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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
THE ANNUAL RESULTS OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2014**

Reference is made to (i) the results announcement of China Ocean Shipbuilding Industry Group Limited (the “**Company**”) dated 30 March 2015 (the “**Results Announcement**”) and (ii) the annual report of the Company for the year ended 31 December 2014 published on the websites of The Stock Exchange of Hong Kong Limited and the Company on 28 April 2015 (the “**Annual Report**”). Capitalised terms used herein shall have the same meanings ascribed to them in the Annual Report unless otherwise defined in this announcement.

TRADE RECEIVABLES

It was disclosed in the Paragraph headed “Shipbuilding Business” of the “Management Discussion and Analysis” section of the Results Announcement and the Annual Report that the operating performance of the shipbuilding segment of the Group was affected by account receivables deferral from a ship buyer (the “**Ship Buyer**”), which the Group has already made a provision for impairment of trade receivables in 2013 and 2014. Such account receivables deferral were further elaborated under Note (a) to “**TRADE RECEIVABLES – NON-CURRENT PORTION AND CURRENT PORTION/OTHER RECEIVABLES/PREPAYMENT FOR PURCHASE OF RAW MATERIALS**” on page 23 of the Results Announcement and page 87 of the Annual Report.

Further to the aforesaid information disclosed in the Results Announcement and the Annual Report, the Company wishes to provide shareholders and potential investors of the Company with the following supplemental information.

Gross trade receivables

The Ship Buyer had acquired nine vessels from the Group and agreed to settle the consideration in several tranches. Subsequent to further negotiations and as disclosed in the annual reports of the Company for the years ended 31 December 2012 and 31 December 2013, it was agreed that the payment of the final tranche of the consideration would be deferred and settled in instalments over a period of 4.5 or 5.5 years. Such deferred final tranche of consideration for the nine vessels constituted trade receivables of the Group and amounted to USD22,850,000 (equivalent to approximately HK\$177,658,750) as at 31 December 2014 out of which:

- (a) USD21,000,000 (equivalent to approximately HK\$163,275,000) represents the aggregate amount of the final payments for eight vessels, which are to be settled by five equal annual instalments in 5.5 years ending in 2018; and
- (b) USD1,850,000 (equivalent to approximately HK\$14,383,750) represents the final payment for one vessel, which is to be settled by four equal annual instalments in 4.5 years ending in 2017.

Set out below are the details of settlement of the deferred final payments by the Ship Buyer as at 31 December 2014:

- (a) USD1,200,000 (equivalent to approximately HK\$9,330,000) had been received by the Group;
- (b) USD5,462,000 (equivalent to approximately HK\$42,467,050) had been outstanding; and
- (c) USD16,188,000 (equivalent to approximately HK\$125,861,700) had not yet become due.

Accordingly, gross trade receivables for the Group as at 31 December 2014 amounted to USD21,650,000 (equivalent to approximately HK\$168,328,750).

Basis for the impairment assessment

It was disclosed in the Results Announcement and the Annual Report that the Company has made an impairment of approximately HK\$92,344,000 as at 31 December 2014. The Company would like to provide additional information concerning the basis for the Directors to make such impairment.

The Ship Buyer had indicated to the Group that it was not able to satisfy the payment obligations. To the understanding of the Directors, the Ship Buyer was in negotiations with a potential purchaser (the “**Potential Purchaser**”) for the acquisition of the multi-purpose vessels with heavy lift derricks held by the Ship Buyer including the nine vessels provided by the Group (the “**Proposed Acquisition**”). Arrangement will be made with the Ship Buyer, the Potential Purchaser, their respective banks and the Group in respect of the Proposed Acquisition that the Ship Buyer would set aside a sum in the amount of approximately USD9,773,000 (equivalent to approximately HK\$75,985,000) to be paid to the Group for settlement of payment of the outstanding deferred final payments (the “**Settlement Amount**”). So far as the Directors are aware, the Potential Purchaser is a major shipping company in Germany managing over 130 sea going vessels and has sufficient resources to satisfy the Settlement Amount.

In view of the progress of negotiation for the Proposed Acquisition and the strong financial position of the Potential Purchaser, the Directors were optimistic that the Proposed Acquisition and the payment of Settlement Amount would materialise, and having compared the cost-effectiveness with other enforcement actions available, the Directors considered that accepting the Settlement Amount was the most cost-effective way to recover the outstanding receivables and hence was in the best interest to the Company and its shareholders as a whole.

In view of the above, the Directors considered that it was fair and reasonable to impair the remaining trade receivables not covered by the Settlement Amount, being USD11,877,000 (equivalent to approximately HK\$92,344,000).

Recovering outstanding balances

It was also disclosed in the Paragraph headed “Shipbuilding Business” of the “Management Discussion and Analysis” section of the Results Announcement and the Annual Report that the Group has been in advanced negotiations with other ship owners and banks and is confident of achieving greater progress in recovering the net receivables in 2015.

As at the date of this announcement, the negotiation in respect of the Proposed Acquisition is expected to conclude soon and the parties are preparing necessary documentation for the transaction. Upon execution of the relevant agreement, the Ship Buyer will be able to satisfy its payment obligations owing to the Group.

The above additional information does not affect other information contained in the Annual Report and save as disclosed in this announcement, the contents of the Annual Report remain unchanged.

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

Hong Kong, 15 May 2015

For the purpose of illustration only and unless otherwise stated, conversion USD to HK\$ in this announcement is based on the exchange rate of USD1.00 to HK\$7.775. 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.

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