

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Financial Adviser



Draco Capital Limited

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 10 March 2020 (after trading hours), the Company entered into the Subscription Agreements with Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 68,000,000 Subscription Shares at the Subscription Price of HK\$0.105 per Subscription Share. The total consideration payable by the Subscribers under the Subscription Agreements amounts to HK\$7,140,000.

The Subscription Shares represent (i) approximately 19.95% of the existing total number of issued Shares of 340,920,971 Shares as at the date of this announcement; and (ii) approximately 16.63% of the enlarged total number of issued Shares of 408,920,971 Shares immediately following Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the date of this announcement and Completion.

The gross proceeds and net proceeds of the Subscription will be approximately HK\$7,140,000 and HK\$6,640,000 respectively. The net proceeds of the Subscription are intended to be utilized as general working capital of the Group.

Completion is subject to fulfilment of the conditions under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 10 March 2020 (after trading hours), the Company entered into the Subscription Agreements with each of the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 68,000,000 Subscription Shares at the Subscription Price of HK\$0.105 per Subscription Share. The total consideration payable by the Subscribers under the Subscription Agreements amounts to HK\$7,140,000.

THE SUBSCRIPTION AGREEMENTS

On 10 March 2020 (after trading hours), the Company has entered into the Subscription Agreements, on substantially the same terms (save for the Subscription amounts and the number of Subscription Shares subscribed by each of the Subscribers), with each of the Subscribers respectively.

Subscription Shares

Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 68,000,000 Subscription Shares, representing:

- (1) approximately 19.95% of the existing total number of issued Shares of 340,920,971 Shares as at the date of this announcement; and
- (2) approximately 16.63% of the enlarged total number of issued Shares of 408,920,971 Shares immediately following Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the date of this announcement and Completion.

Subscription Price

The Subscription Price of HK\$0.105 per Subscription Share represents:

- (1) a discount of approximately 3.67% to the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements;
- (2) a discount of approximately 6.75% to the average closing price of HK\$0.1126 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreements; and
- (3) a discount of approximately 7.89% to the average closing price of HK\$0.114 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the historical price trend and trading volume of the Shares, the existing capital market conditions, the funding needs and financial and operation prospects of the Group's business.

The Directors consider that the Subscription Price is on normal commercial terms and is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares shall be free from any liens, charges, encumbrances, option, warrant, preemptive right or security interest, adverse claims or third-party right whatsoever and together with all rights attaching to them as at the date of Completion, with rights which rank *pari passu* in all respects among themselves and to other Shares in issue, including the right to receive all dividends and other distributions declared, made or paid at any time on or after the date of Completion.

Conditions Precedent

Completion is conditional upon satisfaction of the following conditions:

- (1) the Board having passed all necessary resolutions in approving the Subscription Agreements and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares);
- (2) the Listing Committee of the Stock Exchange granting or agreeing to grant a listing of, and permission to deal in, the Subscription Shares;
- (3) The representations and warranties of the Company being true and accurate in all material respects as at the dates of the Subscription Agreements and the Completion;
- (4) The representations and warranties of the Subscribers being true and accurate in all material respects as at the dates of the Subscription Agreements and the Completion; and
- (5) All parties to the Subscription Agreements obtaining consent and approval (if any) in respect of the Subscription Agreements and the transactions contemplated thereunder, obtaining all necessary certificate, authorisation, license and permission issued by relevant governmental departments (including but not limited to validation order(s) granted by the Court of Hong Kong in relation to the Subscription), and such certificate, authorisation, license and permission maintaining effective, and there being no rules or regulations implemented by relevant entities prohibiting or materially affecting the performance and the Completion of the Subscription Agreements.

Save for (3) and (4) above, the conditions cannot be waived by the parties. In the event the above conditions are not fulfilled (or waived) by the Long Stop Date, the Subscription Agreements shall terminate and all rights, obligations and liabilities of the parties under the Subscription Agreements in relation to the Subscription shall cease and determine and none of the parties shall have any claim against the others in respect of the Subscription save for any antecedent breach.

Completion

Completion will take place on the tenth Business Day after the last condition has been satisfied or waived, or such other date as the parties may agree in writing. At Completion, the Company will allot and issue 68,000,000 Subscription Shares to the Subscribers, and the Subscribers will make payments either by delivery of a cashier's order or such other methods as the parties may agree.

GENERAL MANDATE

At the annual general meeting of the Company held on 21 June 2019, a resolution of the Shareholders was passed to grant to the Directors a General Mandate to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution. The Company is authorised to allot and issue a maximum of 68,184,194 new Shares under the General Mandate (adjusted after the Capital Reorganisation became effective on 29 October 2019).

As at the date of this announcement, the Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the Subscription Agreements. The Subscription Shares will be allotted and issued under the General Mandate. Accordingly, the Subscription Agreements and the issue of Subscription Shares under the General Mandate are not subject to Shareholders' approval.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company. Its subsidiaries are principally engaging in the shipbuilding related business, trading business, finance leasing business, intelligent car-parking and automotive device business and steel structure engineering and installation business.

The Directors consider raising funds by the Subscription provide an opportunity for the Company to enhance its financial position. The gross proceeds and net proceeds of the Subscription will be approximately HK\$7,140,000 and HK\$6,640,000 respectively. The net proceeds of the Subscription are intended to be utilized as general working capital of the Group.

The net price per Subscription Share based on the above net proceeds is approximately HK\$0.098.

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

Information about the Subscribers

According to the information provided by the Subscribers and to the best of the Directors' knowledge, information and belief having made reasonable enquiries, as at the date of this announcement, each of the Subscribers is not interested in the issued shares of the Company and each of the Subscribers is an Independent Third Party.

EFFECTS OF THE SUBSCRIPTION ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the date of this announcement and Completion:

Shareholder	At the date of this announcement		Immediately after the Completion	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Mr. Li Ming	31,219,448	9.16%	31,219,448	7.64%
Lead Dragon Limited (<i>Note 1</i>)	13,550,125	3.97%	13,550,125	3.31%
Mr. Zhang Shi Hong	242,750	0.07%	242,750	0.06%
The Subscribers	–	–	68,000,000	16.63%
Public Shareholders	<u>295,908,648</u>	<u>86.80%</u>	<u>295,908,648</u>	<u>72.36%</u>
Total:	<u>340,920,971</u>	<u>100.00%</u>	<u>408,920,971</u>	<u>100.00%</u>

Notes:

1. Lead Dragon Limited is wholly-owned by Mr. Li Ming, the chairman and an executive Director.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

In the past twelve months immediately prior to the date of this announcement, the Group completed the following fund raising exercise to strengthen its financial position. Details of which are set out as follows:

Date of Announcement	Description of fund raising activities	Intended use of proceeds	Gross proceeds raised (Approximately)	Net proceeds raised (Approximately)
19 July 2019	Subscription of Convertible Bonds under Specific Mandate	Repayment of outstanding debts	HK\$11.1 million	HK\$10.1 million

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

WINDING UP PETITION

References are made to the announcements of the Company dated 5 August 2019, 28 August 2019, 23 September 2019, 25 September 2019, 27 September 2019, 20 November 2019, 11 December 2019, 16 December 2019, 31 December 2019, 12 January 2020, 17 January 2020, 20 January 2020 and 3 February 2020, regarding, inter alia, the winding up petition against the Company and the Time Summons for extension of time for the Payment into Court (collectively, the “**Announcements**”). The Company will apply to the Court for a validation order and the completion of the Subscription will take place after the validation order on issue of new shares is granted by the court.

The Company will keep Shareholders and potential investors informed of any significant development of the validation order and will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

GENERAL

The Subscription Shares will be issued under the General Mandate and therefore the Subscription will not be subject to Shareholder's approval. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

Completion is subject to fulfilment of the conditions thereunder. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reorganisation”	the capital reorganisation of the Company comprising (i) the capital reduction; and (ii) the share consolidation, became effective on 29 October 2020
“Company”	China Ocean Industry Group Limited (中海重工集團有限公司), a company incorporated in the Bermuda with limited liability, the Shares of which are listed on the Main Board (Stock Code: 0651)
“Completion”	completion of the Subscription

“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 21 June 2019 to allot, issue and deal with the Shares
“Group”	the Company and its subsidiaries from time to time and “Group member” shall be construed accordingly
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Party(ies)” independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	10 April 2020, or such other date as the Company and the relevant Subscriber may agree in writing
“Main Board”	Main Board of the Stock Exchange
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Share(s)”	the ordinary share(s) of par value of HK\$0.04 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	six individual subscribers, each of them is an Independent Third Party and is independent with each other (collectively the “Subscribers” and each is a “Subscriber”)
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms of the Subscription Agreements
“Subscription Agreements”	the conditional subscription agreements dated 10 March 2020 entered into between the Company as issuer and the Subscribers for the subscription of 68,000,000 (with respect to 15,000,000, 15,000,000, 8,000,000, 12,000,000, 8,000,000 and 10,000,000 respectively) Subscription Shares at the Subscription Price;
“Subscription Price”	HK\$0.105 per Subscription Share;
“Subscription Shares”	an aggregate of 68,000,000 Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements; and
“%”	per cent

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

Hong Kong, 10 March 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, 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.