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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 BUSINESS UPDATE

This announcement is made by China Ocean Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis. The purpose of this announcement is to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the latest business development of the Group.

The Group’s existing businesses mainly include three areas, namely (i) shipbuilding; (ii) steel structure engineering and installation and (iii) intelligent car parking and automotive device business.

SHIPBUILDING BUSINESS

The Group intends to continue its shipbuilding business by utilizing plant and facilities in its production base in Jiangzhou, Jiangxi. However, due to the continuous downturn of the shipbuilding industry in the PRC and the globe, the Group has been suffering from difficulties in fundraising with high cost of funding and experiencing critical financial condition in recent years which has adversely affected the Group’s current financing plan and business development in the shipbuilding business.

The Group had disposed of certain subsidiaries and/or investments in 2020 with a view to increase working capital and reduce debts due to other shareholders of subsidiaries or associated companies. In order to further diversify and develop its business, the Group is now focusing on revitalizing the existing shipbuilding assets, such as lands, production bases and shorelines of Yangtze River which are primarily located in Jiangzhou, Jiangxi with the support from different levels of governments in Jiangxi Province and Jiangsu Province. As such, the Group is currently actively discussing with the long-term cooperation partner and the Jiangxi government for the possibility of collaboration in shipbuilding business, among others, referral of potential customers and fund raising to reactivate the production facilities of the Group. However, the progress depends on the recovery of the economy from COVID-19 and trade war and the progress of debt restructuring of the Group.

For the purpose of restructuring and renovating the wharf and shoreline of Yangtze River into a mining ores loading port, the Group has purchased a set of 1,000 t/h fixed shiploader in June 2020 and a set of 1,000 t/h fixed conveyer in July 2020. It is expected that the renovation and restructuring would be completed in early 2021 and income would be generated from the wharf loading fee paid by mining companies in the adjacent areas and the provision of logistic services in the future. Also, the Group has maintained some maintenance service contracts and signed a lease agreement in May 2020 to lease out the oil depots located in the production base in Jiangzhou for broadening the income source of the Group.

STEEL STRUCTURE ENGINEERING AND INSTALLATION BUSINESS

In respect of this business segment, the Group is currently performing (i) the service contract entered into with a PRC state-owned enterprise (the “**Customer A**”) in March 2020 for provision of coating construction for bridge steel structure; and (ii) the service contract for provision of coating construction for bridge steel structure entered into with a construction group in Henan Province in February 2020.

In addition to the contracts abovementioned, the Group is in the negotiation of a further steel structure engineering contract with the Customer A, pursuant to which the Group would provide production plant and equipment to the Customer A for production of bridge steel structure and also the service for raw material logistics, paint coating, storage and delivery of the finished products of the steel structure.

CAR PARKING AND AUTOMOTIVE DEVICE BUSINESS

The Group is currently performing (i) the contract with a property developer in Xi'an Province for provision of design, equipment procurement and installation service of automotive car parking device; and (ii) the contract with a construction company in Xi'an Province for supply and installation of three-dimensional automotive car parking device for a construction project.

In respect of the measures to address the financial difficulties of the Group, the Company is still currently actively discussing with various creditors, banks, financial institutions with its legal advisers and other professional parties to formulate a plan to improve its financial position and business operation and to dismiss the winding up petition. However, it takes time to ascertain various factors, such as debt restructuring plan, the validation orders for completing the subscriptions of new shares and the CB and therefore with a view to avoid misrepresentation and unnecessary misunderstanding, the Company will make announcement to update shareholders and potential investors of the Company as soon as practicable once the key factors could be ascertained.

To conclude, the Company believes that, with sufficient financial resources to be carried out by debt restructuring and fund raising, the Group's businesses are viable and sustainable. The global recession and the COVID-19 Pandemic in 2019 and 2020 have unavoidably brought in adverse impact to the overall business environment and created hardship to the survival of companies. Nevertheless, with the current negotiation and cooperation with various parties, among others, creditors, governments and business partners, the Company is confident that the business operation and financial performance will gradually improve in the forthcoming future.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 December 2020

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

* *For identification purpose only*