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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)

ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE NOTES

On 6 December 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes in the aggregate principal amount of up to HK\$400 million.

Based on the Minimum Conversion Price of HK\$0.18 per Conversion Share (subject to adjustments) and assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Minimum Conversion Price, a total of maximum 2,222,220,000 Conversion Shares (rounded to the nearest multiple of 5,000 of Shares) will be allotted and issued, representing (i) 18.52% of the total number of issued Shares of the Company as at the date of this announcement; and (ii) approximately 15.63% of the maximum total number of issued Shares of Company as enlarged by the allotment and issue of the Conversion Shares under the Convertible Notes (assuming that there is no other change in the shareholding structure and share capital of the Company from the date of this announcement and up to the date of full exercise of the rights attached to all tranches of the Convertible Notes). The Conversion Shares, upon issue, shall rank *pari passu* in all respects with the Shares then in issue.

The Convertible Notes will be allotted and issued under the General Mandate. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Notes will be sought on the Stock Exchange or any other exchanges.

The net proceeds from the Convertible Notes, after deducting expenses, are expected to be approximately HK\$376 million. The Company intends to apply such net proceeds to finance possible acquisitions, to develop the Group's intelligent car-parking and automotive device business and for general working capital of the Group.

The issue of the Convertible Notes is subject to the fulfillment of certain conditions precedent and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 6 December 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issuance of the Convertible Notes in the principal amount of up to HK\$400 million. Details of the terms of the Subscription Agreement and the Terms and Conditions are summarised below:

Date and Parties

Date : 6 December 2016

Parties : (a) the Company as issuer; and
(b) Macquarie Bank Limited as subscriber.

The Subscriber is a company incorporated under the laws of Australia. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the subscriber and its ultimate beneficial owners are an Independent Third Parties.

Subscription of Convertible Notes

Subject to the terms and conditions of the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes with a total principal amount of up to HK\$400 million.

Conversion of Convertible Notes

Pursuant to the Subscription Agreement, the conversion of the Convertible Notes by the Subscriber shall be subject to the following:

(i) Conversion Rejection

If, prior to the delivery of a conversion notice, the Subscriber has determined to transfer HK\$10,000,000 or more worth of Conversion Shares to be issued on a conversion to an identified third-party purchaser, the Subscriber shall inform the Company of the identity of the purchaser. After being informed of the identity of the purchase and receiving the relevant Conversion Notice, the Company shall have the benefit of such information in determining whether to reject the conversion by issuing a conversion rejection notice within the time limits prescribed in the Subscription Agreement. If the Company fails to deliver the conversion rejection notice within the prescribed time limits, the right to reject the conversion shall lapse.

(ii) Public Float

The Subscriber shall not be entitled to exercise any conversion right attached to the Convertible Notes if the Shares held by the public, after the Conversion Shares are issued on the intended conversion of the Convertible Notes, would be less than the minimum public shareholding threshold as required under the Listing Rules.

(iii) Non conversion period

The Company may declare up to three non-conversion periods by delivering to the Subscriber a three (3) prior Trading Days' notice. Each non-conversion period may last for up to ten (10) Trading Days, during which the Subscriber may not issue a Conversion Notice. A non-conversion period cannot be declared during any Committed Conversion Period. If a Committed Conversion Period is declared during any non-conversion period, that non-conversion period shall immediately cease and shall not resume after the completion of the Committed Conversion Period.

(iv) Committed Conversion Period

The Company may declare a Committed Conversion Period by delivering to the Subscriber a one (1) prior Trading Day notice. The Company may declare the next Committed Conversion Period at least five Trading Days after the completion of the immediately preceding Committed Conversion Period.

If the Company exercises its right of conversion rejection during a Committed Conversion Period, or if any outstanding Convertible Notes are redeemed, repurchased, matured or are otherwise terminated during a Committed Conversion Period, such Committed Conversion Period shall terminate automatically.

A Trading Day is a “**Qualified Trading Day**” if all of the following requirements are satisfied:

- (i) the spot trading price of the Shares during such Trading Day is at all times more than 110% of the Minimum Conversion Price;
- (ii) the spot trading price of the Shares during such Trading Day has at all times not decreased by 10% or more from the closing price of the Shares on the immediately preceding Trading Day;
- (iii) there are no Conversion Shares which have not been delivered in accordance with the Terms and Conditions on conversion of the Convertible Notes provided that this requirement (iii) shall not apply if the Company or a Shareholder has agreed to lend, and the Subscriber has agreed to borrow, the Conversion Shares on conversion of such Convertible Notes pursuant to the relevant stock borrowing and lending terms in line with the market practice;
- (iv) the total value of the Shares traded on-market (not including block trades or direct transactions) on such Trading Day is more than HK\$17,000,000;
- (v) the Subscriber does not know any material non-public information as of such Trading Day;
- (vi) the Subscriber is not prevented from exercising its right of conversion due to regulatory reasons;
- (vii) all of the Company’s representations and warranties as set out in the Subscription Agreement remain true, accurate and correct, and the Subscriber has no reasonable reason to believe otherwise; and
- (viii) no Event of Default has occurred and is continuing.

Conditions Precedent

The obligations of the Subscriber to subscribe and pay of the Convertible Notes under the Subscription Agreement are conditional on:

- (i) the Subscriber being satisfied with the results of due diligence investigations with respect to the Company and having obtained all necessary internal approvals to proceed with the transaction contemplated under the Subscription Agreement;
- (ii) at the CP Satisfaction Date and each Subsequent Closing Dates:
 - (a) the representations and warranties given by the Company in the Subscription Agreement being true, accurate and correct, and as if made on such date;
 - (b) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
 - (c) there having been delivered to the Subscriber a certificate in the specified form;
- (iii) after the date of the Subscription Agreement up to and at the CP Satisfaction Date and, in respect of the issue of any further Convertible Notes, each Subsequent Closing Date, there shall not have occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group, which, in the opinion of the Subscriber, is material and adverse in context of the issue and offering of the Convertible Notes;
- (iv) all consents and approvals (if required) in relation to the issue of the Convertible Notes and the performance of the Company's obligations under the Subscription Agreement and the Convertible Notes having been obtained and delivered to the Subscriber (including the consents and approvals required from the Stock Exchange and the Company's shareholders);
- (v) a certificate of no default in specified form having been delivered to the Subscriber;

- (vi) the Company having opened the Cash Account, and the execution and delivery of security arrangements in favour of the Subscriber in relation to the Convertible Notes, including, without limitation to, a charge over the Cash Account in a form satisfactory to the Subscriber;
- (vii) the Stock Exchange having granted approval of listing and permission from the Listing Committee of the Stock Exchange to deal in all the Conversion Shares which may fall to be allotted and issued upon exercise of the rights attaching to all Convertible Notes (or the Subscriber being reasonably satisfied that such approval will be granted);
- (viii) there having been delivered to the Subscriber (a) opinions of the Subscribers' Bermuda law and Hong Kong law legal advisers, in form and substance satisfactory to the Subscriber (b) and such other resolutions, consents, authorities and documents relating to the issue of the Convertible Notes, as the Subscriber may reasonably require.

The Subscriber may, at its discretion and upon such terms as it thinks fit, waive all or any of the conditions precedent as set out in the Subscription Agreement. If the above conditions are not fulfilled or are not either waived by the Subscriber, as the case maybe, by 1 February 2017, the Subscription Agreement will be terminated and there will be no obligation on the Company to issue, and the Subscriber to subscribe and pay, for the first tranche of the Convertible Notes. If the above conditions are not fulfilled or are not either waived by the Subscriber, as the case maybe on or prior to a Subsequent Closing Date, the Subscriber may terminate the Subscription Agreement in which case there will be no obligation the Subscriber to subscribe for subsequent tranches of the Convertible Notes.

Charge over Cash Account

To secure the performance of the obligations under the Terms and Conditions owing to the Subscriber by the Company, as one of the conditions precedent of the Subscription Agreement, the Company will enter into a charge over the Cash Account in favour of the Subscriber.

Closing

Subject to the satisfaction (or waiver as the case may be) of the conditions precedent set out above, completion of the issuance of the first tranche of the Convertible Notes shall take place on the Closing Date.

As the issue of the Convertible Notes is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are arrived at after arm's length negotiations between the Company and the Subscriber are summarised as follows:

Issuer : The Company

Principal amount : Up to HK\$400,000,000, separated in 4 tranches with each tranche in an aggregate principal amount of HK\$100 million.

The first tranche will be issued on the Closing Date. The Company is obliged to issue and the Subscriber is obliged to subscribe and pay for, within five (5) Trading Days after conversion of all Convertible Notes of the immediately preceding tranche, the next succeeding tranche of Convertible Notes.

Issue price : 94% of the principal amount of the Convertible Notes

Interest : The Convertible Notes shall carry an interest of 2% per annum from the interest commencement date as specified in the Terms and Conditions payable quarterly in arrears.

Maturity date : The date falling on the second anniversary of the Closing Date.

Ranking of the Convertible Notes : The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws or regulations, at all times rank at least equally with all of the Company's other present and future unsubordinated and unsecured obligations.

Redemption

: (i) Redemption at Maturity Date

Unless previously redeemed, converted or purchased and cancelled in accordance with the Terms and Conditions, the Convertible Notes will be redeemed by the Company at 94% of the principal amount of the Convertible Notes on the Maturity Date.

(ii) Redemption at the option of the Company

The Company may at any time before the Maturity Date and from time to time by serving at least twenty (20) Business Days prior written notice (“**Early Redemption Notice**”) to the Noteholders to redeem the Convertible Notes (in whole but not in part) at 94% of the principal amount of such Convertible Notes together with unpaid interest accrued up to the date of such early redemption. Once the Early Redemption Notice is served, it shall be irrevocable.

(iii) Redemption for Relevant Event

Following the occurrence of the Relevant Event (as stated below), the Noteholders will have the right, by serving at least twenty (20) Business Days prior written notice (“**Relevant Event Notice**”) to the Company, to require the Company to redeem the Convertible Notes (in whole but not in part) at 94% of the total amount of such Convertible Notes held by the Noteholder together with payment of interest accrued up to the date of such early redemption but unpaid. Once the Noteholder Request Notice is served, it shall be irrevocable.

Relevant Event

: A Relevant Event occurs when:

(i) the price of the Shares is less than 110% of the Minimum Conversion Price;

- (ii) the lower of the 10-day or 3-month average daily traded value of the Shares is less than HK\$14,000,000;
- (iii) the trading of the Shares is suspended, or has been suspended on the Stock Exchange or any other relevant stock exchange for at least 2 Trading Days at any time during the previous 20 Trading Days;
- (iv) in the opinion of the Noteholders, the Company or any of its representatives has provided any inside information (as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)) to the Noteholders; or
- (v) the Company fails to deliver any of the Shares converted in accordance with the Terms and Conditions.

Conversion period : Subject to and upon compliance with the Terms and Conditions, and in case the Noteholder is the Subscriber, the conditions set out in the Subscription Agreement. The conversion rights attaching to any Convertible Notes may be exercised in multiples of HK\$1,000,000, at the option of the Noteholder, at any time on and after the issue date of the Convertible Notes up to the date falling one day prior to the Maturity Date.

No fraction of a Share will be issued on conversion and no cash payment or adjustment will be made in respect thereof.

Revival and/or survival after default : Notwithstanding the above, if:

- (i) the Convertible Notes have become due and payable prior to the Maturity Date by reason of the occurrence of any Event of Default; or

- (ii) any Convertible Note is not redeemed on the Maturity Date in accordance with the Terms and Conditions

the conversion rights attached to the Convertible Notes will revive and/or will continue to be exercisable up to, and until, the close of business (at the place where the certificate(s) evidencing the Convertible Notes is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Notes has been duly received by the Noteholder, notwithstanding that the full amount of moneys payable in respect of such Convertible Note shall have been received by the Noteholders before such conversion date or that the conversion period may have expired before such relevant conversion date.

Conversion price : 100% of the volume weighted average price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the date of delivery of the relevant conversion notice by the Noteholders to the Company, but in any event shall not be lower than the Minimum Conversion Price.

Minimum Conversion Price : HK\$0.18 per Conversion Shares, subject to adjustments

Adjustment of Minimum Conversion Price : The Minimum Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation, subdivision or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) distribution of assets in specie;

- (iv) right issues of Shares or options over Shares at a price which is less than 95% of the market price per Share as at the date of the announcement of such issue;
- (v) right issues of other securities;
- (vi) issue of new Shares, or a grant of share options or warrants to subscribe for new Shares (other than issues of securities arising from the exercise of rights attached to the Convertible Notes or exercise of any other rights of conversion into, or exchange or subscription for Shares) at a price which is less than 95% of the market price per Share on the date of the announcement of such issue;
- (vii) issue of any securities (other than as mentioned in (iv), (v) or (vi) above) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the market price per Share on the date of the announcement of such issue;
- (viii) modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (vii) above (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than 95% of the market price per Share on the date of announcement of the proposals for such modification;

- (ix) sale or distribution of any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Minimum Conversion Price falls to be adjusted under conditions as mentioned in (ii), (iii), (iv), (v), (vi) or (vii) above (or, where applicable, would fall to be adjusted if the relevant issue was at less than 95% of the market price per Share on the relevant Trading Day)); and
- (x) other events not mentioned in (i) to (ix) above that the Company or the Noteholder determines that an adjustment should be made.

The Minimum Conversion Price shall not in any event be reduced to below the nominal or par value of the Shares as a result of any of the aforesaid adjustment unless under applicable law then in effect the Convertible Notes may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable Shares.

Conversion Share : Based on the Minimum Conversion Price of HK\$0.18 per Share, a maximum number of 2,222,220,000 Conversion Shares (rounding to the nearest multiple of 5,000 of Shares) will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represents:

- (i) approximately 18.52% of the total number of issued Shares of the Company as at the date of this announcement; and

- (ii) approximately 15.63% of the maximum total number of issued Shares of Company as enlarged by the allotment and issue of the Conversion Shares under the Convertible Notes (assuming that there is no other change in the shareholding structure and share capital of the Company from the date of this announcement and up to the date of full exercise of the rights attached to all tranches of the Convertible Notes).

Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued, will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant delivery date of the Conversion Shares except for any right excluded by mandatory provisions of applicable law and except that such Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record or other due date for the establishment of entitlement for which falls prior to the relevant delivery date of the Conversion Shares.

Transferability : Subject to the following, the Convertible Notes are transferable provided that (i) any transfer must be made with the prior written consent of Board, and (ii) no Convertible Notes shall be transferred to a connected person of the Company (as defined in the Listing Rules) or an associate of the Company's connected person.

No Noteholder may require the transfer of a Convertible Note to be registered:

- (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Terms and Conditions;
- (ii) after a conversion notice has been delivered with respect to a Convertible Note;

- (iii) after a Relevant Event Notice has been given or deposited in respect of such Convertible Note pursuant; or
- (iv) during the period of seven (7) days ending on (and including) any interest record date pursuant to the Terms and Conditions.

Event of Default : If, among others, any of the following events occurs, the Noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall accordingly thereby become, immediately due and payable at their principal amount and the interest accrued thereon (if any) to the date of payment:

- (i) *Non-payment*: the Company fails to pay the principal of or any premium or interest on any of the Convertible Notes when due and such failure continues for a period of two (2) Business Days;
- (ii) *Failure to deliver Shares*: any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following conversion of Convertible Notes where such failure is not remedied within one (1) Business Day of the delivery of the relevant conversion notice;
- (iii) *Breach of other obligations*: the Company does not perform or comply with any one or more of its other obligations in the Convertible Notes which default is incapable of remedy or, if capable of remedy, is not remedied within thirty (30) days after written notice of such default shall have been given to the Company by the Noteholders;

- (iv) *Cross-default*: (a) any other present or future indebtedness of the Company or any of its subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds HK\$100,000,000 or its equivalent;
- (v) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Company and is not discharged or stayed within thirty (30) days;
- (vi) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company in respect of any substantial part of the property, assets or revenues of the Company becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company, or the Company ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Noteholders;
- (viii) *Insolvency*: the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company; an administrator or liquidator of the Company or the whole or, in the opinion of the Noteholders, any substantial part of the assets and turnover of the Company is appointed;
- (ix) *Authorisation and consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Convertible Notes, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Convertible Notes admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done;

- (x) *Illegality*: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes; or
- (xi) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (v) to (ix).

GENERAL MANDATE

The Conversion Shares are to be issued under the General Mandate pursuant to which a maximum of 2,399,596,768 Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) can be issued and allotted. As at the date of this announcement, the General Mandate has not been utilized since it was granted. Accordingly, the maximum number of Conversion Shares to be allotted and issued based on the Minimum Conversion Price will utilise as to approximately 92.61% of the General Mandate. Hence no Shareholders' approval is required for the issue of Convertible Shares.

No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaging in the production and operation of shipbuilding, securities trading, and providing financial services business and intelligent car-parking and automotive device business.

The gross proceeds from the issue of the Convertible Notes will be approximately HK\$376 million. The net proceeds from the issue of the Convertible Notes will amount to approximately HK\$376 million. The Board currently intends to use the net proceeds from the issue of the Convertible Notes as follows:

- (1) approximately HK\$200 million of the net proceeds will be used to finance Acquisition as disclosed in the announcement of the Company dated 16 November 2016 and other possible acquisitions;
- (2) approximately HK\$150 million of the net proceeds will be used for the development of the Group's intelligent car-parking and automotive device business;
- (3) approximately HK\$26 million of the net proceeds will be used for the general working capital of the Group.

The Directors consider that the Subscription represents an opportunity to strengthen the financial position of the Company, to finance the Acquisition as well as development of its intelligent car-parking and automotive device business. The shareholder base of the Company will be broadened upon exercise of the conversion rights attached to the Convertible Notes.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholder as a whole.

SHAREHOLDING STRUCTURE

The shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after the allotment and issue of Conversion Shares upon full conversion of all tranches of the Convertible Notes at the Minimum Conversion Price of HK\$0.18 per Share are as follows (assuming there being no other change in the share capital of the Company):

Shareholder	At the date of this announcement		Immediately after the full exercise of rights attached to all tranches of the Convertible Notes at the Minimum Conversion Price	
	<i>No. of shares</i>	<i>Approximate percentage</i>	<i>No. of shares</i>	<i>Approximate percentage</i>
Mr. Li Ming (<i>Note 1</i>)	1,276,867,954	10.64	1,276,867,954	8.98
Mr. Zhang Shi Hong	31,140,000	0.26	31,140,000	0.22
The Subscriber	0	0.00	2,222,220,000	15.63
Public Shareholders	<u>10,689,975,886</u>	<u>89.10</u>	<u>10,689,975,886</u>	<u>75.17</u>
Total:	<u><u>11,997,983,840</u></u>	<u><u>100.00</u></u>	<u><u>14,220,203,840</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Li Ming, an executive Director, is deemed to be interested in the 310,940,000 Shares held by Lead Dragon Limited, a company wholly and beneficially owned by him.

FUNDING RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement.

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 entire registered capital of Nantong Huakai Heavy Industry Company Limited* (南通華凱重工有限公司) by the Group as announced in the Company’s announcement dated 16 November 2016
“Board”	Board of Directors
“Business Day(s)”	a day(s) (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business throughout their normal business hours in the Central district of Hong Kong
“Cash Account”	the cash account to be opened by the Company at the Subscriber (acting through its Hong Kong branch) for receiving and holding the net subscription moneys of the Convertible Notes
“Closing Date”	a Business Day no later than five business days after the CP Satisfaction Date as determined by the Subscriber
“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)
“Committed Conversion Period”	a period of twenty (20) Qualified Trading Days to be declared by the Company pursuant to the terms of the Subscription Agreement, during which the Subscriber shall convert all outstanding Convertible Notes of the tranche currently held by the Subscriber with the earliest issue date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Conversion Price”	the price at which Conversion Shares will be issued upon exercise of a Conversion Right, which is 100% of the volume weighted average price of the Shares as traded on the Stock Exchange or other relevant stock exchange on the Trading Day immediately preceding the date of delivery of the relevant conversion notice by the Noteholders to the Company, but not lower than the Minimum Conversion Price
“Conversion Rights”	the rights attached to the Conversion Notes for the conversion of the Convertible Notes into the Conversion Shares at the Conversion Price
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the Conversion Rights
“Convertible Notes”	the 2% convertible notes of a principal amount of up to HK\$400,000,000 due 2018 which may be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“CP Satisfaction Date”	the date on which all the conditions precedent as set out under the Subscription Agreement are satisfied
“Event of Default”	the event of default as specified in the Terms and Conditions
“General Mandate”	the general mandate granted to the Directors by the Shareholders’ resolution passed at the annual general meeting of the Company on 29 June 2016 to allot, issue and deal with up to 2,399,596,798 Shares, being 20% of the then total number of issued Shares as at the date of that resolution
“Group”	the Company and its Subsidiaries from time to time and “Group member” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the second anniversary from the Closing Date
“Minimum Conversion Price”	HK\$0.18 per Conversion Share (subject to adjustment)
“Noteholder(s)”	any person who is the registered holder of any Convertible Notes then outstanding
“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
“Qualified Trading Day(s)”	has the meaning ascribed thereto under the paragraph “SUBSCRIPTION AGREEMENT – Conversion of Convertible Notes” in this announcement
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Macquarie Bank Limited
“Subscription”	the subscription for the Convertible Notes by the Subscriber pursuant to the terms of the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 6 December 2016 entered into among the Company and the Subscriber in respect of the Subscription
“Subsequent Closing Date(s)”	closing date of each subsequent tranche of Convertible Notes
“Subsidiary”	any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“Terms and Conditions”	the terms and conditions of the Convertible Notes
“Trading Day(s)”	a day when the Stock Exchange or, as the case may be an alternative stock exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing
“%”	percent

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

Hong Kong, 6 December 2016

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, 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 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.