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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)

DISCLOSEABLE TRANSACTION

**INCREASE OF CAPITAL CONTRIBUTION TO
ZHEJIANG OCEAN LEASING COMPANY LIMITED**

Reference is made to the announcement of the Company dated 6 November 2014 in relation to the acquisition of 20% equity interest in Zhejiang Ocean by Merge, a direct wholly-owned subsidiary of the Company.

On 20 March 2015, Merge and other shareholders of Zhejiang Ocean entered into the Capital Contribution Agreement, pursuant to which all shareholders of Zhejiang Ocean agreed to make a capital contribution in proportion to their existing shareholding to increase the registered capital of Zhejiang Ocean from US\$30,000,000 (equivalent to approximately HK\$232,500,000) to US\$100,000,000 (equivalent to approximately HK\$775,000,000). After the Capital Contribution, the percentage shareholding of Merge in Zhejiang Ocean will remain unchanged at 20%.

As one or more of the applicable percentage ratios in respect of the Capital Contribution is/are more than 5% but less than 25%, the transaction contemplated under the Capital Contribution Agreement, by itself, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company has aggregated the impact of the Acquisition and the Capital Contribution for the purpose of classifying the Capital Contribution under Chapter 14 of the Listing Rules. Nonetheless, the Capital Contribution, even if aggregated with the Acquisition, will still be classified as a discloseable transaction for the Company under the Listing Rules and is required to comply with the discloseable transaction requirements.

Reference is made to the announcement of the Company dated 6 November 2014 in relation to the acquisition of 20% equity interest in Zhejiang Ocean by Merge, a direct wholly-owned subsidiary of the Company. Upon completion of the Acquisition, Zhejiang Ocean has been accounted for as an associated company of the Company.

On 20 March 2015, Merge and other shareholders of Zhejiang Ocean (comprising Merge) entered into the Capital Contribution Agreement, pursuant to which all shareholders of Zhejiang Ocean agreed to make capital contribution according to their existing shareholding proportion to increase the registered capital of Zhejiang Ocean from US\$30,000,000 (equivalent to approximately HK\$232,500,000) to US\$100,000,000 (equivalent to approximately HK\$775,000,000).

CAPITAL CONTRIBUTION AGREEMENT

Date: 20 March 2015

Parties:

- (1) Zhoushan Marine;
- (2) Zhejiang Ouhua;
- (3) Merge, a direct wholly-owned subsidiary of the Company;
- (4) Zhoushan State-owned Assets Management; and
- (5) Hang Shing

Capital Contribution: The shareholders of Zhejiang Ocean agreed to make the Capital Contribution in cash according to their existing shareholding in three tranches as set out below:

- (1) The first tranche of Capital Contribution in an aggregate amount of US\$20,000,000 shall be made within one month from the date of obtaining the relevant regulatory approval which is expected to be in late March 2015, out of which US\$4,000,000 (equivalent to approximately HK\$31,000,000) is to be contributed by Merge;

- (2) The second tranche of Capital Contribution in an aggregate amount of US\$20,000,000 shall be made by 31 December 2015, out of which US\$4,000,000 (equivalent to approximately HK\$31,000,000) is to be contributed by Merge; and
- (3) The third tranche of Capital Contribution in an aggregate amount of US\$30,000,000 shall be made by 31 December 2016, out of which US\$6,000,000 (equivalent to approximately HK\$46,500,000) is to be contributed by Merge.

The amount of Capital Contribution was determined with reference to the working capital currently available to Zhejiang Ocean, and Zhejiang Ocean's capital requirements for its business development in 2017.

Merge's portion of (i) the first tranche Capital Contribution to be injected to Zhejiang Ocean will be financed by the net proceeds obtained from the issue of convertible bonds as set out in the announcement of the Company dated 16 February 2015, whereas the portion of the second and third tranche Capital Contribution to be injected to Zhejiang Ocean will be financed by internal resources and/or proceeds from future fund raising activities.

Conditions The Capital Contribution Agreement shall become effective on the date
Precedent: of obtaining the relevant regulatory approval.

INFORMATION ABOUT ZHEJIANG OCEAN

Zhejiang Ocean is a sino-foreign joint equity enterprise established under the laws of the PRC in September 2012. It is principally engaging in financial leasing business and is the only registered financial leasing company in Zhoushan, Zhejiang Province in the PRC as at the date of this announcement. As at the date of this announcement, the registered capital of Zhejiang Ocean is US\$30,000,000 (equivalent to approximately HK\$232,500,000) and is owned as to 45% by Zhoushan Marine, 25% by Zhejiang Ouhua, 20% by Merge, 5% by Zhoushan State-owned Assets Management and 5% by Hang Shing. Zhoushan Marine and the Group are joint venture partners of Zhoushan China Ocean Investment Fund* (舟山中海投創業投資企業), a non-legal person foreign invested venture capital enterprise* (外商投資創業投資企業) established in the PRC. The Directors consider that all shareholders of Zhejiang Ocean are third parties independent of the Company and its connected persons.

Shareholding structure of Zhejiang Ocean

The following table sets out the shareholding structure of Zhejiang Ocean immediately before and after the Capital Contribution:

Shareholder	Immediately before Capital Contribution		Immediately after Capital Contribution	
	Registered capital <i>(US\$ million)</i>	Percentage shareholding	Registered capital <i>(US\$ million)</i>	Percentage shareholding
Zhoushan Marine	13.5	45%	45	45%
Zhejiang Ouhua	7.5	25%	25	25%
Merge	6.0	20%	20	20%
Zhoushan State-owned Assets Management	1.5	5%	5	5%
Hang Shing	1.5	5%	5	5%
Total	30.0	100%	100	100%

Zhejiang Ocean is accounted for as an associated company in the consolidated financial statements of the Company, and will continue to be so accounted for upon completion of the Capital Contribution.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Group, including Merge, is principally engaging in shipbuilding related business and financial leasing business.

The Capital Contribution will (i) increase the registered capital of Zhejiang Ocean to enable it to obtain further financing from financial institutions for the development of its financial leasing business, and (ii) overcome the limitation on business scale by expanding its investment scale. It is believed that the Capital Contribution will enhance the business growth of Zhejiang Ocean in view of the increasing demand for financing from the maritime, shipbuilding and distant water fishery industries, which in turn is beneficial to its shareholders including the Group in the long run.

The Directors consider that the terms of the Capital Contribution Agreement have been entered into on normal commercial terms and that such are fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Capital Contribution is/are more than 5% but less than 25%, the transaction contemplated under the Capital Contribution Agreement, by itself, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company has aggregated the impact of the Acquisition and the Capital Contribution for the purpose of classifying the Capital Contribution under Chapter 14 of the Listing Rules. Nonetheless, the Capital Contribution, even if aggregated with the Acquisition, will still be classified as a discloseable transaction for the Company under the Listing Rules and is required to comply with the discloseable transaction requirements.

DEFINITIONS

Unless the context otherwise required, the following terms shall have the meaning set opposite to them in this announcement:

“Acquisition”	the acquisition of the 20% equity interest in Zhejiang Ocean by Merge as disclosed in the announcement of the Company dated 6 November 2014
“Board”	Board of Directors
“Capital Contribution”	the capital contribution in the amount of US\$70,000,000 (equivalent to approximately HK\$542,500,000) made by each of the shareholder of Zhejiang Ocean in cash according to their existing shareholding proportion to increase the registered capital of Zhejiang Ocean

“Capital Contribution Agreement”	the capital contribution agreement dated 20 March 2015 entered into among the shareholders of Zhejiang Ocean in respect of the Capital Contribution
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (Stock code: 651)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hang Shing”	Hang Shing (Hong Kong) International Limited (恆誠(香港)國際有限公司), a company incorporated in Hong Kong with limited liability and is interested in 5% of the registered capital of Zhejiang Ocean as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merge”	Merge Limited (聚合有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company, and is interested in 20% of the registered capital of Zhejiang Ocean as at the date of this announcement
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement

“RMB”	reminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar, the lawful currency of the United States of America
“Zhejiang Ocean”	Zhejiang Ocean Leasing Company Limited* (浙江海洋租賃股份有限公司), a sino-foreign joint equity enterprise established under the laws of the PRC
“Zhejiang Ouhua”	Zhejiang Ouhua Shipbuilding Company Limited* (浙江歐華造船股份有限公司), a company established in the PRC and is interested in 25% of the registered capital of Zhejiang Ocean as at the date of this announcement
“Zhoushan Marine”	Zhoushan Marine Comprehensive Development and Investment Co., Ltd* (舟山海洋綜合開發投資有限公司), a state-owned enterprise established in the PRC and funded by prefecture level Zhoushan government and its subordinate governments of various Districts and a County, and is interested in 45% of the registered capital of Zhejiang Ocean as at the date of this announcement
“Zhoushan State-owned Assets Management”	Zhoushan City Dinghai District State-owned Assets Management Company Limited* (舟山市定海區國有資產經營有限公司), a state-owned enterprise established in the PRC and is interested in 5% of the registered capital of Zhejiang Ocean as at the date of this announcement
“%”	percent

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

Hong Kong, 20 March 2015

For the purpose of illustration only and unless otherwise stated, conversion US\$ to HK\$ in this announcement is based on the exchange rate of US\$1.00 to HK\$7.75. 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.

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

As at the date of this announcement, the Board of the Company comprises five executive directors, namely, Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long and Dr. Tse Kwing Chuen; and three independent non-executive directors, namely, Ms. Xiang Siying, Mr. Hu Bai He and Xiang Ying.