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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)**

**DISCLOSEABLE TRANSACTION  
COOPERATION FRAMEWORK AGREEMENT**

The Board announces that, on 28 December 2016 (after trading hours), the Company entered into the Cooperation Framework Agreement with Xiamen Xiangyu, Nangtong Wangzhe, Mr. Zhu and Mr. Li pursuant to which the parties agreed to collaborate in relation to the establishment of the Joint Venture according to the terms set out therein.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Cooperation Agreement exceed 5% but all of them are less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Mr. Li, a Director of the Company, is a connected person of the Company under the Listing Rules, the guarantee provided by Mr. Li on behalf of the Company constitutes a financial assistance and a connected transaction of the Company under Chapter 14A of the Listing Rules. However, since the financial assistance to be provided by Mr. Li is on normal commercial terms or better, and will not be secured by any asset of the Group, it is fully exempt from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

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## **THE COOPERATION FRAMEWORK AGREEMENT**

- Date: 28 December 2016
- Parties:
- (1) Xiamen Xiangyu
  - (2) Nantong Wangzhe
  - (3) Mr. Zhu
  - (4) the Company; and
  - (5) Mr. Li
- Subject of cooperation: The parties shall cooperate in relation to the establishment of the Joint Venture in Tongzhou District, Nantong City of the PRC which shall engage in shipbuilding, shipping logistics, leasing of ports, shipbuilding related financial leasing etc.
- Registered capital and capital contribution: The Joint Venture shall have a registered capital of RMB200 million, which shall be paid up in cash by within one week upon establishment of the Joint Venture in the following proportion:
- (1) RMB72 million to be contributed by Xiamen Xiangyu (or one of its designated Subsidiary), representing approximately 36% of the registered capital of the Joint Venture;
  - (2) RMB60 million to be contributed by Nantong Wangzhe, representing approximately 30% of the registered capital of the Joint Venture;

- (3) RMB48 million to be contributed by the Company (or one of its designated Subsidiary), representing approximately 24% of the registered capital of the Joint Venture; and
- (4) RMB20 million to be contributed by and held on trust by the aforesaid parties in such proportion to be agreed among the parties, representing approximately 10% of the registered capital of the Joint Venture, which shall be used as stock incentive compensation for the management of the Joint Venture (“**Incentive Shares**”).

The aforesaid registered capital is 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. The Company shall use its internal resources to satisfy the amount to be contributed to the Joint Venture.

Management of the  
Joint Venture:

The management of the Joint Venture will be as follows:

- (1) Shareholders of the Joint Venture, whose authority is to be exercised at shareholders’ meetings, is the highest authority of the Joint Venture. Xiamen Xiangyu, Nantong Wangzhe and the Company, each as shareholder of the Joint Venture, shall be entitled to exercise 40%, 33% and 27% of voting rights in the Joint Venture respectively. The Incentive Shares shall carry no voting rights. Save for expressly provided under applicable laws and regulations, a shareholders’ resolution requires the approval of at least 65% of the shareholders entitled to vote.
- (2) The Joint Venture shall set up a board of directors which shall consist of 7 members, of which Xiamen Xiangyu shall be entitled to nominate 3 members to the board, while Nantong Wangzhe and the Company shall each be entitled to nominate 2 members to the board. A decision of the board of directors requires the approval of not less than 2/3 of the directors.

The chairman of the board of directors shall be elected among the directors nominated by Xiamen Xiangyu; the deputy chairman of the board of directors shall be elected among the directors nominated by Nantong Wangzhe.

- (3) The Joint Venture shall set up a supervisory committee which shall consist of 3 members. Each of Xiamen Xiangyu, Nantong Wangzhe and the Company shall be entitled to nominate 1 member to the supervisory committee; the chairman thereof shall be nominated by the Company.
- (4) The Joint Venture shall have one general manager, deputy manager and financial controller. The general manager shall be appointed by the board of directors based on market and commercial considerations, the deputy manager and financial controller shall be nominated by Xiamen Xiangyu.

Earnest money deposit: Each of Nantong Wangzhe and the Company shall respectively pay an earnest money deposit of RMB40 million and RMB24 million to Xiamen Xiangyu within 5 business days of entering into of the Cooperation Framework Agreement. In the event either Nantong Wangzhe or the Company failed to pay up the capital or commits any breach of the Cooperation Framework Agreement, the non-defaulting party(ies) shall be entitled to forfeit the earnest money deposit.

Profit sharing: The profits of the Joint Venture shall be distributed in proportion to the subscribed capital contribution of the parties in the Joint Venture.

Acquisition by the Joint Venture: To parties to the Cooperation Agreement agreed that the Joint Venture shall, within the budget of RMB650 million, acquire high quality shipbuilding assets (“**Assets Acquisition**”).

The parties agreed that the initial capital of the Joint Venture will be applied towards the Assets Acquisition and any shortfall thereof shall be contributed by the Xiamen Xiangyu, Nantong Wangzhe and the Company in the proportion of 36%, 40% and 24% respectively. If any party experienced a capital shortfall, such party may obtain financing from the other parties provided that the borrowing party shall provide corresponding guarantee for such borrowing. Accordingly, the maximum amount of further contribution to be made by the Company shall be approximately RMB108 million.

As at the date of this announcement, no binding agreement as regards the Assets Acquisition has been entered into.

Undertakings by  
Nantong Wangzhe,  
Mr. Zhu, the Company  
and Mr. Li:

Each of Nantong Wangzhe, Mr. Zhu, the Company and Mr. Li undertakes with Xiamen Xiangyu that, upon completion of the Assets Acquisition, each of them and their associates shall consolidate their shipbuilding assets and capability so that the Joint Venture will serve as a platform to complement each party's competitive advantage.

Guarantee by Mr. Zhu  
and Mr. Li:

Mr. Zhu agreed to guarantee to Xiamen Xiangyu the due performance of Nantong Wangzhe's obligations under the Cooperation Framework Agreement for the period up to 2 years from the due date for Nantong Wangzhe to perform its payment obligations thereunder.

Mr. Li agreed to guarantee to Xiamen Xiangyu the due performance of the Company's obligations under the Cooperation Framework Agreement for the period up to 2 years from the due date for the Company to perform its payment obligations thereunder.

Since the Group will be interested in approximately 24% of the registered capital of Joint Venture upon its establishment and is entitled to appoint two of the seven directors of the Joint Venture, the Joint Venture will not become a Subsidiary of the Company.

## **INFORMATION OF THE PARTIES**

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.

Xiamen Xiangyu is a state-owned investment holding company established under the laws of the PRC. Its principal business is supply chain management and distribution services, development and management of public service platforms of industrial parks, and property development.

Nantong Wangzhe is a company established under the laws of the PRC. Its principal business is manufacture, fitting and sales of steel structures for ships. Mr. Zhu is the ultimate beneficial owner of Nantong Wangzhe.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Li who is an executive Director of the Company, each of Xiamen Xiangyu, Nantong Wangzhe and Mr. Zhu (as well as their respective ultimate beneficial owners) are third parties independent of the Company and its connected persons.

## **REASONS FOR AND BENEFITS OF THE INVESTMENT**

The Cooperation Framework Agreement provides the Company with an opportunity to collaborate with Xiamen Xiangyu, which is a substantial state-owned investment holding company, and Nantong Wangzhe. The Joint Venture will benefit from (i) Xiamen Xiangyu's competitive advantage in supply chain management, and (ii) Nantong Wangzhe's and the Company's experience in shipbuilding, exploration of international markets and relationship building with customers. Upon establishment of the Joint Venture, the Group will consider diverting its shipbuilding business to Nantong which offers a lower cost of material procurement and transportation. Such diversion can consolidate the Group's shipbuilding business, ease the sustained loss suffered by the Group's shipbuilding business and at the same time spare extra capacities to its intelligent car-parking and automotive device business and other new business opportunities the Company may venture into, through which the Company will be able to integrate its resources and improve its profitability.

The Directors consider that the terms of the Cooperation Framework Agreement are fair and reasonable and based on normal commercial terms, and the entering into of the Cooperation Framework Agreement is the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS OF LISTING RULES**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Cooperation Agreement exceed 5% but all of them are less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Mr. Li, a Director of the Company, is a connected person of the Company under the Listing Rules, the guarantee provided by Mr. Li on behalf of the Company constitutes a financial assistance and a connected transaction of the Company under Chapter 14A of the Listing Rules. However, since the financial assistance to be provided by Mr. Li is on normal commercial terms or better, and will not be secured by any asset of the Group, it is fully exempt from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“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
“Cooperation Framework Agreement”	the cooperation framework agreement dated 28 December 2016 entered into among Xiamen Xiangyu, Nantong Wangzhe, Mr. Zhu, the Company and Mr. Li

“Director(s)”	director(s) of the Company
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture”	the joint venture proposed to be established in under the laws of PRC pursuant to the Cooperation Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Ming (李明), an executive Director and the Chairman of the Company
“Mr. Zhu”	Mr. Zhu Jianhua (朱建華), the ultimate beneficial owner of Nantong Wangzhe
“Nantong Wangzhe”	Nantong Wangzhe Shipbuilding Construction Company Limited* (南通旺哲船舶工程有限公司), a company established under the laws of PRC
“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
“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



“Xiamen Xiangyu” Xiamen Xiangyu Group Limited\* (廈門象嶼集團有限公司), a state-owned investment holding company established under the laws of PRC

“%” per cent

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

Hong Kong, 28 December 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.*