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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)

FURTHER UPDATE ON THE ARBITRATION PROCEEDINGS

This announcement is made pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions set out in Part XIVA of the Securities and Futures Ordinance (Cap. 571).

On 7 November 2013, Shipyard, a wholly owned subsidiary of the Company received an order granted by the Court dated 1 November 2013 in which (i) the permission to appeal was refused; and (ii) Shipyard is liable to pay Algoma's costs of the Application, which is to be the subject of detailed assessment if not agreed.

The board (the "**Board**") of directors (the "**Directors**") of China Ocean Shipbuilding Industry Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to make this announcement pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions set out in Part XIVA of the Securities and Futures Ordinance (Cap. 571).

Reference is made to the announcement of the Company dated 2 May 2013 (the "**Announcement**") in respect of the arbitral awards (the "**Awards**") granted by the London, UK Arbitration Tribunal on 1 May 2013 in favour of Algoma Tankers International Inc. ("**Algoma**") in relation to a set of arbitration proceedings (the "**Arbitration Proceedings**") between a wholly owned subsidiary of the Company, Jiangxi Jiangzhou Union Shipbuilding Co. Ltd., (the "**Shipyard**") and, Algoma, the ship-buyer, in connection with the validity of rescission notice sent by Algoma pursuant to three shipbuilding contracts (the "**Shipbuilding Contracts**").

The details of the Arbitration Proceedings and the Awards were first disclosed in the 2010 annual report of the Company on 29 April 2011, and the progress of the Arbitration Proceedings was continuously disclosed in the subsequent interim reports and annual reports (together, the "**Financial Statements**") of the Company.

Result of the Application for Arbitration Appeal

As previously disclosed, the Shipyard was not satisfied with the result of the Awards and submitted an application (the “**Application**”) to the High Court of Justice of England and Wales (the “**Court**”) on 23 May 2013 for permission to appeal on a question of law arising out of the Awards.

On 7 November 2013, the order (the “**Order**”) granted by the Court dated 1 November 2013 was received by Shipyard, in which (i) the permission to appeal was refused; and (ii) Shipyard is liable to pay Algoma’s costs of the Application, which is to be the subject of detailed assessment if not agreed. Given the Application was dismissed pursuant to the Order, it is likely that Algoma will enforce the Awards against Shipyard forthwith.

As disclosed in the Announcement, refund guarantees covering the sum of instalments paid have been given as security for performance of Shipyard under the Shipbuilding Contracts to Algoma by two Chinese banks (the “**Original Guarantors**”) in reliance of certain corporate guarantees provided by certain ultimate guarantors (the “**Ultimate Guarantors**”). Upon enforcement of the Awards by Algoma, it is expected that the instalments will be fully paid by the Original Guarantors pursuant to the refund guarantees and in return the Original Guarantors will have a recourse against Shipyard and/or the Ultimate Guarantors for the said payment and the Ultimate Guarantors shall have the right against Shipyard to compensate them for the payment made. It is likely that the Original Guarantors will demand from the Ultimate Guarantor and/or the Shipyard for the shortfall between the payment made by them and the monies deposited with them by Shipyard. Further, Shipyard is required to pay the interests and legal costs payable pursuant to the Awards. As at the date of this announcement, Shipyard is in the course of negotiating with the Original Guarantors and other parties for the settlement of such shortfall, the interests and the legal costs payable pursuant to the Awards.

The sum of the Awards has been fully provided by the Company in the Financial Statements. As the liability in relation to the Arbitration Proceedings have been booked under the Company’s current liabilities in previous years’ annual consolidated statement of financial position, the effect of the Awards to the Group’s financial position has already been fully reflected in the Group’s Financial Statements.

Further announcement(s) will be made should there be any material development in connection with the enforcement of the Awards as and when appropriate in compliance with the Listing Rules.

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

Hong Kong, 8 November 2013

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