
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **China Ocean Industry Group Limited**, you should at once hand this circular and proxy form enclosed herein to the Purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the Purchaser or transferee.

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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)

**(1) MAJOR TRANSACTION – DISPOSAL OF
20% EQUITY INTEREST IN ZHEJIANG OCEAN
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

FINANCIAL ADVISER



Draco Capital Limited

A notice convening the SGM of the Company to be held at Unit 07, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 30 August 2019 at 10:30 a.m. is set out on pages 28 to 29 of this circular.

If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the SGM and/or the Hong Kong Observatory has announced at or before 12:00 noon on the date of the SGM that either of the above mentioned warnings is to be issued within the next two hours, the SGM will be adjourned. The Company will publish an announcement to notify Shareholders of the date, time and place of the adjourned SGM.

The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather conditions bearing in mind their own situation.

Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

14 August 2019

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DEFINITIONS

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

“Agreed Exchange Rate”	USD1:RMB6.8701
“Auditor”	the auditor of the Company
“Board”	the board of Directors
“Business Day”	any day which banks in the PRC are open for business
“Bye-laws”	the bye-laws of the Company as amended from time to time
“Company”	China Ocean Industry Group Limited, a company incorporated in Bermuda and the issued Shares of which are listed on the Stock Exchange (Stock code: 651)
“Company A”	Zhoushan Dinghai District State-owned Assets Management Co., Ltd.* (舟山市定海區國有資產經營有限公司), a company established under the laws of the PRC with limited liability
“Company B”	Zhoushan Putuo District State-owned Assets Investment Management Co., Ltd.* (舟山市普陀區國有資產投資經營有限公司), a company established under the laws of the PRC with limited liability
“Company C”	Zhoushan Islands New District Penglai State-owned Assets Investment Group Co., Ltd.* (舟山群島新區蓬萊國有資產投資集團有限公司), a company established under the laws of the PRC with limited liability
“Company D”	Jixian State-owned Assets Investment Management Co., Ltd.* (嵊泗縣國有資產投資經營有限公司), a company established under the laws of the PRC with limited liability
“Company E”	Zhejiang Financial Development Corporation* (浙江省財務開發公司), a company established under the laws of the PRC
“Company F”	Zhejiang Financial Holdings Co., Ltd.* (浙江省金融控股有限公司), a company established under the laws of the PRC with limited liability

DEFINITIONS

“Company G”	Zhejiang Innovation Development Investment Co., Ltd.* (浙江省創新發展投資有限公司), a company established under the laws of the PRC with limited liability
“Company H”	Zhejiang Zhoushan Islands New District Finance Investment Fund Co., Ltd.* (浙江舟山群島新區財金投資基金有限公司), a company established under the laws of the PRC with limited liability
“Company I”	Zhejiang Industrial Fund Co., Ltd.* (浙江省產業基金有限公司), a company established under the laws of the PRC with limited liability
“Company J”	Zhoushan City Finance Investment Holdings Co., Ltd.* (舟山市財金投資控股有限公司), a company established under the laws of the PRC with limited liability
“Company K”	Zhejiang Zhoushan Transformation and Upgrading Industry Fund Co., Ltd.* (浙江舟山轉型升級產業基金有限公司), a company established under the laws of the PRC with limited liability
“Company L”	Zhoushan State-owned Assets Investment Management Co., Ltd.* (舟山市國有資產投資經營有限公司), a company incorporate in PRC with limited liability
“Completion”	completion of the Zhejiang Ocean Disposal pursuant to the terms of the Share Purchase Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Sale Interest under the Share Purchase Agreement
“Director(s)”	the director(s) of the Company
“DS-SASAC”	DaiShan County State-owned Assets Supervision and Administration Commission* (岱山縣國有資產管理委員會)
“First Supplemental Agreement”	the supplemental agreement to the Share Purchase Agreement dated 30 May 2019 entered into between the Vendor and the Purchaser
“Group”	the Company and its subsidiaries

DEFINITIONS

“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)”	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
“Jiangxi Shipbuilding”	Jiangxi Jiangzhou Union Shipbuilding Co., Ltd* (江西江州聯合造船有限責任公司), a wholly-owned subsidiary of the Company
“Latest Practicable Date”	9 August 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Long Stop Date”	31 August 2019 (or such other date as the parties to the Share Purchase Agreement may agree in writing)
“Nantong Xiangyu”	Nantong Xiangyu Ocean Equipment Company Limited* (南通象嶼海洋裝備有限責任公司), a company established under the laws of the PRC, in which the Group then held 24% equity interest immediately prior to the forced transfer as disclosed in the Company’s announcement dated 27 May 2019
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“PT-MOF”	Putuo District Ministry of Finance* (普陀區財政局)
“Purchaser”	China Medical Services Holdings Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	Equity interest of US\$20 million, representing 20% of the registered capital of US\$100 million of Zhejiang Ocean

DEFINITIONS

“Second Supplemental Agreement”	the supplemental agreement to the Share Purchase Agreement dated 30 July 2019 entered into between the Vendor and the Purchaser
“SFO”	the Securities and Futures Ordinance (Cap. 571)
“SGM”	the special general meeting of the Company to be held at Unit 07, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 30 August 2019 at 10:30 a.m. for the purpose of considering and, if thought fit, approving, among others, the Share Purchase Agreement and the transaction contemplated thereunder
“SGM Notice”	the notice dated 14 August 2019 for convening the SGM and included in this circular
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 28 February 2019 entered into between the Vendor and the Purchaser as amended and supplemented by the Supplemental Agreements
“Shareholder(s)”	holder(s) of the Share(s)
“SS-SASAC”	Shengsi County State-owned Assets Supervision and Administration Commission* (嵊泗縣國有資產管理委員會)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary/subsidiaries”	any entity which falls within the meaning of the term “subsidiary” as defined in the Listing Rules and the term “subsidiaries” shall be construed accordingly
“Supplement Agreements”	the First Supplemental Agreement and the Second Supplemental Agreement
“Supplemental Announcements”	collectively, the supplemental announcements of the Company dated 6 March 2019, 30 May 2019 and 30 July 2019 in respect of the Zhejiang Ocean Disposal
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“Vendor”	Merge Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“ZF-FDCL”	Zhejiang Finance Development Limited Company* (浙江省財務開發有限公司), a company established under the laws of the PRC with limited liability
“ZJ-DOF”	Department of Finance of Zhejiang Province* (浙江省財政廳)
“ZS-SASAC”	Zhoushan City State-owned Assets Supervision and Administration Commission* (舟山市國有資產監督管理委員會)
“ZSDH-MOF”	ZhouShan City Ding Hai District Ministry of Finance* (舟山市定海區財政局)
“Zhejiang Ocean”	Zhejiang Ocean Leasing Company Limited* (浙江海洋租賃股份有限公司), a sino-foreign joint equity enterprise established under the laws of the PRC
“Zhejiang Ocean Disposal”	the disposal of the Sale Interest by the Vendor to the Purchaser pursuant to the Share Purchase Agreement
“ZS-MOF”	ZhouShan City Ministry of Finance* (舟山市財政局)
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of US\$ to HK\$ and RMB to HK\$ in this circular is based on the exchange rate of US\$1 to HK\$7.8 and RMB1 to HK\$1.1151 respectively. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.

The English translation of Chinese names or words in this circular, 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.*

LETTER FROM THE BOARD

CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

Executive Directors:

Mr. Li Ming (*Chairman*)

Mr. Zhang Shi Hong (*Chief Executive Officer*)

Mr. Zhang Weibing

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Non-Executive Directors:

Mr. Chau ON Ta Yuen

Principal Place of Business in

Hong Kong:

Unit 07, 21/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan, Hong Kong

Independent Non-executive Directors:

Ms. Xiang Siying

Mr. Hu Bai He

Ms. Xiang Ying

14 August 2019

To the Shareholders,

Dear Sir or Madam,

**(1) MAJOR TRANSACTION DISPOSAL OF
20% EQUITY INTEREST IN ZHEJIANG OCEAN
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is 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 and 30 July 2019, respectively.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information on the Zhejiang Ocean Disposal; and (ii) other information in accordance with requirements of the Listing Rules.

LETTER FROM THE BOARD

DISPOSAL OF 20% EQUITY INTEREST IN ZHEJIANG OCEAN

Introduction

Reference is made to the announcements of the Company dated 28 February 2019, 6 March 2019, 30 May 2019, 15 July 2019 and 30 July 2019, respectively in relation to the disposal of 20% equity interest in Zhejiang Ocean.

The Board is pleased to announce that on 28 February 2019 (after trading hours), the Vendor and the Purchaser entered into the Share Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest at a maximum Consideration of RMB170 million. On 30 May 2019 and 30 July 2019, Vendor and Purchaser entered into the Supplemental Agreements to amend and supplement certain terms of the Share Purchase Agreement.

The Share Purchase Agreement and the Supplemental Agreements

Set out below are the principal terms of the Share Purchase Agreement (as amended and supplemented by the Supplemental Agreements):

- Date:** 28 February 2019 (the Share Purchase Agreement), 30 May 2019 (the First Supplemental Agreement) and 30 July 2019 (the Second Supplemental Agreement)
- Parties:**
- (1) The Vendor, a wholly-owned subsidiary of the Company
 - (2) The Purchaser
- Asset to be disposed of:** The Sale Interest, which represent 20% of the equity interest in Zhejiang Ocean.

Consideration and payment terms:

The Consideration shall be the lower of the following and shall not exceed RMB170 million in any event:

- (i) the value determined by the following formula:

$$(A \times 20\%) (\text{“Part A Consideration”}) + (B \times 20\%) (\text{“Part B Consideration”})$$

LETTER FROM THE BOARD

where:

A = the net asset value of Zhejiang Ocean as at 31 December 2018 (net of non-recurring gains or loss) based on the audited financial statements for the year ended 31 December 2018 conducted by a qualified auditor in the PRC as agreed by the parties to the Share Purchase Agreement (or their respective associates authorised to do so) $\times 110\%$ + the RMB equivalent amount of US\$3.75 million based on the Agreed Exchange Rate, i.e. RMB787,670,123; and

B = the audited net loss of Zhejiang Ocean for the period from 1 January 2019 to 31 May 2019 i.e. RMB9,884,097;

or

(ii) RMB170 million.

The Vendor and the Purchaser acknowledged that the Consideration determined by the formula in (i) above. The Vendor and the Purchaser agreed to further adjust upward the Consideration determined by the aforesaid formula to RMB162,600,000, which shall represent the final amount of Consideration payable by the Purchaser to the Vendor for the Sale Interest.

The Consideration is payable in cash by the Purchaser to the Vendor according to the following schedule:

- (a) 70% of the Consideration, representing RMB113,820,000, shall be payable within 5 Business Days from Completion; and
- (b) the remaining 30% of the Consideration, representing RMB48,780,000, shall be payable within 5 Business Days upon completion of the registration in respect of the change in shareholder of Zhejiang Ocean with the relevant PRC governmental authority.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser having regard to the value of Zhejiang Ocean as at 31 December 2018 and the latest audited net loss of Zhejiang Ocean from 1 January 2019 to 31 May 2019. The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and Shareholders taken as a whole.

For illustrative purpose, on the basis of (i) the audited net asset value of Zhejiang Ocean as at 31 December 2018 (net of non-recurring gains or loss) of approximately HK\$853,863,000; (ii) the unpaid capital in Zhejiang Ocean of HK\$152,455,000; (iii) the audited net loss of Zhejiang Ocean for the period from 1 January 2019 to 31 May 2019 in the amount of approximately RMB9,884,097 and (iv) the future prospects of Zhejiang Ocean.

LETTER FROM THE BOARD

Conditions Precedent

Completion shall be conditional upon fulfilment of the following conditions precedent:

- (1) the Vendor having discharged the share charge created over the Sale Interest and the corresponding secured obligations and debts;
- (2) the Vendor having agreed to the Zhejiang Ocean Disposal and the Sale Interest are free from encumbrances otherwise acknowledged between the parties;
- (3) the Purchaser having completed its due diligence on Zhejiang Ocean to its reasonable satisfaction;
- (4) the parties having obtained all internal approvals and consents in respect of the Share Purchase Agreement;
- (5) all necessary governmental approvals, registration or filing (if needed) in relation to the Zhejiang Ocean Disposal having been obtained and Zhejiang Ocean shall have obtained copies of the relevant documentation;
- (6) all necessary third party consent (including but not limited consent from banks and creditors) in respect of the Zhejiang Ocean Disposal having been obtained;
- (7) there shall not be any circumstances which may affect the transaction;
- (8) the representations and warranties of each of the parties contained in the Share Purchase Agreement shall remain true, accurate, complete and not misleading;
- (9) the Vendor and Zhejiang Ocean shall have duly performed all obligations required to be performed prior to Completion under the Share Purchase Agreement and other relevant documentations and agreements, and there shall be no breach of the aforesaid documents; and
- (10) the Company shall have obtained the shareholders' approval for the Share Purchase Agreement and the transactions contemplated thereunder pursuant to applicable laws and regulations (including but not limited to the Listing Rules).

If the above conditions precedent have not been fulfilled or waived by the Purchaser (where applicable) on or before the Long Stop Date, then the Purchaser may, at its option, elect to proceed with the Completion, or not to proceed with the transactions contemplated thereunder and in such case the Share Purchase Agreement shall cease to be of any effect.

Completion is not related and/or inter-conditional to the subscription of the convertible bonds (in aggregate principal amount of HK\$110,000,000 as announced in the announcement of the Company dated 19 July 2019).

As at the Latest Practicable Date, conditions precedent 3 has been fulfilled.

Completion

Completion shall take place on the date on which all conditions precedent have been fulfilled or waived (where applicable).

The Vendor shall, within 10 days from Completion, assist Zhejiang Ocean to complete the registration in respect of the change in shareholder of Zhejiang Ocean with the relevant PRC governmental authority and handover the relevant documents of Zhejiang Ocean to the Purchaser.

LETTER FROM THE BOARD

Upon completion of the Zhejiang Ocean Disposal, the Group will cease to hold any equity interest in Zhejiang Ocean.

INFORMATION OF THE PARTIES

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. The Vendor is principally engaging in investment holding.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaging in trading of medical equipment.

The Purchaser is a wholly-owned subsidiary of Ascendium Group Ltd. (BVI)(“AGL”), a company incorporated in the British Virgin Islands with limited liability whose principal activity is investment holding. AGL is a wholly-owned subsidiary of Concord Medical Services Holdings Limited (“CCM”) a company listed on the New York Stock Exchange (Stock code: CCM) engaging in the field of cancer imaging diagnosis and radiotherapy services.

To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties. The Purchaser and its connected person(s) are Independent Third Parties of i) the counterpart(ies) of each of the Company’s notifiable transactions since 2017; ii) each of the subscribers in relation to the subscription of convertible bonds with principal amount of HK\$189 million (please refer to the announcement of the Company dated 10 August 2017); and iii) each of the subscribers in relation to the subscription of convertible bonds with principal amount of HK\$110 million (please refer to the announcement of the Company dated 19 July 2019).

Zhejiang Ocean

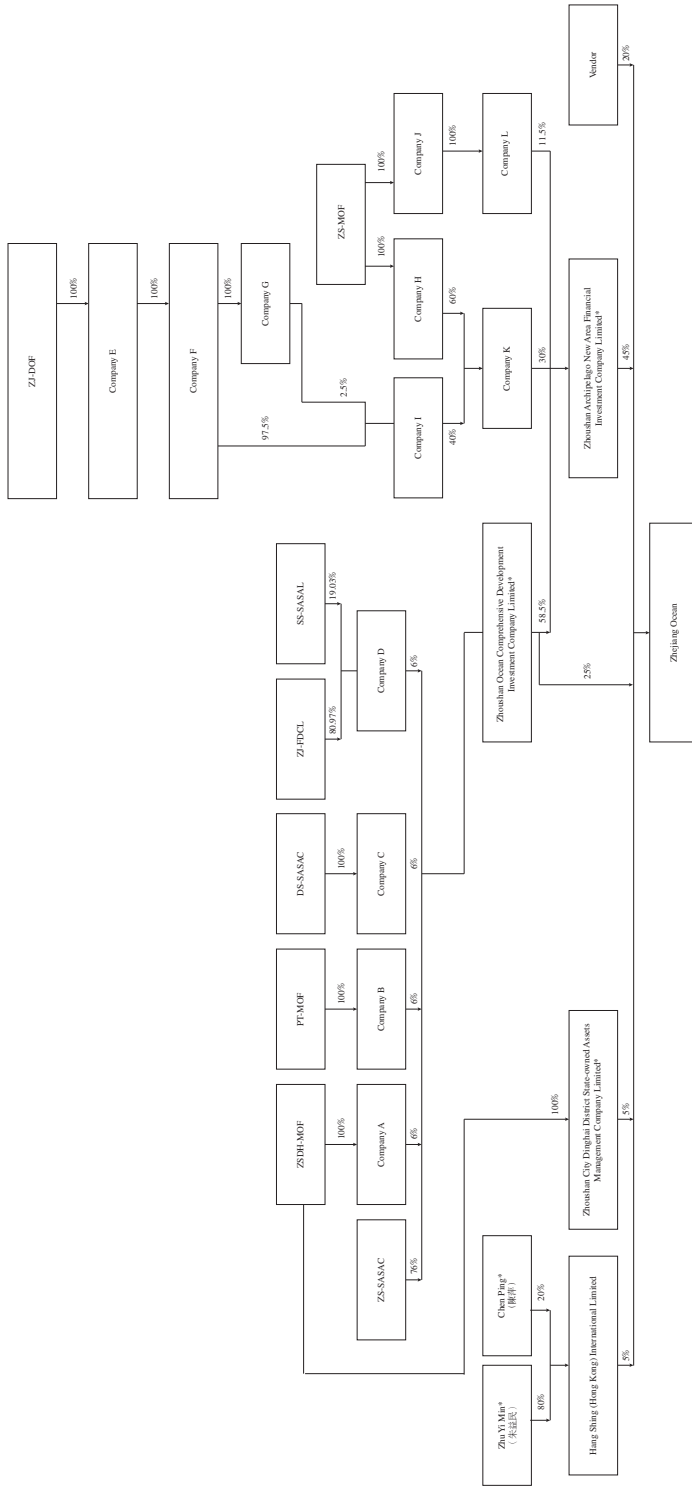
Zhejiang Ocean is a sino-foreign joint equity enterprise established under the laws of the PRC in October 2012 and is principally engaging in financial leasing business. As at the date of this circular, Zhejiang Ocean is owned as to 20% by the Vendor and the remaining 80% is owned by 4 Independent Third Parties.

The information of the 4 Independent Third Parties is set out as follows:

- i) Zhoushan Archipelago New Area Financial Investment Company Limited * (舟山群島新區金融投資有限公司), is a company established under the laws of the PRC, and principally engage in investment and management, held 45% equity interest in Zhejiang Ocean as at the Latest Practicable Date;
- ii) Zhoushan Ocean Comprehensive Development Investment Company Limited* (舟山海洋綜合開發投資有限公司) is a company established under the laws of the PRC, and principally engage in investment, development, operation, and management of important infrastructure project and development, held 25% equity interest in Zhejiang Ocean as at the Latest Practicable Date;
- iii) Zhoushan City Dinghai District State-owned Assets Management Company Limited* (舟山市定海區國有資產經營有限公司) is a company established under the laws of the PRC, and principally engage in State-owned assets management, project investment and development, held 5% equity interest in Zhejiang Ocean as at the Latest Practicable Date; and
- iv) Hang Shing (Hong Kong) International Limited (恆誠(香港)國際有限公司), is a company incorporate in Hong Kong, principally engaging in investment holding, held 5% equity interest in Zhejiang Ocean as at the Latest Practicable Date.

LETTER FROM THE BOARD

The shareholding structure of Zhejiang Ocean as at the Latest Practicable Date:



LETTER FROM THE BOARD

Hang Shing (Hong Kong) International Limited is ultimately owned by Mr. Zhu Yi Min* (朱益民) and Ms. Chen Ping* (陳萍) who are PRC citizens and sophisticated investors.

To the best of the knowledge, information and belief and having made all reasonable enquiries by the Directors, Mr. Zhu and Ms. Chen are Independent Third Parties.

FINANCIAL INFORMATION OF ZHEJIANG OCEAN

Set out below is the consolidated financial information of Zhejiang Ocean for the two years ended 31 December 2017 and 31 December 2018 in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	For the year ended	
	31 Dec 2017	31 Dec 2018
	(audited)	(audited)
	HK\$'000	HK\$'000
Revenue	236,273	241,651
Profit/(Loss) before taxation	124,965	47,169
Profit/(Loss) after taxation	93,724	22,572

The audited net assets and unpaid registered capital of Zhejiang Ocean as at 31 December 2018 was approximately HK\$853,863,000 and HK\$152,455,000, respectively. The carrying amount of the Group's 20% interest in Zhejiang Ocean (being the subject of the Zhejiang Ocean Disposal) as at 31 December 2018 was approximately HK\$154,937,000 ("Carrying Amount"), which is the aggregate value of:

$$\text{Carrying Amount} = (A+B) \times 20\% + C + D - E$$

Where,

A = the audited net asset value of Zhejiang Ocean as at 31 December 2018 (net of non-recurring gains or loss) of approximately HK\$853,863,000;

B = the unpaid registered capital in Zhejiang Ocean as at 31 December 2018 of approximately HK\$152,455,000;

C = the exchange adjustments as at 31 December 2018 of approximately HK\$13,000;

D = the goodwill as at 31 December 2018 of approximately HK\$640,000; and

E = the unpaid registered capital of Zhejiang Ocean by the Group as at 31 December 2018 of US\$6,000,000, equivalent to approximately HK\$46,980,000

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ZHEJIANG OCEAN DISPOSAL

Zhejiang Ocean has been accounted for as an associate company using the equity method and its financial results have not been consolidated in the Group's financial statements since the acquisition of the 20% equity interest in Zhejiang Ocean by the Group in November 2014.

Upon completion of the Zhejiang Ocean Disposal, the Group will cease to hold any equity interest in Zhejiang Ocean.

Earnings

For illustrative purpose, based on (i) carrying amount of the Group's 20% interest in Zhejiang Ocean of approximately HK\$154,937,000 as at 31 December 2018; (ii) the Consideration of RMB162,600,000 (equivalent to approximately HK\$181,315,000); and (iii) the estimated professional fees attributable to the Disposal of approximately HK\$1,000,000, it is expected that the Company will record a gain of approximately HK\$25,378,000 from the Zhejiang Ocean Disposal after deducting the expenses attributable thereto, and the gain on disposal of the investment would be recognised in the consolidated statement of profit or loss and other comprehensive income. However, the actual amount of gain or loss as a result of the Zhejiang Ocean Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company.

Assets and liabilities

Given the Zhejiang Ocean Disposal is expected to generate a gain of approximately HK\$25,378,000 (subject to audit) to the Group, the consolidated net asset value attributable to equity holders of the Company is expected to increase by approximately HK\$25,378,000. On the above basis and based on the audited consolidated financial statements of the Group as at 31 December 2018 after taking into account the effect of inter-company eliminations, the consolidated total assets of the Group is expected to increase by approximately HK\$25,378,000, there is not expected to be any impact on the consolidated total liabilities of the Group.

Shareholders and potential investors of the Company should note that the actual financial effects of the Zhejiang Ocean Disposal on the Group may be different from those of the above and can only be determined based on the then financial position of the Group upon Completion (subject to audit).

REASONS FOR AND BENEFITS OF THE ZHEJIANG OCEAN DISPOSAL 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.

LETTER FROM THE BOARD

The Company has been focusing on manufacturing business and has adopted diversification strategy in the past years. Committing to focus on its core businesses and promote efficient use of its resources, the Company will gradually divest of its non-core businesses while exploiting and strengthening its wharf construction and related logistics business, at the same time, maintaining focus on its manufacturing and service business, in order to generate more cashflow for the Company. The Directors consider that the Zhejiang Ocean Disposal is a good opportunity for the Group to restructure its core business.

The gross proceeds and net proceeds of the Zhejiang Ocean Disposal will be RMB162,600,000 (equivalent to approximately HK\$181,315,000) and RMB161,702,986 (equivalent to approximately HK\$180,315,000) respectively. The Company intends to apply the net proceeds to repay outstanding indebtedness owed by the Group, which will help improve the Group's financial position and for working capital of the Group.

Set out below is the table showing the details of outstanding loans and interest which the Company intends to repay by using the net proceeds ("the **Outstanding Loans**")

Classification of Outstanding Loans in the 2018 annual report of the Group	Type of loans	Outstanding amount/ Repayment amount (HK\$'000) (approx.)
Current liabilities – Other borrowings	Loan advances from Zhejiang Ocean	144,815
Current liabilities – Other borrowings	Payment of unpaid registered capital of Zhejiang Ocean on behalf of the Group	22,982
	Total	<u><u>167,797</u></u>

Set out below is the table showing the details of general working capital which the Company intends to apply by using the net proceeds

Item	Type of expenses	Amount (HK\$'000) (approx.)
Enterprise Income Tax	Taxation	5,952
Salary (staffs)	Administration expenses	<u>6,566</u>
	Total	<u><u>12,518</u></u>

LETTER FROM THE BOARD

Reference is made to the annual results announcement of the Company for the year ended 31 December 2018 published by the Company on 1 April 2019, in particular the disclaimer of opinion of the Company's financial statements for the year ended 31 December 2018 on limitation of scope on interests in associates.

Upon discussion with the Auditor, if the Company has taken steps to complete the disposal of Zhejiang Ocean as soon as possible and improve the communication with the associates and the management could obtain the information for the Auditor to conduct the audit including but not limited to the audited accounts or the management accounts of the associated companies other than Zhejiang Ocean and Nantong Xiangyu for the year ending 31 December 2019, and assuming no unexpected circumstance appears, the audit qualification on the closing values of the interests in associate as at 31 December 2019 would be removed. However, as the consequential effect on the qualification on the opening balances of interests in associates at 1 January 2019, (a) the gain (loss) on disposal of Zhejiang Ocean and Nantong Xiangyu during the year ending 31 December 2019; and (b) the share of results of associates during the year ending 31 December 2019 will still be qualified but could be removed for the year ending 31 December 2020.

The Directors consider that the Share Purchase Agreement and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations, and accordingly are in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Zhejiang Ocean Disposal exceeds 25% but all of them are less than 75%, the Zhejiang Ocean Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE SGM

The Company will convene the SGM at Unit 07, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 30 August 2019 at 10:30 a.m. at which resolution will be proposed for the purpose of considering and if thought fit, approving, among others, the Share Purchase Agreement, and the transactions contemplated thereunder. The notice of the SGM is set out on pages 28 to 29 of this circular of the Company.

A form of proxy for use in connection with the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment thereof (as the case may be) in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder or any close associate of any Shareholder has any material interest in the Share Purchase Agreement and the Zhejiang Ocean Disposal, and thus no Shareholder would be required to abstain from voting on the resolution in respect of the Share Purchase Agreement and the transactions contemplated to be put forward at the SGM.

RECORD DATE

Record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for the purpose of determining the entitlements of the Shareholders to attend and vote at the SGM will be on Monday, 26 August 2019. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 26 August 2019.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on the resolution at the SGM will be conducted by way of poll.

RECOMMENDATION

The Board believes that the resolution proposed in the SGM Notice are in the best interests of the Company and the Shareholders as a whole. The Board recommends that the Shareholders vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully,
By order of the Board
Li Ming
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2018 have been disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk/>) and the Company (<http://www.irasia.com/listco/hk/chinaoceanindustry/>):

- annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (pages 80 to 287);

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn20170427487.pdf>

- annual report of the Company for the year ended 31 December 2017 published on 30 April 2018 (pages 66 to 299); and

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430313.pdf>

- annual report of the Company for the year ended 31 December 2018 published on 30 April 2019 (pages 65 to 327).

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430464.pdf>

2. INDEBTEDNESS STATEMENT

Bank and other borrowings

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings as follows:

	Secured	Guaranteed	Unsecured and unguaranteed	Total
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Bank borrowings	155,025	1,666,513	124,343	1,945,881
Other borrowings	<u>264,194</u>	<u>769,779</u>	<u>430,822</u>	<u>1,464,795</u>
	<u><u>419,219</u></u>	<u><u>2,436,292</u></u>	<u><u>555,165</u></u>	<u><u>3,410,676</u></u>

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group's certain land, property, plant and equipment and prepaid lease payment with an aggregated carrying value of approximately HK\$280.14 million and HK\$206.17 million, respectively are pledged to various banks and a financial institution to secure the borrowings granted to the Group.

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group has pledged the entire equity interest of Jiangxi Shipping, an indirectly wholly owned subsidiary of the Group to various banks, to secure the Group's borrowings of approximately HK\$121.38 million.

The guaranteed borrowings were guaranteed by the Company's assets, personal guarantee and personal assets of senior management.

The effective interest rates of the fixed-rate (bank and other) borrowings and variable-rate (bank and other) borrowings are 0.35% to 36% and 4.75% to 5.66% respectively.

Convertible bonds

As at the close of business on 30 June 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding convertible bonds of approximately HK\$189 million charged at interest rate at 10.0% per annum.

Disclaimer

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have, at the close of business on 31 March 2019, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of (i) the receipt of the estimated net proceeds from the Zhejiang Ocean Disposal of approximately HK\$180,315,000; (ii) the receipt of the estimated net proceeds from the disposal of Nantong Huakai Heavy Industry Company Limited of approximately HK\$21,579,000; (iii) successful renewal of loan facilities and extension of repayment of borrowings up to HK\$3,410,676,000 offered by/owed to the banks and third parties; (iv) the convertible bonds with the aggregate principal amount of HK\$189,000,000 which will be matured in November 2019 will be successfully renewed for more than one year; and (v) the issuance of the convertible bonds of HK\$110,000,000 with net proceeds of HK\$109,000,000 during September 2019, the Group will have sufficient working capital for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

Following the completion of the Zhejiang Ocean Disposal, depending on the then market circumstances and the Company's needs of funds, the Company may consider possible debt and/or equity fundraising activities and/or disposal of its assets. As at the Latest Practicable Date, the Company does not have a concrete plan regarding the above and no agreement in relation to the above has been entered into by the Company. The Company will make further announcement(s) as and when appropriate pursuant to the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS

The Company is principally engaging in shipbuilding related business, trading business, finance leasing business, intelligent car-parking and automotive device business, and steel structure engineering and installation business.

The Company has been focusing on manufacturing business and has adopted diversification strategy in the past years. Committing to focus on its core businesses and promote efficient use of its resources, the Company will gradually divest of its non-core businesses while exploiting and strengthening its wharf construction and related logistics business, at the same time, maintaining focus on its manufacturing and service business, in order to generate more cashflow for the Company. The Directors consider that the Zhejiang Ocean Disposal is a good opportunity for the Group to restructure its core business, and the entire net proceeds from the Zhejiang Ocean Disposal will be used to repay outstanding indebtedness owed by the Group, which will help improve the Group's financial position and for working capital of the Group.

The improvement of the external environment of the real economy in the PRC will bring new opportunities to the Group's businesses. The Group will strive for a substantial breakthrough in the business integration of Jiangxi Shipbuilding in 2019 by effectively integrating resources such as docks, coastlines and land. In order to focus on the main business, the Group will dispose of a part of business and assets, and on this basis, extend the industrial chain through business expansion, industry mergers and acquisitions, etc.

The Group will closely monitor the market situations and trends and will seize the opportunity, through the introduction of new partners, stronger communications and coordination with the governments and financial institutions and reorganization of debts, to expand sources for operating funds. Based on effective integration of existing resources we will expand its business base in order to enhance its sustainable business capability.

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company – Long Positions

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held under equity derivatives (Note 1)	Total	Approximate percentage of total number of Issued Shares (Note 2)
Li Ming	Beneficial owner	1,248,777,954	–	1,790,782,954	13.13%
	Interest of controlled corporation	542,005,000			
Chau On Ta Yuen	Beneficial owner	–	45,000,000	45,000,000	0.33%
Zhang Shi Hong	Beneficial owner	216,400,000	16,000,000	232,400,000	1.70%
Hu Bai He	Beneficial owner	–	1,000,000	1,000,000	0.007%
Xiang Siying	Beneficial owner	–	1,000,000	1,000,000	0.007%
Xiang Ying	Beneficial owner	–	1,000,000	1,000,000	0.007%
Zhang Weibing	Beneficial owner	30,000,000	–	30,000,000	0.22%

Notes:

- These equity derivatives were outstanding share options granted to the relevant Directors under a share option scheme of the Company.
- Such percentage was calculated based on the number of shares and underlying shares of the Company in which the relevant Director was interested as notified to the Company and disclosed on the website of the Stock Exchange pursuant to Part XV of the SFO, against the number of issued shares of the Company as at the Latest Practicable Date, being 13,636,838,840 Shares in issue.

Save as disclosed in this paragraph 2, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN THE GROUP'S ASSETS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which has been entered into by the Company or any member of the Group that is subsisting at the date of this circular and is significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, the material litigations, claims or contingent liabilities which involved the Group were as follows:

- (a) As at the Latest Practicable Date, the Group has not paid the social security fund for and on behalf of its employees which exposed the Group to the risk of being imposed the penalty by the relevant government authority. The social security fund accrued up to 31 December 2018 amounted to approximately RMB41,482,000. A repayment agreement was signed between Jiangxi Shipbuilding and the relevant government authority on 26 January 2015 in respect of the settlement of the unpaid social security fund (“**Repayment Agreement**”). Per the Repayment Agreement, all outstanding amounts should be repaid before December 2019. The Directors considered that if the Group could settle the unpaid social security fund according to the Repayment Agreement, no penalty would be imposed by the relevant government authority.
- (b) As at the Latest Practicable Date, the Group has not paid the housing provident fund contributions for and on behalf of its employees which expose the Group to the risk of being imposed the penalty by the relevant government authority. The housing provident fund contributions accrued up to 31 December 2018 amounted to approximately RMB6,785,000. The Directors were of the opinion that the possibility to the risk of being imposed the penalty by the relevant government authority is remote.
- (c) On 3 December 2015, the Vendor and other shareholders of Zhejiang Ocean as counter guarantors (collectively referred to the “**Counter Guarantors**”) entered into a counter guarantee agreement with Zhoushan Marine Comprehensive Development and Investment Co., Ltd* (舟山海洋綜合開發投資有限公司) (the “**Guarantor**”), pursuant to which the Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitization agreements entered into by Zhejiang Ocean (the “**Guarantee**”), up to an aggregate amount of RMB900,000,000, together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee. Accordingly, the maximum amount which Vendor shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000.

- (d) As disclosed in the Company's circular dated 24 February 2017 (the "**VSA Circular**"), the financial guarantee of approximately HK\$229,528,000 represent the back-to-back corporate guarantees provided by Nantong Huakai Heavy Industry Company Limited* (南通華凱重工有限公司), ("**Nantong Huakai**"), (which became the Company's subsidiary on 11 April 2017 upon completion of the acquisition) in favour of Huatai Heavy Industry Limited* (華泰重工有限公司) ("**Huatai Heavy Industry**"), in 2014 (the "**Corporate Guarantee**") which remained outstanding as at 31 December 2018. The relevant information including the details of the relevant guarantee agreements are disclosed in the VSA Circular. Due to the failure of two ship owners to fulfill its payment obligation under the relevant shipbuilding contracts, Huatai Heavy Industry had cancelled the relevant export and import cooperation agreements with the vessel agency companies. Pursuant to the terms of the export and import cooperation agreements and the civil mediation agreements, Huatai Heavy Industry was liable to refund the prepaid amount received from the vessel agency companies (the "**Prepaid Amounts**").

The Vendor of Nantong Huakai undertake to use the consideration payable to indemnify Nantong Huakai for all losses and liabilities incurred by Nantong Huakai under the Corporate Guarantee.

- (e) In 2018, a business partner initiated legal proceedings at the Intermediate People's Court of Nantong City against Nantong Huakai, for funds. A decision has been issued against Nantong Huakai. As at the Latest Practicable Date, the outstanding payable of the principal payment and the relevant interests accrued amounted to approximately RMB37,478,337 in aggregate.
- (f) In 2018, a business partner initiated legal proceedings at the People's Court of Chongchuan District against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. As at the Latest Practicable Date, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB8,400,000 in aggregate.
- (g) In 2018, a partner filed litigation to the Intermediate People's Court of Shenyang City against Nantong Huakai for funds. A decision has been issued against Nantong Huakai. As at the Latest Practicable Date, the outstanding payable of the principal payment and the relevant interests accrued of approximately RMB5,000,000 in aggregate.
- (h) In 2018, a bankruptcy administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and China Ocean Shipbuilding Holdings Limited, a subsidiary of the Company, for bankruptcy revocation, involving litigation amounts of RMB257,611,084. As at the Latest Practicable Date, the action has not yet proceeded to the trial stage.

- (i) In 2018, a shipbuilding administrator initiated legal proceedings at the Intermediate People's Court of Zhoushan City against Jiangxi Shipbuilding and Jiujiang Jinhua Equipment Manufacturing Company Limited* (九江金湖裝備製造有限公司) for bankruptcy revocation, involving litigation amounts of RMB63,930,000. As at the Latest Practicable Date, the action has not yet proceeded to the trial stage.
- (j) In 2018, a business partner of Jiangxi Shipbuilding initiated legal proceedings at the People's Court of Ruichang City against Jiangxi Shipbuilding for funds, involving litigation amounts of RMB12,000,000. As at the Latest Practicable Date, the action has not yet proceeded to the trial stage.
- (k) In 2018, a contractor initiated legal proceedings at Wuhan Marine Court against Jiangxi Shipbuilding for the failure to make payment for service fees, involving a total amount of approximately RMB6,691,328. As at the Latest Practicable Date, the action has not yet proceeded to the trial stage.

Save as aforesaid, there was no other litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the subscription agreement dated 10 August 2017 (“**Subscription Agreement**”) entered into between the Company as issuer and Pacific Ocean Marine Limited (太平洋海運有限公司) (“**Subscriber**”) as subscriber in relation to the subscription of convertible bonds with principal amount of HK\$189,000,000;
- (b) the supplemental agreement to the Subscription Agreement dated 10 October 2017 entered into between the Company and the Subscriber in relation to the extension of the long stop date under the Subscription Agreement;
- (c) the debt restructuring agreement dated 6 January 2018 entered into among Zhejiang Ouhua Shipbuilding Company Limited* (浙江歐華造船股份有限公司) (“**Zhejiang Ouhua**”), NIBO, China Ocean HK, Jiangxi Shipbuilding, a wholly-owned subsidiary of the Company, and China Ocean Holdings in relation to the set off of the outstanding amount of RMB200,000,000 owed by Jiangxi Shipbuilding to Zhejiang Ouhua;

- (d) the asset transfer agreement dated 12 October 2018 entered into among Jiangxi Shipbuilding as Vendor, Ruichang City Ruilian Asset Management Co., Ltd* (瑞昌市瑞聯資產管理有限公司) (“**Ruilian Asset Management**”) as Purchaser and Ruichang City Investment Co., Ltd* (瑞昌市投資有限公司) as guarantor in relation to the sale and purchase of certain land parcels, production plans, pier and properties located in Ruichang City, the PRC held by Jiangxi Shipbuilding (“**Assets**”) at the consideration of RMB100,000,000;
- (e) the lease agreement dated 12 October 2018 entered into between Ruilian Asset Management as lessor and Jiangxi Shipbuilding as lessee in relation to the lease of the Assets for a term of 5 years at a rental of RMB4,350,000 per annum;
- (f) the investment agreement dated 23 November 2018 entered into among Yangzijiang Shipbuilding (Holdings) Ltd. (“**Yangzijiang Shipbuilding**”), the Company, Jiangxi Shipbuilding and Wuxi Tianshi Education Goods Co., Ltd.* (無錫天石教育用品有限公司) in relation to the establishment of a mining company and reorganisation of the shipbuilding business and assets of Jiangxi Shipbuilding;
- (g) the Share Purchase Agreement;
- (h) the memorandum of understanding dated 4 April 2019 (“**MOU**”) entered into between the Company and Qian Jin (錢進), which sets out the Company’s intention in respect of the conditionally agreement to purchase and Qian Jin’s intention in respect of the conditionally agreement to sell and procure other shareholders of Shenzhen Shi Tongji Zhong Ji Shiye Limited* (深圳市同濟中基實業有限公司) (“**Target Company**”) to sell part of or the entire equity interests of the Target Company;
- (i) the Supplemental Agreement to the Share Purchase Agreement dated 30 May 2019;
- (j) the share purchase agreement dated 13 June 2019 entered into between China Ocean Industry (Shenzhen) Company Limited* (中海重工(深圳)有限公司), a wholly-owned subsidiary of the Company as vendor and Nan Tong Hua Chuan Jiao Tong Zhuang Bei Company Limited* (南通華川交通裝備有限責任公司) as purchaser in relation to the sale and purchase of 60% equity interest in Nantong Hua Kai Heavy Industries Limited Company* (南通華凱重工有限公司) at the consideration of RMB20,000,000;

- (k) the subscription agreement dated 19 July 2019 entered into between the Company as issuer and Hong Kong Tong Ji Investment Holding Ltd. (香港同濟投資控股有限公司) as subscriber in relation to the issuance and subscription of convertible bonds with principal amount of HK\$50,000,000;
- (l) the subscription agreement dated 19 July 2019 entered into between the Company as issuer and Wise Benefit Investments Limited (智益投資有限公司) as subscriber in relation to the issuance and subscription of convertible bonds with principal amount of HK\$60,000,000; and
- (m) the Supplemental Agreement to the Share Purchase Agreement dated 30 July 2019.

8. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong at Unit 07, 21/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The secretary of the Company is Mr. Tong Yiu On, a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (c) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 07, 21/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, for a period of 14 days from the date of this circular:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2018;
- (c) the material contracts referred to in the section headed “MATERIAL CONTRACTS” in this appendix; and
- (d) this circular.

NOTICE OF SPECIAL GENERAL MEETING

CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

NOTICE IS HEREBY GIVEN that the special general meeting of the Company (the “SGM”) will be held at Unit 07, 21/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 30 August 2019 at 10:30 a.m. for the purpose of transacting the following business:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the Share Purchase Agreement (as defined in the circular of the Company dated 14 August 2019) dated 28 February 2019 as amended and supplemented by the supplemental agreements dated 30 May 2019 and 30 July 2019 entered into between Merge Limited and China Medical Services Holdings Limited, a copy of which is marked “A” and initialled by the Chairman of the SGM for the purpose of identification, the terms and the transactions thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise arising from and/or in connection with the Share Purchase Agreement or the transactions contemplated thereunder.”

By order of the Board

Li Ming

Chairman

Hong Kong, 14 August 2019

* *For identification purpose only*

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the Meeting is entitled to appoint more than one proxy or a duly authorised corporate representative to attend and vote in his stead. A proxy need not be a member of the Company.

NOTICE OF SPECIAL GENERAL MEETING

2. A form of proxy for the SGM is enclosed with the Company's circular dated 14 August 2019. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with a valid power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. Record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for the purpose of determining the entitlements of the Shareholders to attend and vote at the SGM will be on Monday, 26 August 2019. In order to qualify for the aforesaid entitlements, all transfers must be lodged with the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 26 August 2019.
4. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders, stand on the register in respect of the relevant joint holding.

If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the SGM and/or the Hong Kong Observatory has announced at or before 12:00 noon on the date of the SGM that either of the above mentioned warnings is to be issued within the next two hours, the SGM will be adjourned. The Company will publish an announcement to notify Shareholders of the date, time and place of the adjourned SGM.

The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders of the Company should decide on their own whether they would attend the SGM under bad weather conditions bearing in mind their own situation.

As at the date of this notice, the board of Directors comprises three executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Zhang Weibing, 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.