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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)

SUPPLEMENTAL ANNOUNCEMENT

RELATING TO

**(1) THIRD SUPPLEMENTAL AGREEMENTS
RELATING TO THE SUBSCRIPTION
OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) LAPSE OF MAJOR TRANSACTION IN RELATION TO
DISPOSAL OF 20% EQUITY INTEREST
IN ZHEJIANG OCEAN**

**THIRD SUPPLEMENTAL AGREEMENT TO SUBSCRIPTION
AGREEMENT I**

References are made to the announcement of China Ocean Industry Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 19 July 2019, 2 August 2019, 23 August 2019, 20 September 2019, 27 September 2019, 30 November 2019, 4 December 2019, 11 December 2019 and 31 December 2019 respectively (the “**CB Announcements**”) and the circular of the Company despatched on 3 October 2019 (the “**CB Circular**”) in relation to the issue of the Convertible Bonds. Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those defined in the CB Announcements and the CB Circular.

The Company hereby supplements information contained in the Announcements as follows:

UPDATE ON THE SUBSCRIPTION ON THE CONVERTIBLE BONDS BY THE SUBSCRIBER 1

As advised by the Subscriber 1, the conditions precedent (4) of the Subscription Agreement I has yet to be fulfilled as of the date of this announcement. The Subscriber 1 is confident about the prospect of the Company, since 30 November 2019 the Subscriber 1 has been internally evaluating the prevailing uncertain political environment and analysing the potential impact to the financial market in Hong Kong. The Subscriber 1 is still in the course of procuring all the necessary consents and approvals required for the Subscription as of the date of this announcement.

As advised by the Directors of the Company, after the discussion between the Directors and the Subscriber 1, the Subscriber 1 considers that the general political environment in Hong Kong is moderating but still uncertain. All the necessary consents and approvals required for the Subscription by the Subscriber 1 are expected to be obtained and hence condition precedent (4) is expected to be fulfilled by the end of January 2020.

UPDATE ON THE SUBSCRIPTION ON THE CONVERTIBLE BONDS BY THE SUBSCRIBER 2

As disclosed in the CB Circular, Completion shall take place whereby the Convertible Bonds shall be issued to the Subscribers in 4 tranches in the respective amount to be agreed between the Company and the Subscribers within one month after the satisfaction of all of the conditions precedent. The Board also wishes to update the Shareholders that the Subscription amount for the first tranche of Convertible Bonds by Subscriber 2 of approximately HK\$11.1 million has been paid by Subscriber 2 to the Company on 11 December 2019 and accordingly Convertible Bonds in the corresponding principal amount have been issued to Subscriber 2 on 11 December 2019.

As advised by the Directors of the Company, after the discussion between the Directors and the Subscriber 2, the Subscriber 2 targets to complete the Subscription of the remaining three tranches of Convertible Bonds in the aggregate principal amount of HK\$48.9 million by 11 January 2020. The Convertible Bonds in the aggregate principal amount of HK\$48.9 million will be issued to the Subscriber 2 shortly after the confirmation of receiving the payment.

LAPSE OF MAJOR TRANSACTION

References are made to the announcements of the Company dated 28 February 2019, 6 March 2019, 11 April 2019, 3 May 2019, 17 May 2019, 30 May 2019, 15 July 2019, 30 July 2019, 31 August 2019, 30 October 2019, 21 November 2019, 17 December 2019 and 31 December 2019 (collectively “**Announcements**”) and the circular of the Company dated 14 August 2019 (the “**Circular**”) in relation to, among other things, the Disposal. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcements and the Circular.

The Company hereby supplements information contained in the Announcements as follows:

The Board consider that the lapse of the major transaction will not have any material adverse impact on the existing business, operation and financial position of the Group. The Board is actively seeking for alternative solution to dispose the 20% equity interest in Zhejiang Ocean.

The audit committee of the Company is of the view that given that Company has failed to complete the Disposal before 31 December 2019 and Zhejiang Ocean now remains an associate of the Company, the Company will use its best endeavour and will make use of the measures set out in Pg.5 to Pg.7 under the heading “Limitation of scope on interests in associates” of the announcement dated 2 May 2019 and Pg.1 to Pg.3 under the heading “DISCLAIMER ON THE INTERESTS IN ASSOCIATES” of announcement dated 29 May 2019, in particular, the Company has contacted the responsible personnel of Zhejiang Ocean who has agreed to allow the external auditor of the Company to conduct site visit and field work for the audit work in respect of the year ended 31 December 2019, to avoid the qualified opinions in relation to carrying value of Zhejiang Ocean as at 31 December 2019.

Based on the views of the external auditor, as there is limitation of scope in Zhejiang Ocean (i.e. interest in associates) for the year ended 31 December 2018, any adjustment to the carrying amounts may affect the opening balances of interest in Zhejiang Ocean as at 1 January 2019 as the aforesaid limitation of scope will have carry forward effect for the year ended 31 December 2019, it is expected that there will be a “limitation of scope on prior year’s scope limitation affecting opening balances, share of results of associates and comparative figures” for the year ended 31 December 2019.

If the external auditor is able to obtain sufficient information and explanations from the management of Zhejiang Ocean that are considered as necessary to prepare the consolidated financial statements of the Company and audit work could be performed in respect of Zhejiang Ocean for the year ended 31 December 2019 with satisfactory result, no qualified opinion in relation to the carrying value of Zhejiang Ocean as at 31 December 2019 will be expressed in the 2019 Result Announcements.

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

Hong Kong, 9 January 2020

As at the date of this announcement, the Board of the Company comprises two executive directors, namely, Mr. Li Ming and Mr. Zhang Shi Hong; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.