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CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED

中海船舶重工集團有限公司

(Incorporated in the Bermuda with limited liability)

(Stock code: 00651)

ANNOUNCEMENT PURSUANT TO RULE 13.09(2) OF LISTING RULES – RESULT OF ARBITRATION

The announcement is made pursuant to Rule 13.09(2) of the Listing Rules.

On 1 May 2013, the Awards granted by the Tribunal for the Arbitration Proceedings were received by Shipyard, a Company's wholly owned subsidiary, in which Shipyard is liable to (i) refund the instalments in aggregate of US\$35,370,000 (approximately HK\$274.47 million); (ii) interests up to 30 April 2013 amounting to US\$3,198,649 (approximately HKD24.82 million); and (iii) interests accrued from 1 May 2013 until the date of refund at the daily rate of US\$1,552.35 (approximately HK\$12,046).

The board (the "**Board**") of directors (the "**Directors**") of China Ocean Shipbuilding Industry Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to make this announcement pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Reference is made to the 2010 annual report, 2011 interim report, 2011 annual report, 2012 interim report and 2012 annual report of the Company (together the "**Financial Statements**") relating to a set of arbitration proceedings (the "**Arbitration Proceedings**") between the Company's wholly owned subsidiary, Jiangxi Jiangzhou Union Shipbuilding Co. Ltd., (the "**Shipyard**") and Algoma Tankers International Inc. ("**Algoma**"), the ship-buyer, in respect of the validity of rescission notice sent by Algoma pursuant to three shipbuilding contracts (the "**Shipbuilding Contracts**"). Algoma claimed that the rescission notice is valid and requested for the return of the instalments paid for shipbuilding and interest, in aggregate amounting to approximately US\$39 million in the Arbitration Proceedings.

RESULT OF THE ARBITRATION PROCEEDINGS

On 1 May 2013, the awards (the "**Award**") granted by the London, UK Arbitration Tribunal (the "**Tribunal**") were received by Shipyard in which Shipyard is liable to (i) refund the instalments in aggregate of US\$35,370,000 (approximately HK\$274.47 million); (ii) interests up to 30 April 2013 amounting to US\$3,198,649 (approximately HK\$24.82 million); and (iii) interests accrued from 1 May 2013 until the date of refund at the daily rate of US\$1,552.35 (approximately HK\$12,046) (collectively the "**Interests**"). The Tribunal reserves the right to hear all questions of costs, including both the parties' costs and Tribunal's costs (collectively the "**Legal Costs**").

The Board is not satisfied with the result of the Awards and is in the course of seeking legal advice in exploring the possibility to seek reversal of the Awards.

EFFECT OF THE AWARDS TO THE GROUP'S FINANCIAL POSITION

Given as security for performance of Shipyard under the Shipbuilding Contracts, refund guarantees covering the sum of instalments paid have been given to Algoma by two Chinese banks (the “**Original Guarantors**”) in reliance of certain corporate guarantees provided by certain ultimate guarantors (the “**Ultimate Guarantors**”). The instalments to be refunded by Shipyard will be fully paid by the Original Guarantors pursuant to the refund guarantees and in return the Original Guarantors may have a recourse against Shipyard and/or the Ultimate Guarantors for the said refund and the Ultimate Guarantors shall have the right against Shipyard to compensate them for the refund paid. As at the date of this announcement, approximately HK\$122 million are held by one of the Original Guarantors and one of the Ultimate Guarantors to secure the refund of the instalments. It is likely that the Original Guarantors will demand from the Ultimate Guarantor and/or the Shipyard for the shortfall. In any event, Shipyard shall pay such shortfall, the Interests and the Legal Costs. The Shipyard intends to settle such shortfall, the Interests and the Legal Costs by way of obtaining bank facilities.

The sum of the Awards has been fully provided by the Company in the Financial Statements. HK\$372.34 million, HK\$366.38 million and HK\$323.10 million covering the liability in relation to the Arbitration Proceedings have been booked under the Company's current liabilities in its 2012, 2011 and 2010 annual consolidated statement of financial position. The Board is therefore of the view that, save for the Awards may cause strain to the Group's future cashflow position, the effect of the Awards to the Group's financial position has already been fully reflected in the Group's Financial Statements.

By order of the Board
China Ocean Shipbuilding Industry Group Limited
CHAU On Ta Yuen
Chairman

Hong Kong, 2 May 2013

For the purpose of this announcement, unless otherwise indicated, an exchange rate of US\$1 = HK\$7.76 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged or converted at the above rates or at any other rate at all.

As at the date of this announcement, (i) the executive directors of the Company are Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Wang San Long; and (ii) independent non-executive directors of the Company are Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.