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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, 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, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of China Ocean Industry Group Limited.

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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)**

**ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE;  
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**FINANCIAL ADVISER**



**Draco Capital Limited**

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A notice convening the SGM of the Company to be held at Unit D, 16/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 18 March 2021 at 10:30 a.m. is set out on pages 26 to 28 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 meeting 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 circular 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.

**PRECAUTIONARY MEASURES FOR THE SGM**

Please refer to page ii of this circular for precautionary measures that will be implemented at the SGM to prevent the COVID-19 pandemic, including:

- (i) Compulsory body temperature check;
- (ii) Compulsory wearing of surgical face mask throughout the SGM;
- (iii) No refreshments will be provided and there will be no corporate gift; and
- (iv) Maintaining proper distance between seats.

Any person who does not comply with any of the above precautionary measures, or who has a fever or exhibits flu-like symptoms or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the SGM venue. For the health and safety of Shareholders, the Company encourages Shareholders NOT to attend the meeting in person, and remind Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person

26 February 2021

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## PRECAUTIONARY MEASURES FOR THE SGM

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To safeguard the health and safety of stakeholders and participants attending the SGM under the ongoing Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM:

- (i) Compulsory body temperature checks will be conducted for every attendee entering the SGM venue. Any person with a body temperature above 37.4 degrees Celsius, or who exhibits flu-like symptoms, may be denied entry to the SGM venue or be required to leave the SGM venue;
- (ii) Each attendee will be required to wear a surgical face mask inside the SGM venue and throughout the SGM;
- (iii) No refreshment will be served and there will be no corporate gift; and
- (iv) Seating at the SGM venue will be arranged to ensure appropriate social distancing. Attendee of the SGM is reminded to observe good personal hygiene and to maintain appropriate social distance with others at all times.

Any person who refuses to co-operate with any of the above precautionary measures may not be admitted to the SGM venue in order to ensure the safety of the attendees at the SGM.

In addition, the Company reminds all Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person, by completing and returning the proxy form attached to this circular.

If any Shareholder chooses not to attend the SGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Directors, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong.

Subject to the development of the COVID-19 pandemic in Hong Kong, the Company may implement further precautionary measures, and issue further announcement(s) on such measures at short notice as and when appropriate. Shareholders should check the website of The Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) or the website of the Company ([www.irasia.com/listco/hk/chinaoceanindustry](http://www.irasia.com/listco/hk/chinaoceanindustry)) for further announcements and updates on the SGM arrangements.

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder”	any person who is the registered holder of any Convertible Bond then outstanding
“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
“Company”	China Ocean Industry Group Limited (中海重工集團有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board (Stock Code: 0651)
“Completion”	completion of the issue of the Convertible Bond by the Company and subscription for the Convertible Bond by the Subscriber in accordance with the terms and conditions of each of the Subscription Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Main Board Listing Rules
“Convertible Bond”	the convertible bond in aggregate principal amount of HK\$30,000,000 which may be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Conversion Price”	the initial conversion price of HK\$0.1 per Conversion Share
“Conversion Rights”	the rights attached to the Conversion Bonds for the conversion of the Convertible Bond into the Conversion Shares at the Conversion Price
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the Conversion Rights
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Existing CB”	the existing convertible bond in aggregate principal amount of HK\$11,100,000 issued by the Company, details of which are set out in the announcement of the Company dated 19 July 2019
“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)”	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
“Issue Date”	the date of issue of the Convertible Bond
“Last Trading Day”	18 September 2020, being the last day on which the Shares were traded on the Stock Exchange prior to the signing of the Subscription Agreements
“Latest Practicable Date”	23 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Long Stop Date”	30 April 2021, or such other date as the Company and the relevant Subscriber may agree in writing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange
“Petition”	refers to Winding Up Petition as announced by the Company on 5 February 2021
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau and Taiwan
“SGM”	a special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Subscription Agreement and the transaction contemplated thereunder

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## DEFINITIONS

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“Share(s)”	the ordinary share(s) in the issued share capital of the Company
“Share Option Schemes”	the share option schemes adopted respectively by the Company on 27 May 2002 and 27 June 2012
“Share Options”	the share options granted under the Share Option Scheme
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the mandate to be sought from the Shareholders at the SGM to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bond
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Xiamen Longhai Investment Management Co.,Ltd* (廈門隆海投資管理有限公司), a company established under the laws of the PRC with limited liability
“Subscription”	the subscription of the Convertible Bond by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 September 2020 entered into between the Company and Subscriber in relation to the subscription of Convertible Bond in the principal amount of HK\$30,000,000
“Supplemental Agreement”	the supplemental agreement to the Subscription Agreement dated 26 February 2021 entered into between the Company and the Subscriber
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks
“Trading Day(s)”	means a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“%”	per cent.

*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.*

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**LETTER FROM THE BOARD**

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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)**

*Executive Directors:*

Mr. Li Ming (*Chairman*)

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

Mr. Zhang Chuanjun

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11 Bermuda

*Independent Non-executive Directors:*

Ms. Xiang Siying

Mr. Hu Bai He

Ms. Xiang Ying

*Principal Place of Business in Hong Kong:*

Unit D, 16/F., MG Tower

133 Hoi Bun Road

Kwun Tong

Kowloon

26 February 2021

*To the Shareholders,*

Dear Sir or Madam,

**1) ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE;  
2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;  
AND  
3) NOTICE OF SPECIAL GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcements of the Company dated 18 September 2020 and 5 October 2020 (the “**Announcements**”).

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Subscription Agreement; and (ii) other information in accordance with requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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### II. ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

On 18 September 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement on substantially the same terms, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bond with an aggregate principal amount of HK\$30,000,000 due 2 years from the date of issue of the Convertible Bond at the Conversion Price of HK\$0.1 per Conversion Share.

Principal terms of the Subscription Agreement and the Convertible Bond are set out as follows:

#### Subscription of Convertible Bond

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for principal amount of HK\$30,000,000 of Convertible Bond.

**Date:** 18 September 2020 (after trading hours) (as supplemented by the Supplemental Agreement dated 26 February 2021)

**Parties:** (1) The Company as issuer; and  
(2) Xiamen Longhai Investment Management Co., Ltd (廈門隆海投資管理有限公司) as Subscriber

To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are Independent Third Parties of the Company under the Listing Rules.

Consideration and payment terms:

**Issue Price:** 100% at the principal amount of the Convertible Bonds

**Interest:** 10% per annum on the outstanding principal amount of the Convertible Bond which shall be paid on the maturity date of the Convertible Bond

**Interest Period:** The period of two years commencing on the date of issue of the Convertible Bond and ending on the maturity date of the Convertible Bond

**Maturity Date:** The date falling on the second (2nd) anniversary of the date of issue of the Convertible Bond



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## LETTER FROM THE BOARD

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**Redemption upon maturity:** Unless previously converted in accordance with the terms and conditions thereof, any outstanding Convertible Bond shall be redeemed by the Company at its principal amount (together with any accrued but unpaid interests) on the Maturity Date. No interest shall be paid on the amount of the Convertible Bond which has been converted into Conversion Shares prior to the maturity date of the Convertible Bond.

**Conversion Price:** Initially HK\$0.1 per Conversion Share, subject to usual adjustment provisions customary for convertible bond of similar kind as described in the “Adjustment provision” paragraph below.

The Conversion Price was arrived at after arm’s length negotiation between the Company and the Subscriber with reference to recent performance of the Shares, the Group’s existing financial position and current market sentiment and represents:

1. a premium of approximately 8.70% over the closing price of HK\$0.0920 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
2. a premium of approximately 5.71% over the average closing price of approximately HK\$0.0946 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and
3. a premium of approximately 3.09% over the average closing price of approximately HK\$0.0970 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

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## LETTER FROM THE BOARD

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**Adjustment provisions:**

The Conversion Price shall from time to time be adjusted upon occurrence of the following events:

- (1) consolidation or sub-division of Shares:

The Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A is the revised nominal amount; and

B is the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day preceding the date on which the consolidation or sub-division becomes effective.

- (2) capitalisation of profits or reserves:

If and whenever the Company shall issue any Shares credited as fully paid (other than in lieu of cash dividend) by way of capitalisation of profits or reserves of the Company and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the day after the record date of such issue.

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## LETTER FROM THE BOARD

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- (3) scrip dividend in lieu of cash dividend and the market price of such Share exceeds the relevant cash dividend. The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such dividend by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the aggregate number of Shares in issue immediately before such scrip dividend;

B is the aggregate number of Shares which the relevant cash dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued pursuant to such scrip dividend.

Such adjustment shall become effective on the date after the day that such dividend is paid.

- (4) capital distribution:

If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under (b) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A-B}{A}$$

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## LETTER FROM THE BOARD

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where:

A is the current market price of one Share on the last Trading Day preceding the date on which the capital distribution is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date after the day that such capital distribution is made.

- (5) offer of new Shares for subscription by way of rights, or grant to Shareholders any options or warrants to subscribe for new Shares at a price which is less than 95% of the then current market price at the date of the circular of the terms of such offer. The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such current market price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

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## LETTER FROM THE BOARD

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- (6) issue of Shares or options, warrants or any securities which carry rights of subscription for or acquisition of new Shares (save for shares issued under the Convertible Bond, the Existing CB and options granted under the Share Option Schemes), at a price which is less than 95% of the then current market price at the date of the circular of the terms of such issue. The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to acquire Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

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## LETTER FROM THE BOARD

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- (7) issue of Shares (other than as mentioned in (5) and (6) above) by the Company or any of its subsidiaries, or issue of securities (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) by any other company, person or entity which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares (save for shares issued under the Convertible Bond, the Existing CB and options granted under the Share Option Schemes), at a price which is less than 95% of the then current market price at the date of the circular of the terms of such issue. The Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

The adjustment mentioned in (2) to (7) above are not applicable to:

- (1) an issue of Shares or other securities of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries or other eligible participants pursuant to any share scheme adopted in accordance with and in compliance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (2) an issue of Shares pursuant to the exercise of conversion rights under the Existing CB and the Convertible Bond; and
- (3) an issue of Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights to acquire Shares for the acquisition of any securities, assets or business provided that an adjustment (if required) has been made pursuant to the aforesaid adjustment provisions in respect of the issue of such securities or granting of such rights (as the case may be).

**Conversion Shares:** a maximum of 300,000,000 Conversion Shares would be in issue on full conversion of the Convertible Bond at the Conversion Price

As at the Latest Practicable Date, the Company has 340,920,971 Shares in issue. Assuming full exercise of the Conversion Rights attaching to the Convertible Bond at HK\$0.10 per Conversion Share, the Company will allot and issue 300,000,000 Conversion Shares, representing (i) approximately 88.0% of the existing issued share capital of the Company and (ii) approximately 46.8% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the specific mandates to be sought from the Shareholders at the SGM of the Company.

**Conversion period:** The Conversion Rights attaching the whole or part of any outstanding principal amount of Convertible Bond may be exercised, at the option of the Bondholder, at any time on and after the Issue Date up to but excluding the Maturity Date so long as:

- (1) the exercise of the Conversion Rights will not result in the relevant Bondholder, its associates and parties acting in concert with it (as defined under the Takeovers Code) will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code (the “**Conversion Restriction**”); and

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## LETTER FROM THE BOARD

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- (2) not less than 25% of the then total number of issued Shares are being held in public hands.

*Note:* To monitor and manage the conversion of the Convertible Bond such that the Conversion Restriction will be properly adhered to, the Company will have the following mechanism and procedures in place:

- i. the Company will maintain a checklist of the relevant Bondholder, its associates and parties acting in concert;
- ii. before each exercise of the Conversion Rights, the approval by management of the Company will be required;
- iii. the management of the Company will review the current shareholding percentage of the relevant Bondholder, its associates and parties acting in concert and the relevant shareholding percentage after exercise of the Conversion Rights before the approval.

**Events of default:**

If, among others, any of the following events occurs, the Bondholder may give notice to the Company that the Convertible Bond are, and they shall accordingly thereby become, immediately due and payable at an amount equal to the sum of the aggregate principal amount of the Convertible Bond then outstanding and the interest accrued thereon:

- (1) the Company fails to pay the principal amount of the Convertible Bond on the due date, save and except for administrative or technical error and payment has been made within 5 Business Days after the due date; or
- (2) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Convertible Bond which default will constitute a material adverse effect on the Group's business, operations, assets, financial condition, and such default (a) is incapable of remedy or (b) being a default which is, in the opinion of the Bondholder, capable of remedy, remains unremedied for 14 days after the Bondholder have given written notice thereof to the Company; or



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## LETTER FROM THE BOARD

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- (3) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking property, assets or revenues of the Company or its major subsidiaries and which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or
- (4) unless otherwise agreed in writing by the Bondholder, the Company or its major subsidiaries is (a) unable to pay its debts as and when they fall due or (b) applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or its subsidiaries or the whole or any part of the undertaking, property, assets or revenues of the Company or its subsidiaries or (c) initiates any proceeding under any law for a readjustment or deferment of its obligations or any part of them or (d) makes or enters into a general assignment or compromise with or for the benefit of its creditors, which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or
- (5) an order is made or an effective resolution passed for the dissolution or winding-up of the Company or any of its major subsidiaries except in the case of dissolution or winding-up of subsidiaries in the course of internal reorganisation; or
- (6) suspension of trading of the Shares on the Stock Exchange or a recognised stock exchange for a continuous period of 14 Trading Days; or
- (7) there having been a material adverse change in the business, financial position or operation of the Company; or
- (8) it becomes illegal for the Company to perform or comply with any one or more of its obligations under the Convertible Bond; or
- (9) a false or misleading representation in respect of the Convertible Bond is made or has been made by the Company or any of its subsidiary; or

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## LETTER FROM THE BOARD

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- (10) the Company or any of its subsidiary ceases to carry on or threatens to cease to carry on the whole or part of its business or operation has been terminated or threatened to be terminated; or
- (11) any legal representative, controller, senior officer, director of the Group is involved in or will be involved in material litigation, arbitral proceedings or other legal disputes; or
- (12) in the opinion of the Bondholder, there having been a material litigation, lost in arbitration, operation or financial crisis, failure to pay debts when they fall due, winding up, insolvency etc. which may or has affected or prejudice the rights of the Bondholder under the Subscription Agreement and the Convertible Bond, or other matters which may affect the Bondholder's recovery of the principal of and interest on the Convertible Bond.

**Right to distribution  
in specie:**

In the event the Company makes any distribution in specie in lieu of cash dividend during the conversion period, the Bondholder shall be entitled to the following:

- (1) on the date of circular of such distribution, the Company and the Bondholder may appoint an approved commercial bank or auditors of the Company to determine the value of distribution the Bondholder is entitled to ("**Entitlement**") based on the outstanding principal amount of the Convertible Bond; and
- (2) upon determination of the Entitlement (which shall be final and binding upon the Company and the Bondholder), the Company shall, in accordance with the Bondholder' election, distribute the Entitlement to the Bondholder in cash or in specie.

**Voting:**

The Bondholder will not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Bond.

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## LETTER FROM THE BOARD

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**Transferability:** Subject to the restricted transfer period described below, the Convertible Bond are freely transferable at any time during the period from the date on which the Bondholder is registered as the holder of the Convertible Bond provided that no transfer or assignment of the Convertible Bond shall be made to any connected person of the Company and its associates without the Company's prior written consent.

The Company will not register any transfer of Convertible Bond: (i) during the 7 days prior to and including the date of payment of any principal amount in respect of the Convertible Bond; (ii) after the delivery of a conversion notice by the Bondholder; or (iii) during the 7 days prior to and including the date of interest payment pursuant to the terms of the Convertible Bond.

**Ranking of Conversion Shares:** The Conversion Shares issued upon conversion of the Convertible Bond will in all respects rank paripassu with the New Shares already in issue on the conversion date.

**Application for listing:** No application will be made by the Company to the Stock Exchange for listing of the Convertible Bond. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

The Board considers that the terms and conditions of the Convertible Bond, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Completion is conditional upon satisfaction of the following conditions:

- (1) the Shareholders having passed all necessary resolutions at a special general meeting of the Company according to applicable laws (including but not limited to the Listing Rules) to approve the Subscription Agreement and transactions contemplated thereunder, including but not limited to the Specific Mandate;
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and

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## LETTER FROM THE BOARD

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- (3) the Company and the Subscriber having obtained all necessary consents and approvals required to be obtained, including validation order, on their respective part in respect of the Subscription Agreement and the transactions contemplated thereunder (if applicable), and fully complied with relevant laws and regulations (including but not limited to the Listing Rules and applicable laws of Hong Kong). All such consents and approvals shall remain valid up to the date of Completion and there being no rules or regulations imposed by relevant authorities to prohibit or substantially delay the performance and completion of the Subscription Agreement; and
- (4) The Company having appointed a non-executive director nominated by the Subscriber to the Board.

In the event that the above conditions are not fulfilled on or before the Long Stop Date or such other date as the Company and the relevant Subscriber may agree in writing, the relevant Subscription Agreement shall automatically terminate and lapse, and the relevant Subscriber and the Company shall forthwith be released from their respective rights and obligations under the relevant Subscription Agreement, except for the obligations in relation to confidentiality. The Company will re-comply with all the applicable Listing Rule requirements (including obtaining shareholder approval as required under Rule 13.36(1)) in the event that the Long Stop Date has to be extended beyond 30 April 2021, and the Specific Mandate will only remain valid up to 30 April 2021.

As at the Latest Practicable Date, none of the conditions precedent have been fulfilled.

### Validation Order

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, 3 February 2020, 20 March 2020, 25 March 2020, 27 March 2020, 31 March 2020, 19 June 2020, 5 October 2020, 11 January 2021 and 5 February 2021 regarding, *inter alia*, the winding up petition against the Company and the Time Summons for extension of time for the Payment into Court. The Company's application for validation orders to complete the share subscription under general mandate as announced by the Company on 10 March 2020 (the "**Share Subscription**") and the CB Subscription has been dealt with by the Court by paper disposal and a decision by the Court has been handed down on 29 January 2021 (the "**Decision**").

According to the Decision, section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) ("**Section 182**") is engaged only if the subject matter concerns a "disposition of the property of the company", "transfer of shares", or "alteration in the status of the members of the company".

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## LETTER FROM THE BOARD

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The Decision clarified that issuing of convertible bonds by the Company would not engage Section 182, as they would not involve any “transfer of shares” or “alteration in the status of the members” of the Company. Hence, the absence of a validation would not inhibit the Company from proceeding with the Share Subscription and the Subscription.

The Company’s application for validation orders to complete the Subscription was therefore dismissed. The Court also confirmed that if Section 182 had been engaged, the Court would have granted a validation order for the Share Subscription and the Subscription as raising of fresh capital would not prejudice the interests of creditors or contributories.

In view of the Decision, the Company has been legally advised that the Company could proceed with the Subscription.

For the avoidance of doubt, the validation order granted by the Court on 23 September 2019, as disclosed in the announcement of the Company dated 23 September 2019 for, *inter alia*, the transfer of the Company’s shares on or after 30 July 2019, remained in effect.

### **Nomination rights of Director by the Subscriber**

As supplemented by the Supplemental Agreement, the nomination rights as mentioned under the section headed “Nomination rights of Director by the Subscriber” in the Announcements have been removed as agreed by the Company and the Subscriber.

### **Specific Mandate**

The Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under the Specific Mandate, are subject to the approval of the Shareholders at the SGM.

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares.

### **Completion**

Subject to the fulfillment of the above conditions, Completion shall take place whereby the Convertible Bond shall be issued to the Subscriber in the respective amount to be agreed between the Company and the Subscriber within 30 days after the satisfaction of all of the conditions precedent.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for the following fund raising activities, Company did not carry out any equity fund raising activities during the past 12 months prior to the date of this announcement.

Date of announcement	Fund raising activities	Intended use of proceeds	Gross proceeds (approximate)	Net proceeds (approximate)
19 July 2019	Issue of convertible bonds under specific mandate	Repayment of outstanding loans and general working capital	HK\$11,100,000	HK\$10,100,000
10 March 2020	Subscriber of new shares under general mandate (not yet completed)	General working capital	HK\$7,140,000	HK\$6,640,000

### INFORMATION OF THE SUBSCRIBER

The Subscriber is a private company incorporated in the PRC with limited liability and its principal activity is investment management, which is owned as to 42%, 33%, 20% and 5% by Qinshi (Xiamen) Trading Co. Ltd.\* (欽實(廈門)貿易有限公司), Xiamen ITG Shipbuilding Imp. & Exp. Co. Ltd.\* (廈門國貿船舶出口有限公司), Gongqingcheng Yuanxiang Investment Co. Ltd.\* (共青城元祥投資有限公司) and Xiamen ITG Investment Co. Ltd.\* (廈門國貿投資有限公司) respectively.

Qinshi (Xiamen) Trading Co. Ltd.\* (欽實(廈門)貿易有限公司) is owned as to 95% and 5% by two PRC individuals, namely, He Xudong (何旭東) (“**Mr. He**”) and Ma Jianzhong (馬健忠) (“**Mr. Ma**”) respectively. Mr. He is the sole executive director of the Subscriber and Mr. Ma is the legal representative of the Subscriber.

Xiamen ITG Shipbuilding Imp. & Exp. Co. Ltd.\* (廈門國貿船舶出口有限公司) is owned as to 51% and 49% by Xiamen ITG Group Corp., Ltd.\* (廈門國貿集團股份有限公司), which is a public company listed on the Shanghai Stock Exchange (Stock code: 600755) and indirectly holds the entire equity interest in Xiamen ITG Investment Co. Ltd.\* (廈門國貿投資有限公司), and Mr. He respectively.

Gongqingcheng Yuanxiang Investment Co. Ltd.\* (共青城元祥投資有限公司) is owned as to 70% and 30% by State Power Investment (Beijing) Investment Co., Ltd.\* (國電投(北京)投資有限公司) and Tibet Kangqiao Angel Information Technology Co., Ltd.\* (西藏康橋天使信息技術有限公司).

State Power Investment (Beijing) Investment Co., Ltd.\* (國電投(北京)投資有限公司) is owned as to 80% and 20% by Zhao Xiaopeng\* (趙小鵬) and Zhang Xiaotong\* (張曉彤) respectively.

Tibet Kangqiao Angel Information Technology Co., Ltd.\* (西藏康橋天使信息技術有限公司) is wholly owned by a PRC individual named Yu Ping\* (于萍).

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## LETTER FROM THE BOARD

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To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its respective ultimate beneficial owners are Independent Third Parties of (i) the Company and (ii) the holder of the Existing CB. The Subscriber would be a passive investors of the Company. The Subscriber was referred by parties involved in debt restructuring of the Company in the second half of year 2020. There are no past of existing relationships (including financial, business or other) or transactions between the Subscriber and the Group.

### REASONS FOR THE SUBSCRIPTION

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. As at the Latest Practicable Date, the Group has no intention to dispose of or downsize its existing businesses and introduce new business.

The Company has considered alternative financing method, among others, bank borrowings and rights issue or open offer. In respect of bank borrowings, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence and internal risk assessment by and negotiations with financial institutions. The Directors consider that it is impracticable to obtain third party financing on terms favourable to the Group in the absence of material assets as security, let alone the loss-making position of the Group.

In relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process. The Directors believe that the time cost would be higher for the Company to conduct placing or pre-emptive issues such as rights issue or open offer as compared to the issue of Convertible Bonds, as additional time will be needed for the Company to identify underwriter(s) and the placing agent and for the financial institutions to identify potential placees, and a pre-emptive issue typically runs a longer timetable due to the need to issue prospectus, closure of the register of members to determine entitlement of Shareholders and allow a minimum subscription period. In addition, rights issue or open offer is subject to underwriting uncertainty and market risk and it may incur a high underwriting fee/placing commission. The administrative costs involved would also be higher due to the need to issue prospectus, application forms and fees to professional parties.

Having considered (i) the Subscription will be fully subscribed by the Subscriber, demonstrating its confidence in the Company's future development; (ii) the Subscription can raise immediate funding for the Group without imposing immediate dilution on the shareholding of the existing Shareholders, or at unfavorable terms given the critical financial condition of the Group, to repay its outstanding debt and enhance its working capital; and (iii) given the Company is in critical financial condition with the Petition, net liability value and loss-making position, the Group expects it would not receive any concrete feedback if applying for bank loans or facilities, the Board consider that the issue of the Convertible Bonds would be the most appropriate and timely fund raising method, regardless the potential significant dilution effect, to meet the financial needs of the Company and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group upon exercise of the conversion rights attached to the Convertible Bond so as to facilitate its future development.

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

### USE OF PROCEEDS

The gross proceeds and net proceeds of the Subscription will be approximately HK\$30,000,000 and HK\$29,700,000 respectively. The Company intends to apply the net proceeds towards repayment of debts owed by the Group and the remaining for general working capital in which,

- approximately HK\$20,000,000, being 67.3% of the net proceeds for repayment of the outstanding loans and interest owed by the Group; and
- approximately HK\$9,700,000, being 32.7% of the net proceeds for general 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**”) <sup>Note</sup> and the lenders are not Shareholders of the Company:

	<b>Outstanding amount</b>	<b>Repayment amount</b>
<b>Classification of the Outstanding Loans in the 2020 interim results of the Group</b>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>
Current liabilities – Other borrowing		
– Titan Petrochemicals Group Limited	12,000	12,000
– Better Shine Limited	<u>4,000</u>	<u>4,000</u>
	16,000	16,000
Current liabilities – Convertible bonds payables		
– Forward Fund SPC-Double Management Fund SP	<u>167,700</u>	<u>4,000</u>
Total	<u><u>183,700</u></u>	<u><u>20,000</u></u>

Titan Petrochemicals Group is the Petitioner of the Petition, Better Shine Limited and Forward Fund SPC-Double Management Fund SP are followers of the Petition (the “**Followers**”).



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## LETTER FROM THE BOARD

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The progress of the Petition is within the control of the Petitioner. As Followers of the Petitioner, they are entitled to (a) have the right of audience in any hearing of the Petitioner and (b) receive all documents in relation to the Petitioner. Further, the rights of the Followers arise in case of liquidation of the Company, whereby the Petitioner, the Followers and other creditors of the Company, if any, would be entitled to receive dividends of the realized assets of the Company in accordance to their priority and amount of the debts proved.

In the case of withdrawal by the Petitioner, before the perfection of the order for withdrawal, any of the Followers may apply to the court to step into the shoes of the Petitioner as the substituting petitioner (the “**Substituting Petitioner**”). As the Substituting Petitioner, it shall have the right to carry the Petition forward in its own name and petition for the winding up of the Company, unless and until the Petition be settled and withdrawn.

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

<b>No.</b>	<b>Item</b>	<b>Amount</b> <i>(HK\$'000)</i>
1.	Rental of head office	600
2.	Remuneration for directors and staff of the Group	5,000
3.	Listing related fee	150
4.	Annual audit and related professional fee	2,300
5.	Printer fee	1,000
6.	Bermuda company secretary and government fee	300
7.	Miscellaneous	<u>350</u>
Total		<u><u>9,700</u></u>

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## LETTER FROM THE BOARD

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### EFFECTS OF THE SUBSCRIPTION OF SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; (b) immediately upon full conversion of the Convertible Bond at the Conversion Price (without adjustment), assuming there being no other change in the issued share capital and shareholding structure of the Company since the Latest Practicable Date:

#### Immediately upon

Shareholder	At the date of this announcement		full conversion of the Convertible Bond	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Mr. Li Ming	31,219,448	9.16%	31,219,448	4.87%
Lead Dragon Limited (Note 1)	13,550,125	3.97%	13,550,125	2.11%
Mr. Zhang Shi Hong (Note 2)	242,750	0.07%	242,750	0.04%
The Subscriber	-	-	300,000,000	46.81%
Public Shareholders	<u>295,908,648</u>	<u>86.80%</u>	<u>295,908,648</u>	<u>46.17%</u>
Total:	<u>340,920,971</u>	<u>100.00%</u>	<u>640,920,971</u>	<u>100.00%</u>

#### Notes:

1. Lead Dragon Limited is wholly-owned by Mr. Li Ming, the Chairman and an executive Director.
2. Mr. Zhang Shi Hong is an executive Director.

### LISTING RULES IMPLICATIONS

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the SGM. The issue of the Convertible Bond and the Conversion Shares by the Company are subject to, among others, the Shareholders' approval.

### III. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

For fulfilling one of the conditions precedent of the Subscription Agreement, Mr. Ding Lei (丁磊) (“**Mr. Ding**”) was nominated by the Subscriber to the Board. After the nomination by the nomination committee and approval by the Board, according to the requirements of the Bye-Laws, the Company proposes and therefore an ordinary resolution will be proposed at the SGM to approve the appointment of Mr. Ding as a non-executive director of the Company.

The appointment of Mr. Ding will take effect upon approval by Shareholders at the SGM.

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## LETTER FROM THE BOARD

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The biographical details of Mr. Ding are set out as follows:

Mr. Ding, aged 43, has over 20 years of experience in the industry of clothing and footwear and international trading of timber. He is currently the general manager of Qinshi (Xiamen) Trading Co. Ltd.\* (欽實(廈門)貿易有限公司). From June 2019 to December 2020, he was the vice general manager of Xiamen Jiecheng Trading Limited\* (廈門杰晟進出口有限公司). From August 2015 to May 2019, he worked as the business supervisor of Xiamen Xiagong International Trading Co. Ltd.\* (廈門廈工國際貿易有限公司) and was responsible for the trading of bulk timber business. During the period from September 2000 to July 2015, he served as manager of footwear department and clothing department at Xiamen Baixin Co. Ltd.\* (廈門百信實業有限公司) and Xiamen City Jinfang Trading Co. Ltd.\* (廈門市金紡進出口有限公司) respectively.

Mr. Ding obtained an undergraduate degree in international trading from Xiamen University in 2000.

For the proposed appointment of Mr. Ding as a non-executive director, he will hold the office from the date of election at the SGM until the conclusion of the next annual general meeting of the Company. Mr. Ding will not receive any remuneration from the Company during his tenure as a non-executive director of the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ding confirms that he (i) has not held any other directorships in any listed companies, in Hong Kong or overseas, in the last three years, nor any other positions within the Group; (ii) does not have any relationship with any directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company; (iii) does not have any interests in the shares of the Company or its associated corporation(s) within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (iv) there are no other matters relating to his appointment that need to be brought to the attention of the Shareholders nor is there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters should be brought to the attention of the Shareholders or the Stock Exchange.

#### **IV. SGM**

The SGM will be held at Unit D, 16/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 18 March 2021 at 10:30 a.m. to consider and, if thought fit, pass the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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A notice convening the SGM is set out on pages 26 to 28 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are advised to complete the form of proxy 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 in accordance with the instructions printed thereon not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the meeting in person or any adjourned meeting should you so wish, and in such case, the form of proxy submitted by you shall be deemed to be revoked.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders has a material interest in the Subscription Agreement, the transactions contemplated thereunder and as such, no other Shareholders will be required to abstain from voting on the resolutions to be proposed at the SGM.

Rule 13.50A states that the Exchange will normally require suspension of trading in an issuer's securities if it publishes a preliminary results announcement and the auditor has issued a disclaimer of opinion or an adverse opinion on the financial statements. Note (2) to Rule 13.50A further states that if the issuer has addressed all the issues giving rise to the disclaimer of opinion or adverse opinion before the publication of the preliminary results announcement and disclosed sufficient information to enable investors to make an informed assessment of its financial position, suspension of trading may not be required under this rule. As the Company received a disclaimer of opinion for the year ended 31 December 2019, if the underlying issues are not addressed and result in a disclaimer of opinion or an adverse opinion on the Company's financial statements for the year ended 31 December 2020, the Company will be required to suspend from trading.

### **V. CLOSURE OF REGISTER OF MEMBERS**

The Hong Kong register of members of the Company will be closed from Monday, 15 March 2021, to Thursday, 18 March 2021 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered on those dates. The record date for determining the entitlement of the Shareholders to attend and vote at the SGM is Friday, 12 March 2021. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 12 March 2021.

### **VI. 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 all resolutions at the SGM will be conducted by way of poll.

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## LETTER FROM THE BOARD

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### VII. RECOMMENDATION

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

### VIII. RESPONSIBILITY STATEMENT

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.

Yours faithfully,  
By order of the Board  
**Li Ming**  
*Chairman*

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the special general meeting of the Company (the “**SGM**”) will be held at Unit D, 16/F., MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong on Thursday, 18 March 2021 at 10:30 a.m. for the purpose of transacting the following business:

Passing with or without amendments the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the subscription agreement dated 18 September 2020, including the form of the proposed convertible bond (“**Convertible Bond**”) annexed thereto (the “**Subscription Agreement**”), entered into between the Company as issuer and Xiamen Longhai Investment Management Co.,Ltd\* (廈門隆海投資管理有限公司)(“**Subscriber**”) as subscriber, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), pursuant to which the Company has conditionally agreed to issue the Convertible Bond in an aggregate principal amount of HK\$30,000,000 to Subscriber upon and subject to the terms and conditions as set out therein, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Convertible Bond by the Company to Subscriber in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the allotment and issue of up to 300,000,000 Shares or such other number of shares in the share capital of the Company which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond in accordance with the terms and conditions of the Convertible Bond (“**Conversion Shares**”) be and is hereby approved;

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## NOTICE OF SPECIAL GENERAL MEETING

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- (d) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bond and the issue and allotment of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond.”
2. “**THAT**, to consider and approve the election of Mr. Ding Lei as a non-executive director of the Company.”

By order of the Board  
**Li Ming**  
*Chairman*

Hong Kong, 26 February 2021

*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 needs not be a member of the Company.
2. A form of proxy for the SGM is enclosed with the Company’s circular dated 26 February 2021. 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 SGM 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 SGM and any adjournment thereof should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. The Hong Kong register of members of the Company will be closed from Monday, 15 March 2021, to Thursday, 18 March 2021 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered on those dates. The 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 Friday, 12 March 2021. 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 Friday, 12 March 2021.

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## NOTICE OF SPECIAL GENERAL MEETING

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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.
5. 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.
6. 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 Chuanjun; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.

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### PRECAUTIONARY MEASURES FOR THE SGM

The Company would like to inform its Shareholders that precautionary measures will be implemented at the SGM to prevent the COVID-19 pandemic, including:

- (i) Compulsory body temperature check;
- (ii) Compulsory wearing of surgical face mask throughout the SGM;
- (iii) No refreshments will be provided and there will be no corporate gift; and
- (iv) Maintaining proper distance between seats.

Any person who does not comply with any of the above precautionary measures, or who has a fever or exhibits flu-like symptoms or is subject to any Hong Kong Government prescribed quarantine may be denied entry to the SGM venue.

For the health and safety of Shareholders, the Company encourages Shareholders NOT to attend the SGM in person, and remind Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.