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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 SETTLEMENT OF THE ARBITRATION AWARDS

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 27 December 2013, Shipyard has settled the Awards in full by internal resources (including the release of the funds previously held by the guarantors who provided the refund guarantees to Algoma covering the sum of the instalments and interests) and by external borrowings, in particular, by a bank facility from a PRC bank.

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 announcements of the Company dated 2 May 2013 and 8 November 2013 (the “**Announcements**”) 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 Tankers International Inc. (“**Algoma**”), the ship-buyer, in connection with the validity of rescission notice sent by Algoma pursuant to three shipbuilding contracts (the “**Shipbuilding Contracts**”).

On 1 May 2013, London, UK Arbitration Tribunal granted the arbitral awards (the “**Awards**”) in favour of Algoma, pursuant to which Shipyard was liable to pay Algoma (i) the refund of the instalments in aggregate of US\$35,370,000 (approximately HK\$274.47 million); (ii) interests up to 30 April 2013 amounting to US\$3,198,649 (approximately HK\$24.82 million); and (iii) interests accrued from 1 May 2013 until the date of refund at the daily rate of US\$1,552.35 (approximately HK\$12,046).

On 23 May 2013, Shipyard submitted an application (the “**Application**”) to the High Court of Justice of England and Wales (the “**Court**”) for permission to appeal on a question of law arising out of the Awards. By an order (the “**Order**”) granted by the Court dated 1 November 2013, (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.

SETTLEMENT OF THE AMOUNTS UNDER THE AWARDS

In enforcing the Awards, Algoma served notices for payments in late November 2013. On 27 December 2013, Shipyard has settled the Awards (the amount of which is US\$38,941,731 (approximately HK\$302.19 million) in full by internal resources (including the release of the funds previously held by the guarantors who provided the refund guarantees to Algoma covering the sum of instalments and interests) and by a bank facility (the “**Facility**”) from a PRC bank (the “**Bank**”).

In order to obtain the Facility, the Company signed an undertaking letter in favour of the Bank. Pursuant to the undertaking letter signed by the Company on 26 December 2013 (the “**Undertaking Letter**”), the Company has agreed to (i) provide a joint and several guarantee (the “**Guarantee**”) to the Bank for the principal amount of up to RMB149,000,000, the compound interests, penalties under the Facility and the fees incurred by the Bank in relation to the enforcement of the Facility (collectively, the “**Total Debts**”); (ii) execute a charge (the “**Charge**”) over the Company’s 100% indirect interests in Shipyard in favour of the Bank as continuing security to secure the payment obligations by Shipyard of the Total Debts; and (iii) complete the provision of Guarantee and the registration of Charge on or before 31 May 2014. If the aforesaid provision of Guarantee and registration of Charge are not completed in accordance with the Undertaking Letter, the Bank shall be entitled to declare that the principal and interests under the Facility become due and payable early, and the Company shall be liable to the extent provided for under the Guarantee. Algoma and Shipyard are still negotiating the amount of Shipyard’s liability for Algoma’s costs.

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

Hong Kong, 30 December 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.