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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)**

## **EXTENSION OF THE MATURITY DATE OF THE OUTSTANDING CONVERTIBLE NOTES**

### **BACKGROUND**

Reference is made to the Company's announcement dated 21 December 2010 and circular dated 11 January 2011, which relate to, among others, the amendment of the terms and conditions of the Convertible Notes, inclusive of the extension of the maturity date from 15 April 2012 to 15 April 2014.

### **AMENDMENT DEED**

The Board is pleased to announce that on 25 March 2014, the Company and the Noteholders entered into the Amendment Deed pursuant to which the parties agreed to the Amendments as follows:–

1. the Maturity Date of the Outstanding Convertible Notes shall be extended from 15 April 2014 to 15 April 2016; and
2. the interest to be accrued on the outstanding principal of the Convertible Notes for the period from 16 April 2014 to 15 April 2016 shall be payable annually (as opposed to semi-annually under the existing terms and conditions of the Convertible Notes).

Save as aforesaid, the terms and conditions of the Convertible Notes shall remain unchanged and valid.

To avoid any changes to be made to the register of the Noteholders prior to the Amendments becoming unconditional, it is stipulated in the Amendment Deed that the Noteholders cannot transfer any of the Convertible Notes from execution of the Amendment Deed to the Effective Date.

An application will be made to the Listing Committee for approval of the Amendments in accordance with Rule 28.05 of the Listing Rules and for listing of, and permission to deal in, the Conversion Shares to be issued pursuant to the terms and conditions of the Convertible Notes as amended by the Amendment Deed.

The Directors are of the view that the terms of the Amendment Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **BACKGROUND**

Reference is made to the Company's announcements dated 21 December 2010 and circular dated 11 January 2011, which relate to, among others, the amendment of the terms and conditions of the Convertible Notes, inclusive of the extension of the maturity date from 15 April 2012 to 15 April 2014. As at the date of this announcement, Convertible Notes in the principal amount of HK\$225,000,000 remain outstanding.

The existing outstanding principal terms of the Convertible Notes are summarised below for Shareholders' ease of reference:

Principal amount: HK\$225,000,000

Conversion: The Noteholders may convert the whole or any part of the outstanding principal amount of the Convertible Notes into Conversion Share(s) at the then Conversion Price at any time prior to the Existing Maturity Date.

The conversion rights under the Convertible Notes shall only be exercisable to the extent that (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; (ii) the aggregate shareholdings of the Noteholders, their associates and parties acting in concert with them (as defined in the Takeovers Code) immediately after such exercise will not be or exceed 30% of the then issued share capital of the Company; and (iii) the Noteholders together with parties acting in concert (as defined in the Takeovers Code) with them shall not become a controlling Shareholder (as defined in the Takeovers Code).

- Conversion price: HK\$0.22 per Conversion Share, which is subject to further adjustment for, sub-division or consolidation of new Shares, bonus issues, rights issues, issue of securities which carry rights for conversion capitalization issue and distribution of dividend in cash or specie and other dilutive events.
- Interest rate: The Convertible Notes in the outstanding principal amount of HK\$225,000,000 bear interest calculated at the rate of 1.5% per annum accrued on a day to day basis, payable semi-annually in arrears.
- Existing Maturity Date: 15 April 2014 as extended by the Extension Letters and the Previous Amendment Deed
- Listing: The Convertible Notes are not listed on the Stock Exchange. No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.
- Ranking: The Conversion Shares to be allotted and issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Transferability: The Convertible Notes are freely transferable to third party(ies), provided that the Noteholders must inform and obtain written consent from the Company of each transfer or assignment made by them and the proposed assignee or transferee shall have given the Company a written confirmation that he is not a connected person, and the Company will notify the Stock Exchange if it becomes aware of any dealing in the Convertible Notes by any connected person of the Company.

Redemption: The Convertible Notes are not redeemable at the option of the Noteholders. The Company shall have the right to redeem any portion of the Convertible Notes outstanding at an amount equals to the principal amount of the Convertible Notes together with any interest accrued thereon in its sole and absolute discretion at any time prior to the maturity date of the Convertible Notes. Unless previously converted or redeemed as provided in the Conditions, the Company shall redeem all outstanding Convertible Notes on the Existing Maturity Date.

Event of default: The Convertible Notes contain an event of default provision which provides that on occurrence of certain events of default (e.g. repayment overdue, insolvency, liquidation and suspension of trading on the Stock Exchange for a continuous period of 30 trading days due to the fault of the Company) specified in the Convertible Notes, each Noteholder shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Notes.

## **THE AMENDMENT DEED**

The Board announces that on 25 March 2014, the Company entered into the Amendment Deed with each of the Noteholders whereby the parties agreed to the Amendments as follows:–

1. the Maturity Date of the Outstanding Convertible Notes shall be extended from 15 April 2014 to 15 April 2016; and
2. the interest to be accrued on the outstanding principal of the Convertible Notes for the period from 16 April 2014 to 15 April 2016 shall be payable annually (as opposed to semi-annually under the existing terms and conditions of the Convertible Notes).

Save as the above mentioned amendments, each and every term and condition under the Outstanding Convertible Notes shall remain unchanged and valid.

To avoid any changes to be made to the register of the Noteholders prior to the Amendments becoming unconditional, it is stipulated in the Amendment Deed that the Noteholders could not transfer any of the Convertible Notes from execution of the Amendment Deed to the Effective Date.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Noteholders are third parties independent of and not connected with the Company and its connected persons.

The Amendments are conditional upon:

1. passing of resolution by the Shareholders approving, authorising and ratifying the entering into of the Amendment Deed and performance by the Company of all transactions contemplated thereunder at the SGM;
2. approval from the Stock Exchange of the Amendments in accordance with Rule 28.05 of the Listing Rules; and
3. the Listing Committee granting listing of, and permission to deal in, the Shares to be issued pursuant to the Convertible Notes as amended by the Amendment Deed.

The Amendment Deed was arrived at after arms length negotiation between the Company and the Noteholders.

If any of the conditions precedent set out in the Amendment Deed are not fulfilled on or before 31 May 2014 or such later date as may be agreed between the Noteholders and the Company, the Amendment Deed will lapse and become null and void and the parties thereto will be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Given the conditions precedent may not take place before the Existing Maturity Date, the Noteholders have agreed to, jointly or severally, irrevocably waive all their rights (if any), whether contractual or otherwise, to bring any claim and/or commence any proceedings against the Company for any remedies and/or reliefs for any breach of the Terms and Conditions committed by the Company in connection with the expiry of the Existing Maturity Date during the period from the Existing Maturity Date up to and inclusive of 31 May 2014. In the event that the Amendment Deed becomes unconditional after the Existing Maturity Date, the Amendments are deemed to be effective from the Existing Maturity Date.

An application will be made to the Listing Committee for approval of the Amendments in accordance with Rule 28.05 of the Listing Rules and for the listing of, and permission to deal in, the Conversion Shares to be issued pursuant to the terms and conditions of the Convertible Notes as amended by the Amendment Deed.

As at the date of this announcement, the Outstanding Convertible Notes are convertible into 1,022,727,272 Shares at a conversion price of HK\$0.22 per Share, representing approximately 22.72% of the existing issued share capital of the Company and approximately 18.51% of the enlarged share capital of the Company assuming that the Outstanding Convertible Notes are converted in full and no change in the shareholding structure of the Company. Such Conversion Shares may be issued upon exercise of the conversion right of the Convertible Notes pursuant to a specific mandate to be sought at the SGM.

The Directors consider that the terms of the Amendment Deed are fair and reasonable and the Extension is in the interests of the Company and its Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AMENDMENT DEED**

The Directors considers that the Amendments will provide more flexibility for the Group to plan its working capital requirement.

## **GENERAL**

The Group is principally engaged in shipbuilding related business and investments in securities.

The SGM will be convened to consider and, if thought fit, to approve the Amendment Deed and the transactions contemplated thereunder. A circular containing, among others, further details of the Amendment Deed and a notice for the SGM is expected to be despatched to the Shareholders on or before 14 April 2014.

## **DEFINITIONS**

“Amendment Deed”	the amendment deed dated 25 March 2014 entered into between the Company and the Noteholders in relation to the Amendments
“Amendments”	amendments to the terms and conditions of the Convertible Notes pursuant to the Amendment Deed
“Board”	the board of Directors
“Business Day”	means any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange

“Condition(s)”	terms and conditions of the Convertible Notes
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Conversion Shares”	new Shares to be issued to the holders of the Outstanding Convertible Notes upon exercise of the conversion right under the Outstanding Convertible Notes
“Convertible Note(s)”	the convertible note(s) issued by the Company on 16 April 2008, the outstanding aggregate principal amount of which is in the sum of HK\$225,000,000
“Director(s)”	the director(s) of the Company
“Effective Date”	the day on which all the conditions precedent stipulated in the Amendment Deed have been fulfilled
“Existing Maturity Date”	15 April 2014, being three years from the date of issue of the Convertible Notes and as extended by the Extension Letters and the Previous Amendment Deed
“Extension”	the proposed extension of the Maturity Date of the Outstanding Convertible Notes for a period of two years from 15 April 2014 to 15 April 2016 pursuant to the Amendment Deed
“Extension Letters”	the extension letters entered into between the Company and the Noteholders on 27 April 2010 in relation to the extension of the maturity date of the Convertible Notes from 15 April 2011 to 15 April 2012
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date on which the Convertible Notes become due
“Noteholder(s)”	the existing holder(s) of the Outstanding Convertible Note(s)
“Outstanding Convertible Note(s)”	the Convertible Note(s) in an aggregate outstanding principal amount of HK\$225,000,000 as at the date hereof
“Previous Amendment Deed”	the deed of amendment entered into between the Company and the Noteholders on 21 December 2010
“Proposed Amendments”	the proposed amendments to the terms of the Convertible Notes in relation to, among other things, the Extension
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held for the approving, amongst other things, the Extension
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

“%”

per cent

By order of the Board

**CHAU On Ta Yuen**

*Chairman*

Hong Kong, 25 March 2014

*As at the date of this announcement, the Board comprises CHAU On Ta Yuen, LI Ming, ZHANG Shi Hong and WANG San Long as executive Directors, and XIANG Siying, HU Bai He and XIANG Ying as independent non-executive Directors.*