management Committee. As such, the Joint Venture will become a subsidiary of the Company and its results would be consolidated into the Group's financial statements.

Source of fund for the Joint Venture

The investment amount of RMB100,000,000 of the First Limited Investor will be satisfied by fund raising activities of the Company, among others, issuing new Shares and/or Convertible Bonds and/or promissory notes. The Company will make announcement to update the Shareholders in relation to the status of the aforesaid fund raising activities in compliance with the relevant applicable laws, rules and regulations when and where appropriate.

INFORMATION OF THE PARTIES TO THE JV AGREEMENT

The Group is principally engaged in shipbuilding related business. The Company will contribute to the Joint Venture by providing capital fund.

Required Investor

The Required Investor is a partnership enterprise established in the PRC in 2015. Its principal business is providing asset management services to new and innovative venture and related sectors, it also provides investment consultancy, information consultancy, corporate management consultancy services.

As at the date of this announcement, China Ocean Wumao (Shenzhen) Limited (中海物貿(深圳)有限公司), an indirect wholly-owned subsidiary of the Company in PRC, holds 20% interest of the Required Investor and (i) Mr. Zhang Shi Hong, the Executive Director and CEO of the Company, is the Legal Representative (法人代表) and executive director of the Required Investor and (ii) Mr. Li Ming, the Executive Director and Chairman of the Company, is the director of the Required Investor. Save for the aforesaid connections, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, each of the Required Investor and the Second Limited Investor and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Second Limited Investor

The Second Limited Investor is a state-owned enterprise established in Jiujiang, the PRC with the principal business of management and disposal state-owned assets; administration, development and management of state-owned land and real estate industry; government fund investment, investment consultancy, asset management consultancy services; merge and reorganization of enterprises and asset custody.

REASONS FOR AND BENEFITS OF THE FORMATION OF JOINT VENTURE

The general partner of the Required Investor, has substantial experience in making investments in various industries, including but not limited to venture capital, fund management and corporate management consultancy. All its core members of management have more than 10 year experience in investment and management. A number of investment projects that it manages have performed much better under its investment or management.

In view of the background of the Second Limited Investor, it is sponsored by Jiujiang Government for the purpose of promoting integration of natural resources of Jiujiang River and urban city development.

The principal business of the First Limited Investor is development and provision of clean energy related business..

Thus, the Joint Venture can make use of the experience, expertise and connections of the aforesaid parties to make appropriate investment and create synergy in Jiujiang for engaging in providing energy related services to in Jiangxi Province. The Group, by investing in the Joint Venture, may share the investment income of the Joint Venture in the future and seize the opportunities to develop and expand its business in the its newly acquired car parking business.

Based on the aforesaid and having taken into account, among others, (1) the proportion of the investment amounts contributed by the parties in the Joint Venture; (2) the management role and the unlimited liability of the Required Investor; and (3) the limited liability of the First Limited Investor and the Second Limited Investor in the Joint Venture, the Directors consider that the terms of the JV Agreement (including the profit distribution arrangement and the management of the Joint Venture) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF LISTING RULES

As the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transaction contemplated under the JV Agreement, i.e. the contribution of the investment amount of RMB100,000,000 by the First Limited Investor to the Joint Venture) are more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“Board”	the board of Directors
“Business Day”	means a day (other than Saturdays, Sundays and statutory public holidays of the PRC)
“Company”	China Ocean Industry Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

“Director(s)”	director(s) of the Company
“First Limited Investor”	China Ocean (LNG) Limited (中海天然氣有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned Subsidiary of the Company
“Group”	the Company and its Subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV Agreement”	the joint venture agreement dated 18 March 2016 (supplemented on 21 March 2016) entered into amongst the First Limited Investor, the Second Limited Investor and the Required Investor in relation to the formation of the Joint Venture
“Joint Venture”	Jiangxi River-side Industry Development and Venture Capital Investment Fund (江西沿江產業發展創業投資企業), a non-legal person foreign invested venture capital enterprise (外商投資創業投資企業) proposed to be established in Jiujiang, Jiangx Province of the PRC pursuant to the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Committee”	the management committee of the Joint Venture
“PRC”	People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

“Required Investor”	* Jiujiang Baopu Asset Management Limited (Limited Partnership) (九江抱樸資產管理有限公司(有限合伙)), a partnership enterprise established in PRC, of which China Ocean Wumao (Shenzhen) Limited (中海物貿(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, is a limited partner holding 20% of the interests therein
“RMB”	renminbi, the lawful currency of the PRC
“Second Limited Investor”	Jiujiang State-owned Assets Management Limited Co., Ltd (九江市國有資產經營有限公司), a state-owned enterprise incorporated in PRC and funded by prefecture level Jiujiang government and its subordinate governments of various Districts and a County
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“%”	per cent

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

Hong Kong, 21 March 2016

*The English translation of Chinese names or words in this announcement, where indicated by *, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board of the Company comprises four executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong Mr. Wang San Long and Mr. Liu Jin; one non-executive director, namely, Mr. Chau On Ta Yuen and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.