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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

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

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.

CAPITAL CONTRIBUTION AGREEMENT

The Board is pleased to announce that on 8 August 2016, Merge, a wholly-owned Subsidiary of the Company, entered into the Capital Contribution Agreement with Shenzhen Ruilong, Shenzhen Fuyun and Rainbow in relation to, among other matters, the Capital Contribution.

Capital Contribution

Pursuant to the Capital Contribution Agreement, the parties thereto agreed to increase the registered capital of China Ocean Logistics from RMB50 million to RMB100 million by injecting an aggregate of RMB50 million in cash by the following parties in the following proportion:

- (1) RMB15 million to be contributed by Merge;
- (2) RMB15 million to be contributed by Shenzhen Fuyun; and
- (3) RMB20 million to be contributed by Rainbow.

The amount of Capital Contribution was determined with reference to the working capital currently available to China Ocean Logistics, China Ocean Logistics' capital requirements for its future business development and the registered capital of companies of similar size in the industry. The Capital Contribution shall be made within 15 business days from the date of the Agreement (“**Contribution Deadline**”). Merge's portion of the Capital Contribution will be financed by internal resources of the Group.

If any party to the Capital Contribution Agreement fails to make full payment of its portion of Capital Contribution 30 days after the Contribution Deadline, such party shall be deemed to have given up its right to the Capital Contribution and shall be subject to a default interest pursuant to the terms of the Capital Contribution Agreement. Other non-defaulting party(ies) shall be entitled to subscribe for the portion of Capital Contribution attributable to such defaulting party.

Change of company name and scope of business

Upon completion of the Capital Contribution and subject to obtaining the necessary approval(s) from relevant PRC government authorities:

- (1) The company name of China Ocean Logistics shall be changed to 中海彩虹光儲充停車產業發展有限公司 (China Ocean Rainbow Solar Energy Storage Parking Industrial Development Limited*); and
- (2) The scope of business of China Ocean Logistics shall be changed to “investment, operation and management of integrated intelligent parking systems involving distributed generation of solar photovoltaic power, power storage and charging stations; research and development and application of intelligent parking technologies; leasing and trading of intelligent parking related facilities”.

Other Arrangement

For so long as Rainbow remains a shareholder of China Ocean Logistics, Rainbow shall, whenever it commences any parking related business, offer to cooperate with China Ocean Logistics in such business opportunity on the same terms.

Management of China Ocean Logistics after Capital Contribution

China Ocean Logistics shall set up shareholders' meeting, board of directors and supervisory committee pursuant to the requirements under applicable laws. Apart from matters which are expressly reserved to shareholders' meetings under applicable laws, unanimous approval from shareholders of China Ocean Logistics are required for the following matters:

- (1) amendment of articles, increase or reduction of registered capital, and merger, division, dissolution or change of nature of China Ocean Logistics;
- (2) distribution of profits or recovery of losses; and
- (3) provision of guarantee or pledge of assets.

The board of directors of China Ocean Logistics shall consist of 4 members, of which Merge shall be entitled to nominate three members and Rainbow shall be entitled to nominate one member. The chairman of the board of directors, legal representative, general manager and financial controller shall be nominated by Merge. Other senior management of China Ocean Logistics shall be appointed by the board of directors.

Following completion of the Capital Contribution and the relevant industrial and commercial registration, China Ocean Logistics shall convene a shareholders' meeting as soon as practicable to amend its articles in view of the change of registered capital and to approve the change of directorship.

EFFECT OF CAPITAL CONTRIBUTION

As at the date of this announcement, Merge is interested in 80% of the equity interest in China Ocean Logistics. Upon completion of the Capital Contribution, the equity interest of the Group in China Ocean Logistics will be diluted from 80% to 55%, and China Ocean Logistics will be owned as to 55% by Merge, 5% by Shenzhen Ruilong, 20% by Shenzhen Fuyun and 20% by Rainbow.

The following table sets out the shareholding structure of China Ocean Logistics as at the date of this announcement and immediately after the Capital Contribution:

Shareholder	As at the date of this announcement		Immediately after Capital Contribution	
	Registered capital <i>(RMB million)</i>	Percentage shareholding	Registered capital <i>(RMB million)</i>	Percentage shareholding
Merge	40	80%	55	55%
Shenzhen Ruilong	5	10%	5	5%
Shenzhen Fuyun	5	10%	20	20%
Rainbow	–	–	20	20%
Total	<u>50</u>	<u>100%</u>	<u>100</u>	<u>100%</u>

China Ocean Logistics will remain as a Subsidiary of the Company and its results of operations and financial position will continue to be recorded in the Group's consolidated financial statements upon completion of the Capital Contribution.

INFORMATION OF CHINA OCEAN LOGISTICS

China Ocean Logistics is a company established under the laws of the PRC on 20 August 2015 and is principally engaging in the research and development and sale of parking facilities, charging facilities for electronic vehicles, and parking project management.

A summary of the audited financial information of China Ocean Logistics prepared in accordance with applicable PRC accounting standards, is as follows:

	For the six months ended 30 June 2016 <i>(RMB million)</i>	For the eight months ended 31 December 2015 <i>(RMB million)</i>
Revenue	Nil	Nil
Net profit (loss)	(1.86)	(0.86)
	As at 30 June 2016 <i>(RMB million)</i>	As at 31 December 2015 <i>(RMB million)</i>
Net asset value	27.28	19.14

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Directors consider that not only could the Capital Contribution increase the business scale of China Ocean Logistics, China Ocean Logistics could also benefit from the expertise of Rainbow, a new shareholder with substance and expertise in the solar energy production, charging and operation of new energy vehicles, to tap into the green new energy business, increase its market share and strengthen its competitiveness in the intelligent parking industry, thereby promoting growth. Accordingly, the Directors consider that the terms of the Capital Contribution Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the equity interest of the Group in China Ocean Logistics will be diluted from 80% to 55% following completion of the Capital Contribution, the Capital Contribution will constitute a deemed disposal of the Group's equity interest in China Ocean Logistics under Rule 14.29 of the Listing Rules.

As none of the applicable percentage ratios in respect of the transactions contemplated under the Capital Contribution Agreement exceed 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

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

“Board”	Board of Directors
“Capital Contribution”	the contribution of registered capital in the aggregate amount of RMB50 million to be made by Merge, Shenzhen Fuyun and Rainbow in cash pursuant to the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement dated 8 August 2016 entered into among Merge, Shenzhen Ruilong, Shenzhen Fuyun and Rainbow in respect of, among others, the Capital Contribution
“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 non-wholly owned Subsidiary of the Company
“Company”	China Ocean 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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merge”	Merge Limited (聚合有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned Subsidiary of the Company, and is interested in 80% of the registered capital of China Ocena Logistics as at the date of this announcement
“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
“Rainbow”	Shenzhen Rainbow Fine Chemical Industry Co., Limited* (深圳市彩虹精細化工股份有限公司), a company established under the laws of the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 002256)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shenzhen Fuyun”	Shenzhen Fuyun Logistics Limited* (深圳市福運物流有限公司), a company established under the laws of the PRC and is interested in 10% of the registered capital of China Ocean Logistics as at the date of this announcement
“Shenzhen Ruilong”	Shenzhen Ruilong Industries Development Limited* (深圳市瑞隆實業發展有限公司), a company established under the laws of the PRC and is interested in 10% of the registered capital of China Ocean Logistics as at the date of this announcement

“Subsidiary” any entity within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly

“%” percent

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

Hong Kong, 8 August 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.