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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 ANNOUNCEMENT UPDATE ON CONVERTIBLE NOTES DUE 2017

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

Reference is made to (i) the announcements of the Company dated 3 June 2015, 12 June 2015 and 8 July 2015 in relation to the issue of the Convertible Notes in principal amount of HK\$200 million; and (ii) announcements of the Company dated 7 July 2016 and 28 July 2016 in relation to the extension of Maturity Date of the Convertible Notes to 8 July 2017. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the announcement dated 7 July 2016.

Pursuant to the terms of the Convertible Notes, on the Maturity Date, unless previously converted or cancelled in accordance with the conditions under the terms and conditions of the Convertible Notes, the Convertible Notes will be redeemed by the Company at the amount equal to the aggregate of (i) the outstanding principal amount of the Convertible Notes, (ii) any accrued and outstanding interest, (iii) any accrued and outstanding Default Interest, and (iv) any other payment accrued and outstanding to the Noteholder pursuant to the terms and conditions of the Convertible Notes.

Accordingly, on 8 July 2017 (being the Extended Maturity Date), the Company was required to redeem the Convertible Notes at the amount of HK\$200 million, representing the outstanding principal amount of the Convertible Notes (“**Redemption Amount**”). However, after negotiating with the Investor who was the only registered Noteholder, on 7 July 2017 the Investor agreed to delay the payment of the Redemption Amount by the Company to 21 July 2017. On 17 July 2017, HK\$100 million of the Redemption Amount was repaid by the Company to the Investor.

Taking into account of the capital requirement of the Group and the Investor’s confidence in the prospect of the Company, the Company and the Investor are further negotiating for the date and manner of repayment of the remaining Redemption Amount of HK\$100 million. The Company is considering obtaining further financing to repay the remaining Redemption Amount. The Company will publish further announcement to update the progress of the negotiation 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, 19 July 2017

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.