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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in **China Ocean Shipbuilding Industry Group Limited**, you should at once hand this circular and proxy form enclosed herein to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**PROPOSED GENERAL MANDATES TO ISSUE SHARES AND TO  
REPURCHASE SHARES  
PROPOSED RE-ELECTION OF RETIRING DIRECTORS  
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of China Ocean Shipbuilding Industry Group Limited to be held at Units 1702-03,17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 27 June 2012 at 10:00a.m. is set out on pages 24 to 28 of this circular.

A form of proxy for use at the annual general meeting is enclosed. Whether or not you are able to attend and vote at the annual general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

28 May 2012

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be convened and held at Units 1702-03, 17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 27 June 2012 at 10:00 a.m.;
“Adoption Date”	means the date on which the new Share Option Scheme becomes unconditional;
“Associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company for the time being;
“Bye-laws”	bye-laws of the Company as amended from time to time;
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time);
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 00651);
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company for the time being;
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 27 May 2002;
“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 People’s Republic of China;
“Issue Mandate”	the proposed general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of relevant resolution;
“Latest Practicable Date”	25 May 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;

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## DEFINITIONS

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“Member(s)”	holder(s) of the Shares;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Shareholders at the AGM, a summary of the principal terms is set out in the Appendix III to this circular;
“Repurchase Mandate”	the proposed general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of relevant resolution;
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Option(s)”	a right granted under New Share Option Scheme to subscribe for Shares;
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“%”	per cent

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**LETTER FROM THE BOARD**

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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)**

*Executive directors:*

Mr. Chau On Ta Yuen (*Chairman*)  
Mr. Li Ming (*Deputy Chairman & CEO*)  
Mr. Zhang Shi Hong  
Mr. Wang San Long

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive directors*

Ms. Xiang Siying  
Mr. Hu Bai He  
Ms. Xiang Ying

*Principal place of business:*

Units 1702-03, 17/F  
China Merchants Tower,  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

28 May 2012

*To the Shareholders*

Dear Sir/Madam

**PROPOSED GENERAL MANDATES TO ISSUE SHARES AND TO  
REPURCHASE SHARES  
PROPOSED RE-ELECTION OF RETIRING DIRECTORS  
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting in order to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the Annual General Meeting.

Resolutions to be proposed at the Annual General Meeting include, in addition to the ordinary business, ordinary resolutions relating to the general mandates to issue Shares and to repurchase Shares, proposed re-election of retiring Directors and proposed adoption of the New Share Option Scheme.

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## LETTER FROM THE BOARD

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### 2. RE-ELECTION OF RETIRING DIRECTORS

Mr. Zhang Shi Hong, Mr. Wang San Long and Ms. Xiang Si Ying will retire from office as Directors by rotation in the Annual General Meeting in accordance with Bye-law no. 87 and, being eligible, will offer themselves for re-election.

If re-elected at the AGM, Ms. Xiang Si Ying will hold office until the conclusion of the annual general meeting of the Company to be held in 2014.

Brief biographical details of the retiring Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

### 3. GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 23 June 2011, general mandates were given by the Company to the Directors to exercise the powers of the Company to repurchase Shares and to issue Shares. Under the Listing Rules, these general mandates will lapse at the conclusion of the forthcoming Annual General Meeting. Ordinary resolutions will therefore be proposed at the Annual General Meeting for the grant of the general mandates to repurchase Shares and to issue Shares.

At the Annual General Meeting, ordinary resolutions nos. 4 and 6 will be proposed that the Directors be granted a general and unconditional mandate to allot, issue and deal with new Shares up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution. Based on 3,667,994,886 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue up to 733,598,977 Shares.

In addition, an ordinary resolution will be proposed so that the Issue Mandate will be extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount will not exceed 10% of the aggregate of the total nominal value of the issued share capital of the Company in issue on the date of the resolution approving the Issue Mandate.

### 4. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, ordinary resolution no.5 will also be proposed to grant the Directors a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange or on any other stock exchange on which the Shares may be listed, Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution (the “**Repurchase Resolution**”).

The Repurchase Mandate and the Issue Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) at the end of the period within which the Company is required by Bermuda law or the Bye-laws to hold its next annual general meeting; or (c) when revoked or varied by ordinary resolutions of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

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## LETTER FROM THE BOARD

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An explanatory statement as required under the Listing Rules to provide the requisite information regarding the Repurchase Mandate is set out in Appendix I to this circular.

### 5. PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME

#### New Share Option Scheme

The Existing Share Option Scheme has expired on 26 May 2012. The Directors propose the adoption of New Share Option Scheme which principal terms are set out in Appendix III to this circular. As at the Latest Practicable Date, options to subscribe for 46,449,780 Shares were granted but not yet exercised under the Existing Scheme. These options shall remain exercisable pursuant to the rules of the Existing Scheme.

At the AGM, an ordinary resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme, which will take effect on the date of its adoption at the AGM subject to the Stock Exchange granting approval for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of eligible participants, to provide incentives to them, to help the Company retaining eligible participants and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Based on 3,667,994,886 Shares in issue as at the Latest Practicable Date and assuming that there is no further change in the issued share capital from the Latest Practicable Date to the Adoption Date, Options to subscribe for up to 366,799,488 Shares may be issued under the New Share Option Scheme or any other schemes of the Company pursuant to Rule 17.03(3) of the Listing Rules, representing 10% of the Shares in issue as at the date of approval of the New Share Option Scheme at the AGM.

The Directors consider that it would not be appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the Option value have not yet been determined. Such variables include but are not limited to the exercise price, exercise period, lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful to the Shareholders.

None of the Directors will be appointed as a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee of the New Share Option Scheme.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

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## LETTER FROM THE BOARD

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### Conditions precedent of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (a) the passing of an ordinary resolution at the AGM approving the adoption of the New Share Option Scheme; and
- (b) the Stock Exchange granting approval of the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of any Options granted under the New Share Option Scheme.

Subject to the Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any Other Schemes must not in aggregate exceed 10% of the total issued capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% limit on the basis that the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any Other Schemes must not exceed 30 per cent. of the issued share capital of the Company from time to time.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in the Appendix III to this circular on pages 13 to 23.

### 6. ANNUAL GENERAL MEETING

The notice of Annual General Meeting which contains, inter alia, ordinary resolutions to re-elect the retiring Directors, to approve the Issue Mandate and the Repurchase Mandate, to adopt new share options scheme is set out on pages 24 to 28 of this circular.

Whether or not you are able to attend the Annual General Meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and lodged the same with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and, in any event not later than 10:00 a.m., Monday, 25 June 2012, or not less than 48 hours before the time for any adjournment of the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

Under Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions proposed at the Annual General Meeting will be conducted by way of poll.

### 7. RECOMMENDATION

The Directors believe that the resolutions proposed in the notice of AGM are beneficial to the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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The Directors believe that an exercise of the Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The Directors also believe that the exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases of Shares will benefit the Company and the Shareholders as a whole.

Exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31 December, 2011, being the date of its latest audited consolidated accounts. However, the Directors do not intend to make any repurchase, in the circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

Accordingly, the Directors recommend Shareholders to vote in favour of all the resolutions to be proposed as set out in the notice of the Annual General Meeting.

### **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Company's memorandum of association, the Bye-laws and the rules of the New Share Option Scheme will be available for inspection at the head office and the principal place of business in Hong Kong of the Company at Units 1702-03, 17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from the date hereof up to and including the date of the Annual General Meeting.

### **9. RESPONSIBILITY STATEMENT**

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

### **10 MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,  
For and on behalf of the Board of  
**China Ocean Shipbuilding Industry Group Limited**  
**CHAU On Ta Yuen**  
*Chairman*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information as to the proposed Repurchase Mandate.

### **1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognized by the Hong Kong Securities and Futures Commission subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such a company must be fully paid up and all repurchase of shares by such a company must be approved in advance by an ordinary resolution of shareholders, either by way of repurchase mandate or by specific approval of a particular transaction.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, there was a total of 3,667,994,886 Shares in issue. Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 366,799,488 Shares (representing 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Repurchase Resolution).

### **3. REASONS FOR THE REPURCHASE**

The Directors believe that it is in the best interests of the Company and the Shareholders to seek a general authority from the Shareholders to enable the Company to repurchase its Shares on the Stock Exchange or on stock exchange on which the Shares are listed. The exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset per Share and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders as a whole.

### **4. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Company's memorandum of association and Bye-laws, the Companies Act, the applicable laws of Bermuda and other applicable laws.

There might be material adverse impact on the working capital and gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Company's annual report for the year ended 31 December, 2011, being the date of its last audited accounts) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital requirements or the gearing levels of the Company.

## 5. UNDERTAKING

The Directors have undertaken to the Stock Exchange, so far as the same may be applicable, to exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and all applicable laws.

## 6. DIRECTORS, ASSOCIATES AND CONNECTED PERSON

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders.

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them, to the Company or its subsidiaries in the event that the Repurchase Mandate is approved by the Shareholders.

## 7. EFFECT OF TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If as a result of a repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

Save as disclosed below, no persons had interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO as at the Latest Practicable Date.

Name	Number of ordinary shares held	Number of underlying share held	Approximate percentage of the issued shares
Li Jun	7,340,297	386,133,333	10.73%
Di Yun Fei	0	409,090,909	11.15%

On the basis that no Shares are issued or repurchased from the Latest Practicable Date to the Annual General Meeting and assuming that none of the outstanding options and convertible notes have been exercised or converted prior to repurchase shares pursuant to the Repurchase Mandate, no person are obligated to make a mandatory offer under Rule 26 of the Takeovers Code or result in the amount of shares held by the public being reduced to less than 25%.

The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase made under the Repurchase Mandate.

**8. SHARES REPURCHASES MADE BY THE COMPANY**

The Company did not purchase any Shares (whether on the Stock Exchange or otherwise) during the six months prior to the Latest Practicable Date.

**9. SHARE PRICES**

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the 12 calendar months before the Latest Practicable Date and the current month up to the Latest Practicable Date are as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2011</b>		
May	0.181	0.163
June	0.173	0.132
July	0.173	0.142
August	0.160	0.115
September	0.140	0.100
October	0.129	0.100
November	0.128	0.100
December	0.115	0.095
<b>2012</b>		
January	0.123	0.089
February	0.135	0.110
March	0.120	0.084
April	0.091	0.058
May (up to the Latest Practicable Date)	0.084	0.061

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

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Details of the Directors proposed to be re-elected at the Annual General Meeting are set out as follows:

**Mr. Zhang Shi Hong**, aged 43, was appointed as a Director in December 2007 and is currently an executive Director. Mr. Zhang has over 17 years of experience in finance, credit management and investment management. He has worked for the head office of the Bank of China for around nine years and was mainly responsible for credit management. He also pursued investment management in various corporations in the People's Republic of China. Mr. Zhang holds a Master's degree in Economics. Mr. Zhang is a director of certain subsidiaries of the Company. He did not hold any directorships in other listed public companies in the past three years.

Mr. Zhang has entered into a service contract with the Company, commencing from 1 August 2008, which will continue thereafter until terminated by either party by giving the other party not less than three months' written notice. He is entitled to a monthly emolument of HK\$90,000 and he may also entitle to a discretionary bonus at the sole determination of the Board. His emolument is determined by reference to his duties and responsibilities and the prevailing market conditions.

Mr. Zhang is not connected with any directors, senior management or substantial or controlling shareholders (as respectively defined in the Listing Rules) of the Company. Mr. Zhang was granted options by the Company entitling him to subscribe for up to 1,581,000 shares in the Company. Save as disclosed above, he does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules in relation to the proposed re-election of Mr. Zhang as a Director.

**Mr. Wang San Long**, aged 61, was appointed as a Director in May 2008 and is currently an executive Director. Mr. Wang has more than thirty years experience in the field of ship-building. He is a senior engineer and was graduated from ship-building department of Huazhong Gong Xue Yuan (now known as Huazhong University of Science and Technology). Mr. Wang is a member of Changjiang Committee in China Classification Society. He is also a member of teaching guidance committee of ship engineering department in Jiujiang Vocational and Technical College. Mr. Wang is currently a director and the chairman of one of the subsidiary of the Company, namely Jiangxi Jiangzhou Union Shipbuilding Co., Ltd. He did not hold any directorships in other listed public companies in the past three years. Mr. Wang is entitled to a monthly emolument of approximately HK\$56,500 in his capacities as a director and general manager of a subsidiary of the Company and the executive director of the Company. His emolument is determined by reference to his duties and responsibilities and the prevailing market conditions.

Mr. Wang is not connected with any directors, senior management or substantial or controlling shareholders (as respectively defined in the Listing Rules) of the Company. Mr. Wang was granted options by the Company entitling him to subscribe for up to 4,110,600 shares in the Company. Save as disclosed above, he does not have any interest in any shares of the Company within the meaning

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

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of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rule13.51(2) of the Listing Rules in relation to the proposed re-election of Mr. Wang as a Director.

**Ms. Xiang Si Ying**, aged 49, was appointed as an independent non-executive Director in May 2008 and is currently an independent non-executive Director. Ms. Xiang holds an MBA degree from the London Business School. She has extensive experience in all sectors of corporate finance, restructuring and merge and acquisitions practice. Ms. Xiang currently is an executive director of CDH Investments, a leading private equity firm in China. Prior to joining CDH, she had worked for China International Capital Corporation Limited since returning to China in early 2004. Before that Ms. Xiang had long career with International Finance Corporation, the private investment arm of the World Bank Group, in Washington, United States of America. Ms. Xiang does not hold any position with the Company or other members of the Company's group and has not been a director in any other listed company in the past three years. Ms. Xiang has entered into a service contract with the Company under which she is appointed for a term of two years and is entitled to director's fees of HK\$100,000 per annum, which is determined by the Board with reference to her qualification, experience and scope of responsibilities.

Ms. Xiang is not connected with any directors, senior management or substantial or controlling shareholders (as respectively defined in the Listing Rules) of the Company. She does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rule13.51(2) of the Listing Rules in relation to the proposed re-election of Ms. Xiang as a Director.

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## APPENDIX III      PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

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*The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the AGM which serves to summarize the terms of the New Share Option Scheme, but does not constitute the full terms of the same.*

In this Appendix, unless the context otherwise requires:

“Adoption Date”	27 June 2012 (the date on which this Scheme is adopted by resolution of the Company in general meeting);
“Auditors”	the auditors for the time being of the Company;
“Business Day”	a day (excluding Saturday) banks are generally open in Hong Kong;
“Employee(s)”	any (full-time or part-time) employee of the Company or any Subsidiary including any executive and non-executive director or proposed executive and non-executive director of the Company or any Subsidiary;
“Grantee”	any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee;
“Offer”	an offer for the grant of an Option pursuant to the Scheme;
“Offer Date”	the date on which an Option is offered to any Participants; pursuant to Clause 8(h), the date of grant of the Option in question is deemed to be the Offer Date;
“Option Period”	in respect of any particular Option, such period as the Board may in its absolute discretion determine, save that such period shall not be more than ten (10) years from the date of grant of the Option and the Board may provide restrictions on the exercise of an Option during the period an Option may be exercised;
“Participant”	any Employee, adviser, consultant, agent, contractor, client and supplier and/or such other person who in the sole discretion of the Board has contributed or may contribute to the Group;
“Scheme”	the New Share Option Scheme proposed to be adopted by the Company at the AGM;
“Scheme Period”	the period of 10 years commencing from the Adoption Date;

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**APPENDIX III      PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME**

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“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option scheme(s) of the Company;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in Clause 7;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as modified from time to time) of the Company and the word “Subsidiaries” shall be construed accordingly; and
“Trading Day”	a day on which the Stock Exchange is open for the trading of securities.

**1. PURPOSE OF THE NEW SHARE OPTION SCHEME**

The purpose of the Scheme is to recognise and motivate the contribution of Participants, to provide incentives to them, and to help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

**2. ELIGIBLE PARTICIPANTS FOR THE PURPOSE OF THE NEW SHARE OPTION SCHEME**

The Directors may at their discretion make an Offer to any person belonging to the following classes of Participants to subscribe for Shares: any Employee, adviser, consultant, customer and supplier and/or such other person who in the sole discretion of the Board has contributed or may contribute to the Group.

**3. PERIOD OF THE SCHEME**

Subject to Clause 13, the Scheme shall be valid and effective for the Scheme Period, after which period no further Options will be granted but in respect of all Options which have been granted but have not been exercised, the provision of this Scheme shall remain in full force and effect in all other respects.

**4. PERFORMANCE TARGETS**

There is no performance target that must be achieved before the Options can be exercised except otherwise imposed by the Board and stated in the offer of grant of an Option.



**5. MAXIMUM NUMBER OF SHARE AVAILABLE FOR SUBSCRIPTION**

- (a) The Scheme Mandate Limit shall not exceed ten per cent. (10%) of the total number of Shares in issue as at the Adoption Date. The Company may obtain approval from its Shareholders for refreshing the Scheme Mandate Limit pursuant to Clause 5(b) below. Option lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (b) The Company may seek approval of the Shareholders in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed ten per cent. (10%) of the Shares in issue at the date of the approval of the renewal by the Shareholders. Upon any such renewal, all Options granted under the Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Scheme and any other share option schemes of the Company and exercised options) prior to the approval of such renewal shall not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded. In seeking approval, the Company shall send a circular to the Shareholders.
- (c) The Company may grant Options to Participant(s) beyond the Scheme Mandate Limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the specified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants, and how these Options serve such purpose.
- (d) Notwithstanding Clauses 5(a), 5(b) and 5(c) above, the maximum number of Shares which may be issued upon exercise of all outstanding Options under the Scheme and options which may be granted under any other share option schemes of the Company shall not exceed thirty per cent.(30%) or such higher percentage as may be allowed under the Listing Rules of the total number of Shares in issue from time to time. No option may be granted under any scheme of the Company if this will result in the limit being exceeded.
- (e) No Participant shall be granted an Option if the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of grant to such Participant would exceed one per cent.(1%) of the Shares for the time being in issue unless the proposed grant has been approved by the Shareholders in general meeting with the proposed Grantee and his Associates abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the proposed Grantee, the number and terms of the Options granted and to be granted and other information required under the Listing Rules. The number and terms (including the exercise price) of Options to be granted to such proposed Grantee must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date for the purpose of calculating the Subscription Price.

**6. EXERCISE OF OPTIONS**

- (a) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee (to the extent not already exercised).
- (b) An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) in the manner as set out in Clause 6(c) below by the Grantee (or, as the case may be, his legal personal representatives) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given and relevant and sufficient Option certificate(s) to cover the number of Shares in respect of which the Option is being exercised. Within twenty-one (21) days after receipt of the notice and the remittance and, where appropriate, receipt of the independent financial advisor or the Auditors' certificate pursuant to Clause 9, the Company shall allot the relevant Shares to the Grantee (or his legal personal representatives) credited as fully paid and issue to the Grantee (or his legal personal representatives) a share certificate in respect of the Shares so allotted. If the number of Shares in respect of which Option certificate(s) lodged under this Clause 6(b) exceeds the number of Shares comprised in the notice of exercise of an Option, the Company shall issue to the Grantee an Option certificate in relation to the balance of the Shares to the Grantee (or his legal personal representatives(s)).
- (c) Subject as hereinafter provided in this Scheme and the letter containing the offer of the grant of the Option to the relevant Participants, the Option may be exercised by the Grantee (or, as the case may be, his legal personal representatives) at any time during the Option Period provided that:-
- (i) in the event of the Grantee, being an Employee at the date of grant, ceasing to be an Employee for any reason other than his retirement, death or the termination of his employment on one or more of the grounds specified in Clause 10(d), the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary (as the case may be) whether salary is paid in lieu of notice or not or, within such period that the Board may determine otherwise, or if any of the events referred to in Clause 6(c)(iii), 6(c)(iv) or 6(c)(v) occurs during such period, the Grantee may exercise the Option within the period stipulated in Clause 6(c)(iii), 6(c)(iv) or 6(c)(v) instead of the period referred to in this Clause 6(c)(i) (provided that the retirement of any director of the Group pursuant to the constitution of the relevant member of the Group at an annual general meeting of such member who is re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph);

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**APPENDIX III            PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME**

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- (ii) in the event of the death of the Grantee (provided that none of the events which would be a ground for termination of his employment under Clause 10(d) arises prior to his death, in the case the Grantee is an Employee at the date of grant), the legal personal representative(s) of the Grantee shall be entitled within a period of twelve (12) months from the date of death or, if any of the events referred to in Clause 6(c)(iii), 6(c)(iv) or 6(c)(v) occurs during such period, within the period stipulated in Clause 6(c)(iii), 6(c)(iv) or 6(c)(v) instead of the period referred to in this Clause 6(c)(ii) to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised);
- (iii) if a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry of the Option, the Grantee (or, as the case may be, his legal personal representatives) shall be entitled to exercise the Option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen (14) Business Days after the date on which the offer becomes or is declared unconditional;
- (iv) in the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company or an order of the court is made for the winding-up of the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company or such order is made, give notice thereof to all Grantees (together with a notice of the existence of the provisions of this Clause) and thereupon, each Grantee (or where permitted under Clause 6(c)(ii) his legal personal representatives) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than seven (7) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid; and
- (vi) if, pursuant to the Companies Act, a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Grantees (together with a notice of the existence of the provisions of this Clause 6(c)(iv)) on the same date as it despatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options in whole (or in part) (to the extent not already lapsed

or exercised) at any time no later than five (5) Business Days prior to the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement by notice in writing to Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this Clause 6(c)(v) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of this Scheme) (provided that the Option Period shall accordingly be extended by the length of the period of the suspension) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

- (d) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-Laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders of Options to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

A Share issued upon the exercise of an Option shall not carry voting rights until the registration of the Grantee (or any other person) as the holder thereof.

## **7. SUBSCRIPTION PRICE**

The Subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the Subscription Price shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the relevant Offer Date in respect of such Option, which must be a Trading Day;

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**APPENDIX III      PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME**

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(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Trading Days immediately preceding the relevant Offer Date in respect of such Option; or (iii) the nominal value of a Share. In the event of fractional prices, the Subscription Price per Share shall be rounded upwards to the nearest whole cent. Without prejudice to the generality of the foregoing, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period.

**8. GRANT OF OPTION**

- (a) On and subject to the terms of the Scheme, the Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions (including but not limited to terms and conditions in relation to vesting, exercise or otherwise) as the Board may think fit provided that such conditions shall not be inconsistent with any other terms and conditions of the Scheme, an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price.
- (b) Any grant of Option to a director, chief executive, substantial shareholder or Connected Person of the Company or any of their respective Associates under the Scheme must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee of the Option).
- (c) Where a grant of Option is proposed to be granted to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective Associates and the proposed grant of Option, when aggregated will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including exercised, cancelled and outstanding options) to such person(s) in the past twelve (12) months period up to and including such date of such grant, would entitle such person(s) to subscribe for over 0.1 per cent. (0.1%) of the total Shares in issue for the time being and having an aggregate value in excess of HK\$5 million based on the closing price of the Shares as stated in the Exchange's daily quotations sheet at the date of each grant, then the proposed grant of Option must be subject to approval by Shareholders on a poll in a general meeting where all Connected Person(s) of the Company must abstain from voting in favour (except where such Connected Person(s) intend(s) to vote against the proposed grant of Options and his/their intention to do so has been stated in the circular). A Shareholders' circular must be prepared by the Company explaining the proposed grant of Option, disclosing the number and terms (including the Subscription Price) of the Options proposed to be granted to each such Participant, the recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the proposed Grantee of the Option) as to voting and all information required under the Listing Rules. The Shareholders' approval as described above will also be required for any change in the terms of any Options granted to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective Associates.

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**APPENDIX III      PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME**

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- (d) For the avoidance of doubt, the requirements for the granting of Options to an executive or non-executive director of the Company set out in Clauses 8(b) and 8(c) above shall not apply where the Participant is only a proposed executive or non-executive director of the Company.
- (e) Disclosures will be made in the annual and interim reports of the Company including details of the Options granted to the following person(s): (i) a director, chief executive, substantial shareholder or Connected Person of the Company or any of their respective Associates of the Company; (ii) each Participant with Options granted in excess of the individual limit referred to herein or in the Listing Rules; (iii) aggregate figures for Employees; (iv) aggregate figures for suppliers of goods or services; and (v) other Participants in aggregate.
- (f) No offer of options shall be made after a price sensitive development or event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for approval of the Company's, interim or annual results; and (ii) the deadline for the Company to publish its, interim or annual results announcement under the Listing Rules, and ending on the date of the results announcement, no Option shall be granted until such information has been announced pursuant to the requirements of the Listing Rules. The Board may not grant any Option to a Participant who is a director of the Company during the periods or times in which directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any other code or securities dealing restrictions adopted by the Company.
- (g) An offer of the grant of an Options shall be made to a Participant by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price, the Option Period in respect of which the offer is made, the date by which the Option must be applied for and further requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Participant concerned until 5:00 p.m. on the tenth (10th) Business Day following the Offer Date provided that no such offer shall be open for acceptance after the Scheme Period or after the Scheme has been terminated.
- (h) An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. Once the Offer is accepted by the Grantee in accordance with the terms of the Scheme, for the purpose of the Scheme, the date of grant is deemed to be the date which has the same meaning as the "Offer Date".

- (i) Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of such number of Shares as represents a board lot for the time being for the purposes of trading on the Exchange or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted by 5:00 p.m. the tenth (10th) Business Day following the Offer Date in the manner indicated in Clause 8(h), it will be deemed to have been irrevocably declined and lapsed automatically.

## **9. REORGANISATION OF CAPITAL STRUCTURE**

- (a) In the event of any alteration in the capital structure of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company in a party) pursuant to a capitalisation issue (including an issue of scrip dividend), rights issue, open offer, sub-division or consolidation of shares or reduction of capital whilst any Option remains exercisable such corresponding alterations (if any) shall be made in:

- (i) the number of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price;

as an independent financial adviser or the Auditors shall certify in writing to the Board to be in their opinion fair and reasonable and in accordance with, either generally or as regards any particular Grantee that any such alterations shall satisfy the requirements set out in note to Rule 17.03(13) of the Listing Rules (or such rule as from time to time amended by the Exchange) or any guidance note issued by the Exchange in relation thereto, provided that (i) any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain as far as possible the same as but not greater than that to which he was entitled before such alteration; (ii) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value or to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments; and (iii) no alteration shall be made to the advantage of any Grantee without specific prior approval by the Shareholders. In case of any alterations other than any made on a capitalisation issue, a written confirmation from an independent financial adviser or the Auditors to the Directors is required to confirm that the provisos herein have been satisfied.

- (b) The capacity of the independent financial adviser or the Auditors in this Clause 9 is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.
- (c) The costs of the independent financial advisor or the Auditors shall be borne by the Company.

**10. LAPSE OF OPTION**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in Clauses 6(c)(i), 6(c)(ii) or 6(c)(iii);
- (c) subject to Clause 6(c)(iv), the date of the commencement of the winding-up of the Company (as determined in accordance with the Companies Law or such other applicable law in the jurisdiction in which the winding-up takes place;
- (d) in the case the Grantee is an Employee at the date of grant, the date on which the Grantee ceases to be any Employee by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary. A resolution of the Board (or a duly authorised committee thereof) of the Company or of the relevant Subsidiary to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this Clause 10(d) shall be conclusive and binding on the Grantee;
- (e) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in Clause 6(c)(v);
- (f) the date on which the Grantee commits a breach of Clause 6(a);
- (g) the date on which the Option is cancelled by the Board in accordance with Clause 11; and
- (h) the offer of the grant of an Option is not accepted by 5:00 p.m. on the tenth (10th) Business Day following the Offer Date in the manner indicated in Clause 8(g).

**11. CANCELLATION OF OPTIONS**

Subject to Clause 6(a), the Board may with the approval of the relevant Grantees cancel any Option granted but not exercised. The Board may issue new Option to the Grantee of any cancelled Option provided that the issue of such new Option may only be made under a scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.



**12. ALTERATION OF THE SCHEME**

- (a) The Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Scheme relating to (i) matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants; (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Scheme; and (iii) the terms and conditions of the Scheme which are of a material nature (except where such alterations take effect automatically under the existing terms of the Scheme) shall not be made except with the prior sanction of a resolution by the Shareholders, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees who shall together hold Options in respect of not less than three-fourths in nominal value of all Shares that to be issued on exercise of the to Options granted under the Scheme.
  
- (b) The amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules, the supplemental guidance issued on 5 September 2005 and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

**13. TERMINATION**

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Option will be offered but in respect of any Option granted but not exercised, the provisions of the Scheme shall remain in full force and effect in all other respects. Upon such termination, details of the Options granted, including Options exercised or outstanding and, if applicable, Options that become void and non-exercisable as a result of such termination must be disclosed in the circular to Shareholders seeking approval of the first new scheme established thereafter.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an annual general meeting of China Ocean Shipbuilding Industry Group Limited (“**Company**”) will be held at Unit 1703,17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 27 June 2012 at 10:00 a.m. for the following purposes:

1. to receive and approve the audited consolidated financial statements of the Company for the year ended 31 December 2011 and the reports of the directors and auditors thereon;
2. to re-elect the retiring directors and to authorize the board of directors (“**Board**”) to fix the remuneration of the directors of the Company;
3. to re-appoint auditors and to authorize the Board to fix their remuneration;

and as special businesses, to consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions or, as the case may be, special resolution:

4. To consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) of this resolution and pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors (“**Directors**”) of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with the additional shares of HK\$0.05 each in the capital of the Company (“**Shares**”) and to make or grant offers, agreements and options, (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any option granted under any share option schemes of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company as amended from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into Shares, from time to time shall not exceed the aggregate of:
- (aa) 20 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution; and
- (bb) (if the Directors are so authorized by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended from time to time) (“**Companies Act**”) or any other applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the

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## NOTICE OF ANNUAL GENERAL MEETING

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laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized regulatory body or any stock exchange outside Hong Kong).”

5. To consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase Shares on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognized by The Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of The Securities and Futures Commission of Hong Kong, the Listing Rules or of any other stock exchange as amended from time to time, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased or agreed to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. To consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

**“THAT:**

conditional on the passing of resolution nos. 4 and 5 above, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to paragraph (a) of resolution no. 4 above be and is hereby extended by the addition of an amount representing the aggregate nominal amount of the share capital of the Company repurchased or agreed to be repurchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of Resolution no. 5 above provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the said resolution.”

7. To consider and, if thought fit, pass (with or without modification) the following resolution as ordinary resolution:

**“THAT** conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders of the Company on the same day as this notice, the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman hereof (“Share Option Scheme”), the Share Option Scheme be approved and adopted to be the Share Option Scheme of the Company and that the Directors be authorised to grant options thereunder and to allot and issue Shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme and with effect from the date of the Share Option Scheme becoming unconditional and coming into effect.”

By order of the Board of  
**China Ocean Shipbuilding Industry Group Limited**  
**Ngai Man Wo**  
*Company Secretary*

Hong Kong, 28 May 2012

***Principal place of business:***

Units 1702-03, 17/F,  
China Merchants Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

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## NOTICE OF ANNUAL GENERAL MEETING

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**Notes:**

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the Bye-laws, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

*As at the date of this circular, (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.*