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CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

**VOLUNTARY ANNOUNCEMENT
FORMATION OF AN INTELLIGENT PARKING COMPANY**

The Board announces that, on 21 June 2016, China Ocean Logistics, an indirect wholly-owned Subsidiary of the Company, entered into the Investment Agreement with Zhongguan Hongan and Shougang Lujie for the establishment of NewCo to invest in intelligent parking facilities in the PRC.

Since all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the formation of NewCo are less than 5%, the Investment Agreement and the transactions contemplated thereunder does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

This announcement is made by the Company on a voluntary basis to keep shareholders and potential investors of the Company informed of the Group's latest business development.

On 21 June 2016, China Ocean Logistics, an indirect wholly-owned Subsidiary of the Company, entered into the Investment Agreement with Zhongguan Hongan and Shougang Lujie for the formation of NewCo to invest in intelligent parking facilities in the PRC. The principal terms of the Investment Agreement are as follows:–

THE INVESTMENT AGREEMENT

Date: 21 June 2016

- Parties:
- (1) China Ocean Logistics (Shenzhen) Company Limited* (中海物貿(深圳)有限公司), an indirect wholly-owned Subsidiary of the Company;
 - (2) Beijing Zhongguan Hongan Asset Management Company Limited* (北京中冠鴻安資產管理有限公司); and
 - (3) Beijing Shougang Lujie Venture Investment Company Limited* (北京首鋼綠節創業投資有限公司)
- Scope of Business of NewCo: Subject to the scope of business as set out in the business registration certificate of NewCo, NewCo shall engage in (i) intelligent parking management; (ii) value-added parking management services.
- Initial registered capital: The initial registered capital of NewCo shall be RMB45 million (equivalent to approximately HK\$54 million), which shall be paid up in cash by 31 July 2016 from the establishment of NewCo in the following proportion:
- (1) RMB20.65 million (equivalent to approximately HK\$24.78 million) to be contributed by China Ocean Logistics, representing approximately 45.89% of the registered capital of the NewCo;
 - (2) RMB15.35 million (equivalent to approximately HK\$18.42 million) to be contributed by Shougang Lujie, representing approximately 34.11% of the registered capital of the NewCo; and
 - (3) RMB9 million (equivalent to approximately HK\$10.8 million) to be contributed by Zhongguan Hongan, representing 20% of the registered capital of the NewCo.

The aforesaid initial registered capital is determined after arm's length negotiation of the parties and with reference to the initial funding needs of the NewCo and the agreed share of each party in the interest in the NewCo. The Group shall use its internal resources to satisfy the amount to be contributed by China Ocean Logistics.

First increase in registered capital: Unless the parties to the Investment Agreement otherwise agree in writing, upon establishment of the Employee LP, the Employee LP shall contribute additional capital in the amount of RMB5 million (equivalent to approximately HK\$6 million) to the NewCo. However, such increase in capital shall not take place later than 12 months after the establishment of NewCo.

Upon completion of the aforesaid increase in registered capital, the registered capital of NewCo will be RMB50 million (equivalent to approximately HK\$60 million, and NewCo will be owned as to approximately 41.3% by China Ocean Logistics, approximately 30.7% by Shouguan Lujie, 18% by Zhongguan Hongan and 10% by Employee LP. Any further increase in registered capital shall be approved by two thirds of votes of the shareholders of NewCo.

Board of directors of the NewCo: The board of directors of NewCo shall consist of five directors, of which China Ocean Logics will be entitled to appoint two directors, Shougang Lujie will be entitled to appoint two directors and Zhongguan Hongan will be entitled to appoint the one director.

The chairman of the board of directors shall be elected among the directors by two thirds of votes at the first board meeting establishment of the NewCo.

Senior management of the NewCo: Unless otherwise agreed among the parties to the Investment Agreement:

- (i) the general manager of NewCo, who shall also be the legal representative of NewCo, shall be nominated by China Ocean Logistics;
- (ii) the financial manager shall be nominated by China Ocean Logistics; and
- (iii) the supervisor of NewCo shall be nominated by Shougang Lujie.

Drag-along right of Shougang Lujie:

Shougang Lujie shall be entitled to dispose of its interests in NewCo to other third party(ies), and to require other shareholders of NewCo to dispose of a part or the whole of their respective interests in NewCo to other third party(ies) on the same terms upon occurrence of any of the following:

- (i) the number of parking spaces managed by NewCo by 30 June 2019 is less than 200,000;
- (ii) a substantial drop in the business performance of NewCo as a result of any material mistake on the part of its management; or
- (iii) NewCo fails to maintain a sustainable business for reasons of its own.

Any shareholder who refused to dispose of its interest in NewCo shall acquire the interests to be sold by Shougang Lujie on the same terms.

Since the Group will be interested in approximately 45.89% of the registered capital of NewCo upon its establishment and is entitled to appoint two of the five directors of NewCo, NewCO will not become a Subsidiary of the Company.

INFORMATION OF THE PARTIES

Zhongguan Hongan is a company established under the laws of the PRC. Its principal business is the planning, design, construction and investment of intelligent parking system, and the operation and management of intelligent parking related industry chain.

Shougang Lujie is a company established under the laws of the PRC and is jointly controlled by Shougang Corporation* (首鋼總公司), a state-owned enterprise under the supervision of the Beijing State-owned Assets Supervision and Administration Commission, and Beijing Shougang Fund Management Limited * (北京首鋼基金有限公司), a wholly-owned subsidiary of Shougang Corporation. The principal business of Shougang Lujie is investment, consultation and management of infrastructure, high technology, internet and new energy projects.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Zhongguan Hongan, Shougang Lujie and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Company is an investment holding company and the Group is principally engaged in production and operation of shipbuilding business, provision of financial services, manufacturing and sales of car-parking equipment, management of car parks and development and sales of electronic automotive device.

The Group has been developing its intelligent car parking and automotive device business since the acquisition of Success Capture Limited (as disclosed in the Company's circular dated 12 November 2015) and formation of a joint venture as disclosed in the Company's announcements dated 18 December 2015 and 7 April 2016. In view of the favourable policies promulgated by the PRC authorities to support and encourage the car parking industry, the Directors are of the view that the Group should expand its car parking business to grasp the growing market. By cooperating with Zhongguan Hongan and Shougang Lujie, the Directors believe that the car parking business to be conducted by NewCo can also benefit from the expertise and resources of Zhongguan Hongan in the intelligent parking industry, as well as the solid financial strength and good connections of Shougang Lujie.

The Directors consider that the terms of the Investment Agreement are on normal commercial terms, fair and reasonable, and the entering into of Investment Agreement is in line with the business of the Group, in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF LISTING RULES

As all the percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the transaction contemplated under the Investment Agreement are less than 5%, such transaction do not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Board wishes to make a voluntary disclosure to keep shareholders and potential investors of the Company informed of the Group's latest business development.

DEFINITIONS

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

“Board”	the board of Directors
“China Ocean Logistics”	China Ocean Logistics (Shenzhen) Limited* (中海物貿(深圳)有限公司), a company established under the laws of PRC and an indirect wholly-owned Subsidiary of the Company
“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
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Employee LP”	the limited liability partnership to be established and owned by senior management of the NewCo
“Group”	the Company and its Subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investment Agreement”	the investment agreement dated 21 June 2016 entered into among China Ocean Logistics, Zhongguan Hongan and Shougang Lujie in relation to the establishment of NewCo
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NewCo”	Beijing Zhongshou Intelligent Parking Operation Management Company Limited* (北京中首智慧停車運營管理有限公司), a limited liability company proposed to be established in under the laws of PRC pursuant to the Investment Agreement
“PRC”	People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	renminbi, the lawful currency of the PRC
“Shougang Lujie”	Beijing Shougang Lujie Venture Investment Company Limited* (北京首鋼綠節創業投資有限公司), a company established under the laws of PRC
“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

“Zhongguan Hongan” Beijing Zhongguan Hongan Asset Management Company Limited* (北京中冠鴻安資產管理有限公司), a company established under the laws of PRC

“%” per cent

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

Hong Kong, 21 June 2016

For the purpose of illustration only and unless otherwise stated, conversion RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.20. 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 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.