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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)**

### **INSIDE INFORMATION UPDATE ON NEGOTIATION WITH THREE CUSTOMERS**

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

Reference is made to the annual report of the Company for the year ended 31 December 2016 (“**2016 Annual Report**”). As set out in the paragraph headed “BASIS FOR DISCLAIMER OF OPINION” in the independent auditors’ report and Notes 2 and 31 to the consolidated financial statements contained in the 2016 Annual Report, due to delays in shipbuilding production schedules, three customers (collectively referred to as “**Three Customers**” and each a “**Customer**”) relating to seven vessels (“**Seven Vessels**”), in accordance with the relevant shipbuilding contracts, have the rights to issue rescission notices to the Group if the Three Customers cannot receive the Seven Vessels on or before the relevant agreed delivery date which ranges from June 2016 to March 2017. The management of the Group have been in negotiation with the Three Customers since June 2016.

The board of directors of the Company (“**Board**”) wishes to provide an update on the latest status of the negotiation with the Three Customers: Jiangxi Jiangzhou Union Shipbuilding Co., Ltd, a wholly-owned subsidiary of the Company, and MT Sloman Hestia Schiffahrtsgesellschaft mbH & Co. KG (“**Sloman Hestia**”), which is the party to the relevant shipbuilding contract and a wholly-owned subsidiary of one of the Three Customers, have reached an agreement to (i) extend the vessel delivery date in respect of one of the Seven Vessels from 17 January 2017 to 31 May 2017 (“**Extension**”) and (ii) reduce the contract price for the relevant vessel by US\$765,000 (equivalent to approximately HK\$5,951,700). In the event the Group is unable to deliver the vessel by 31 May 2017, the relevant customer shall be entitled to rescind the relevant shipbuilding contract. Based on the current construction progress, the Directors are of the view that the Group will be able to meet the extended delivery date of 31 May 2017. The Board also considers that the Extension would have no material adverse impact on the financial and operational position of the Group.

As at the date of this announcement, no formal agreement has been reached by the Group and the other Customers in respect of the remaining six of the Seven Vessels. Further announcement(s) in relation to material development of the aforesaid negotiation will be made by the Company as and when appropriate in accordance with the Listing Rules.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board  
**China Ocean Industry Group Limited**  
**LI Ming**  
*Chairman*

Hong Kong, 18 May 2017

*For the purpose of illustration only and unless otherwise stated, conversion of US\$ to HK\$ in this announcement is based on the exchange rate of US\$1.00 to HK\$7.78. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

*As at the date of this announcement, the Board of the Company comprises four executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long and Mr. Liu Jin, one non-executive director, namely, Mr. Chau On Ta Yuen; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.*