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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)

**QUARTERLY UPDATE ON STATUS OF RESUMPTION
AND
CONTINUAL SUSPENSION OF TRADING**

Financial adviser to the Company



This announcement is made by China Ocean Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) and 13.24A of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company (i) dated 30 March 2021, 30 April 2021, 31 May 2021, 18 June 2021, 30 June 2021, 30 July 2021, 31 August 2021, 30 September 2021, 29 October 2021, 30 November 2021, 31 December 2021, 31 January 2022, 28 February 2022, 31 March 2022, 3 May 2022, 31 May 2022, 6 July 2022, 8 July 2022, 29 July 2022 and 2 September 2022, in relation to, among others, the suspension of trading in the shares of the Company on the Stock Exchange; (ii) dated 13 June 2022 in relation to, among others, the judge ordered that the Petition be dismissed; (iii) dated 5 September 2022, 7 September 2022, 29 September 2022 and 30 September 2022 in relation to, among others, the publication of the audited annual results for the year ended 31 December 2020 and 2021 and the interim results for the six months ended 30 June 2021 and 2022 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. The board of directors of the Company (the “**Board**”) wishes to provide the shareholders of the Company (the “**Shareholders**”) further update as follows:

QUARTERLY UPDATE ON STATUS OF RESUMPTION

Publication of all outstanding financial results and address audit modifications

As announced in the announcements dated 5 September 2022, 7 September 2022, 29 September 2022 and 30 September 2022, the Company has published its audited annual results for the year ended 31 December 2020 and 2021 and its interim results for the six months ended 30 June 2021 and 2022.

As set out in the section headed “BASIS FOR DISCLAIMER OF OPINION” in the announcement dated 30 September 2022 of the audited annual results for the year ended 31 December 2021 of the Company, the Auditor did not express an audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 as a result of the following matters:

- (a) Limitation of scope of loss on disposal of associates – Zhejiang Ocean Leasing Company Limited (“**Zhejiang Ocean**”) and its subsidiaries (collectively referred to as the “**Zhejiang Ocean Group**”) (the “**Disclaimer (a)**”);
- (b) Limitation of scope of inventories of shipbuilding business the (“**Disclaimer (b)**”); and
- (c) Material fundamental uncertainties relating to going concern (“**Disclaimer (c)**”).

As set out in the section headed “DISCLAIMER OPINION” in the same announcement, the Board’s view towards the aforesaid disclaimer of opinion are as follows:

Regarding the disclaimer opinion (a) and disclaimer opinion (b), based on the discussion with the Auditor, the Board considers, and the Auditor concur, that the disclaimers has been satisfactorily addressed and shall no longer be applicable to the Company’s financial positions in the following manner:

The issues giving rise to disclaimer opinion (a) and disclaimer opinion (b) on the 2021 Annual Results was due to the Auditor’s inability to obtain certain information in relation to (i) the valuation of the Unsold Vessel as at 31 December 2020; (ii) the accuracy of written down of inventories recognised in relation to shipbuilding business for the year ended 31 December 2020; and (iii) the amount of loss on disposal of the Zhejiang Ocean Group.

Regarding disclaimer opinion (a), there was modified audit opinion on the comparability of the corresponding figures in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. Given that upon completion of the Zhejiang Ocean Group Forced Transfer on 10 June 2020, the Group ceased to hold any equity interest in Zhejiang Ocean Group and the Zhejiang Ocean Group was ceased to be accounted for the associates of the Group. There would be no more audit modification in respect of disclaimer opinion (a) on the Group’s consolidated financial statements for the year ended 31 December 2022.

Regarding disclaimer opinion (b), there is only one of the Four Vessels (as defined in the 2020 Annual Results) being unsold (the “**Unsold Vessel**”) as at the date of this submission. For the Unsold Vessel, Wuhan Maritime Court* (武漢海事法院)(the “**Maritime Court**”) attempted but failed to sell the Unsold Vessel for three times in 2021 through public auction. Subsequently, on 6 May 2022, Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. (江西江州聯合造船有限責任公司) entered into a letter of intent (as supplemented on 21 September 2022) with Jiangxi Province Hongrui Shipbuilding Co., Ltd. (江西省鴻瑞船舶製造有限公司)(“**Jiangxi Hongrui**”), pursuant to which Jiangxi Hongrui intends to purchase and take delivery of the Unsold Vessel upon obtaining the approval from the Maritime Court and/or the secured creditor of the Unsold Vessel, i.e. Bank of China on or before 31 March 2023. Therefore, the Group is in the process in communicating with the Maritime Court and the secured creditor and the management of the Group expects it would be able to complete the disposal of the Unsold Vessel to Jiangxi Hongrui by the end of 2022. As communicated with the Auditor, in case the Unsold Vessel is sold as scheduled which could provide sufficient information and explanation to satisfy the Auditor regarding the issues giving rise to disclaimer opinion (b) and therefore be fully addressed, there would be audit modifications in respect of disclaimer opinion (b) remaining on the Group’s consolidated financial statements for the year ended 31 December 2022 and on the comparative figures and related disclosures in the consolidated financial statements for the year ended 31 December 2023, but no more audit modification regarding such issue for the subsequent financial years.

As such, except for the audit modification regarding disclaimer opinion (b) on: (1) the consolidated financial statements of the Group for the year ending 31 December 2022, and (2) the comparative figures and related disclosures to be stated in the consolidated financial statements of the Group for the year ending 31 December 2023, there would not be other audit modifications in respect of the matters referred to above. Accordingly, the issues giving rise to the disclaimer opinion (a) and disclaimer opinion (b) will no longer have any continuing effect on the Group’s consolidated financial statements for the year ending 31 December 2024 and the subsequent years.

As disclosed in the announcement of the Company dated 18 June 2021, the Stock Exchange requested the Company to comply with the Resumption Guidance, among which required the Company to publish all outstanding financial results required under the Listing Rules and address any audit modifications.

Given that the Company has already published all outstanding financial results required under the Listing Rules and has address the audit modifications as stated above, the Company considers that the relevant Resumption Guidance mentioned above as fulfilled.

Submission of resumption proposal and request for extension

On 15 and 26 September 2022, the Company submitted letters to the Listing Division of the Stock Exchange in relation to resumption proposal and to address the Resumption Guidance given by the Listing Division in resumption proposal on a case-by-case basis, at the same time striving to demonstrate that during the period from the suspension of trading in shares of the Company to the date of the submission, the Company was able to complete a number of initiatives to resume trading and to put the Group's business back on track.

The Listing Division of the Stock Exchange has issued its comment email on 27 September 2022 (the "**Comment Email**") in response to the submission of the Company dated 15 and 26 September 2022. The Company considers that although it has substantially implemented the steps to fulfill the resumption guidance and could succeed in resuming the trading of its shares, further time is expected to communicate with the Stock Exchange to address, answer and resolve the enquires from the Stock Exchange regarding the Comment Email. As such, on 30 September 2022, the Company submitted a letter to the Listing Division of the Stock Exchange in response to the Comment Email. Meanwhile, in such letter, the Company had filed a petition for the Listing Division to recommend the Listing Committee to extend the deadline for the Company to commence the delisting process by one month.

The Company is confident that once the Company's application for the extension is approved and the Company could further communicate with the Stock Exchange to address, answer and resolve the enquires from the Stock Exchange, the Company shall be able to fulfill the Resumption Guidance.

Update on business operations

Being one of the largest shipbuilding factories in Jiangxi Province, the Group is reputable for its heavy industrial production capacity and abundant natural resources alongside Yangtze River with an experienced team of more than 200 skilled workers. As such, it attracts customers in the region which demands processing/production capacity for heavy industrial products, which mainly comprise customers of established state-owned and private construction companies, ship companies and steel engineering companies, other transport related companies and governmental authorities.

During the time to gradually recover its profitability on its business segments, the Group would also like to carry out that it has also strived to adjust its shipbuilding business model from contracting the whole shipbuilding process of mid-size to large ships, including the purchase of raw materials and assembling of all parts of the ships which generally requires more capital commitment and longer construction time in the past to transit to more contractor or service works of different procedures in processing or modification for shipbuilding of shorter revenue-generating cycle with less capital commitment to mitigate the business and operating risk and increase the liquidity of the Group amid the deteriorating economic condition, adverse industry atmosphere and the Group's financial condition.

In addition to the measures for adjusting the business model and scopes of projects as abovementioned, under the scope of the existing shipbuilding business activities, the Group has been actively expanding and diversifying its business scope with a view to broaden income source by exploiting and re-vitalising its rich assets and resource in the shipbuilding production base in Jiangxi Province alongside the Yangtze River in responding the adverse situation in the shipbuilding industry, which included the construction of loading and docking berths with cranes, warehouse and installed ancillary facilities for loading charges and docking rental income.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on 1 April 2021 and will remain suspended until the Company fulfills the Resumption Conditions.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. When in doubt, shareholders and potential investors of the Company are advised to seek advice from professional or financial advisers.

By the Order of the Board
CHINA OCEAN INDUSTRY GROUP LIMITED
Zhang Shi Hong
Chairman

Hong Kong, 13 October 2022

As at the date of this announcement, the Board of the Company comprises two executive directors, namely, Mr. Zhang Shi Hong (Chairman) and Mr. Zhang Chuanjun; one non-executive director, namely, Mr. Ding Lei; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.