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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)**

### **ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING**

#### **ISSUE OF CONVERTIBLE NOTES**

On 2 June 2015 (after trading hours), the Company, Mr. Li and the Investor entered into the Subscription Agreement pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible notes in the aggregate principal amount of HK\$200 million.

Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Initial Conversion Price of HK\$0.2481, a maximum of 806,126,561 Conversion Shares will be allotted and issued, representing (i) 7.70% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.15% of the issued share capital of Company as enlarged by the allotment and issue of the Conversion Shares under the Convertible Notes. The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue.

The Convertible Notes will be allotted and issued under the General Mandate. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Notes will be sought on the Stock Exchange or any other exchanges.

The net proceeds from the Convertible Notes, after deducting expenses, are expected to be approximately HK\$198.2 million. The Company intends to apply such net proceeds as the general working capital.

**As the issue of the Convertible Notes is subject to the fulfillment of certain conditions precedent and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 3 June 2015 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 4 June 2015.

Reference is made to the announcement of the Company dated 3 June 2015 in relation to the trading halt pending publication of an announcement in relation to the issue of convertible notes of the Company.

## **THE SUBSCRIPTION AGREEMENT**

The Board is pleased to announce that on 2 June 2015 (after trading hours), the Company, Mr. Li and the Investor entered into the Subscription Agreement with the Investor in relation to the issuance of the Convertible Notes in the principal amount of HK\$200 million. Details of the terms of the Subscription Agreement and the Convertible Notes are summarised below:

### **(1) Parties and date**

**Date** : 2 June 2015

**Parties** : (a) the Company as issuer;

(b) Mr. Li Ming as guarantor; and

(c) Prosper Talent Limited as the investor.

The Investor is a limited liability company incorporated in the BVI. It is indirectly and wholly-owned by CCB International (Holdings) Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owners are an Independent Third Parties.

## (2) Principal terms of the Convertible Notes

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe for, the Convertible Notes with a total principal amount of HK\$200 million for a total consideration of HK\$200 million in cash upon Closing.

The principal terms of the Convertible Notes are arrived at after arm's length negotiations between the Company and the Investor and are summarised as follows:

<b>Issuer</b>	:	The Company
<b>Principal amount</b>	:	HK\$200,000,000
<b>Issue price</b>	:	100% of the principal amount of the Convertible Notes
<b>Interest</b>	:	The Convertible Notes shall carry an interest of 7.5% per annum from the Issue Date, calculated on a basis of a 360-day year of twelve 30-day months, payable semi-annually in advance, or upon early redemption (as the case may be). The first interest payment of HK\$7,500,000 shall be paid by the Company to the Noteholder on the Closing Date.

If any default occurs, (a) any amount which is not paid when due under the Convertible Notes or (b) any outstanding principal amount of the Convertible Notes (in case of any default other than the failure to pay), as the case may be, shall bear a default interest at the compound interest rate of 2% per month from the date of occurrence of such default until the earlier of (i) the date on which the Convertible Notes are fully redeemed, and (ii) the date on which such default ceases to occur (which includes but is not limited to the full settlement of any interest accrued and outstanding) ("**Default Interest**").

**Maturity date** : The date falling on the 12th month from the Issue Date (“**Initial Maturity Date**”), or if agreed to in writing by the Company and the Noteholder at least 10 Business Days prior to the Initial Maturity Date, the date falling on the 12th month after the Initial Maturity Date (“**Extended Maturity Date**”).

**Redemption upon maturity** : Unless previously converted or cancelled in accordance with the conditions under the terms and conditions of the Convertible Notes, the Convertible Notes will be redeemed by the Company on the Maturity Date at the amount equal to the aggregate of (i) the outstanding principal amount of the Convertible Note, (ii) any accrued and outstanding interest, (iii) any accrued and outstanding Default Interest, and (iv) any other payment accrued and outstanding to the Noteholder pursuant to the terms and conditions of the Convertible Note.

The Convertible Notes are not redeemable by the Company at any time prior to the Maturity Date.

**Events of default** : After the occurrence of an event of default as specified in the terms and conditions of the Convertible Notes, a Noteholder may give notice to the Company that the Convertible Notes are immediately due and payable.

**Ranking of the Convertible Notes** : The Convertible Notes constitute direct, unconditional and unsubordinated obligations of the Company and rank equally and without any preference amongst themselves. The payment obligations of the Company under the Convertible Notes will (subject to any obligations preferred by mandatory provisions of applicable laws) rank at least pari passu with all other present and future direct, unconditional and unsubordinated obligations of the Company.

- Ranking of the Conversion Shares:** The Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves and with other Shares in issue on the conversion date of the Convertible Notes.
- Conversion period :** The conversion rights attaching to any Convertible Notes may be exercised in multiples of HK\$1,000,000, at the option of the Noteholder, at any time on and after the Issue Date up to but excluding the Maturity Date.
- Conversion price :** The Conversion Price is initially HK\$0.2481 per Conversion Share and was arrived at after arm's length negotiation between the Company and the Investor and represents:
- (a) a discount of approximately 19.97% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on 2 June 2015, being the date of the Subscription Agreement;
  - (b) discount of approximately 13.55% to the average of the closing prices of HK\$0.287 per Share for the last 5 trading days up to and including 2 June 2015, being the last trading day immediately prior to the date of the Subscription Agreement;
  - (c) discount of approximately 12.79% to the average of the closing prices of HK\$0.2845 per Share for the last 10 trading days up to and including 2 June 2015, being the last trading day immediately prior to the date of the Subscription Agreement;

The Conversion Price is subject to usual adjustment provisions customary for convertible notes of similar kind. The adjustment events will arise as a result of, among the others, capital distribution by the Company to the Shareholders, bonus issue of Shares by the Company to Shareholders, alteration to the nominal value of the Shares as a result of consolidation or subdivision, rights issues of Shares or options over Shares at less than the then current market price, rights issues of other securities, issue of Shares or option over Shares at less than the then current market price, other issues at less than the then current market price, other offers to Shareholders and other dilutive events, subject to certain exceptions.

The Conversion Price may not be adjusted so that exercise of the Conversion Right would require Shares to be issued at a discount to their par value, and in such case an adjustment shall be made to the effect that the Conversion Price will be reduced to the par value of a Share.

**Negative pledge and :  
covenants**

So long as any Convertible Note remains outstanding, without the prior written consent of the Majority Noteholders, the Company shall not, and shall not procure that none of its Subsidiaries will, among others:

- (a) cease to carry on the Business or engage in any business activity other than the Business;
- (b) borrow or raise any money or incur any indebtedness (in whatever form or evidenced by whatever instrument) save as permitted under the terms and conditions of the Convertible Notes;
- (c) other than in the ordinary course of business, repay any loans or indebtedness (in whatever form or evidenced by whatever instrument) it owes to any Person (including its shareholders) save as permitted under the terms and conditions of the Convertible Notes;

- (d) other than in the ordinary course of business, lend any money or provide any loan, indebtedness or advances (in whatever form or evidenced by whatever instrument) save as permitted under the terms and conditions of the Convertible Notes;
- (e) directly or indirectly, create or permit to arise any encumbrance on or in respect of any part of its assets except for (i) unpaid vendor's lien in the ordinary course of business; or (ii) encumbrances created over its assets for the purpose of borrowing or raising any money by any Group Member (in whatever form or evidenced by whatever instrument) as permitted under the terms and conditions of the Convertible Notes;
- (f) give any guarantee, indemnity, surety or security unless (i) such indemnity or security is given solely in relation to the trading or service agreements entered into by any Group Member in its ordinary course of business; (ii) the obligations thereof will be subordinated to the payment obligations and other liabilities under the Transaction Documents or (iii) such guarantee, indemnity or surety is given solely for the purpose of borrowing or raising any money by any Group Member (in whatever form or evidenced by whatever instrument) as permitted under the terms and condition of the Convertible Notes;
- (g) dispose of or dilute its interest in any member of the Group, directly or indirectly;
- (h) release, compromise or write off any amount recorded in the books of account of the Company as owing by any debtors of the Company.

**Transferability** : The Convertible Notes are freely transferrable (in whole or in part of at least HK\$1,000,000 per transfer) by the Noteholder to any person subject to compliance with all applicable law.

**(3) Specific performance obligations imposed on Mr. Li and other undertakings in respect of the Group**

Pursuant to the Subscription Agreement, Mr. Li undertakes that during the term of the Subscription Agreement and the Convertible Notes, he shall beneficially own not less than 5.00% of the total issued share capital of the Company at all times.

Pursuant to the Subscription Agreement, the Company undertakes with the Investor to ensure and procure that during the term of this Agreement and the term of the Convertible Notes:

- (a) the Company's shareholder's equity interest in China Ocean Investment will not at any time be less than HK\$400,000,000;
- (b) the transactions between the Company, the HK Subsidiary and its Affiliates shall not exceed an aggregate of HK\$10,000,000 in value;
- (c) Mr. Li shall remain the legal and beneficial owner of 100% of the entire share capital of Lead Dragon on a fully-diluted basis, and there shall be no encumbrance created over such interest;
- (d) the HK Subsidiary, China Ocean Investment and China Ocean Technology shall not:
  - (i) directly or indirectly transfer any part of their assets;
  - (ii) lend any money or provides any loan, indebtedness or advances (in whatever form or evidenced by whatever instrument) to any person;
  - (iii) give any guarantee, indemnity, surety or security (in whatever form or evidenced by whatever instrument) to any person; or
  - (iv) create, enter into any contract or undertake any actual or contingent liability.

Any breach of the above specific performance obligations or undertakings may constitute a breach under the Subscription Agreement and also an event of default under the Convertible Notes, pursuant to which the Investor may require the Convertible Notes to be repaid immediately pursuant to the terms and conditions of the Convertible Notes or to enforce the Security.



#### **(4) Conditions Precedent**

Closing is conditional upon the fulfillment of, among others, the following conditions:

- (e) the current listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to and including the Closing Date (save for any temporary suspension for not more than 5 Trading Days or pending clearance of any announcement(s) or circular(s) to be published by the Company under the Listing Rules regarding the transactions contemplated by the Transaction Documents) and the Investor being satisfied that neither the Stock Exchange nor the SFC having indicated that it will or may qualify, object to, suspend, cancel or withdraw such listing and/or dealings in the Shares and, without prejudice to the generality of the foregoing, no circumstances existing based on which the SFC could exercise its powers under Section 8 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong);
- (f) all requirements, if any, imposed by the Stock Exchange, in connection with the contemplated transactions under the Transaction Documents, having been complied with in full;
- (g) the Investor having obtained from the investment committee of its parent company or Affiliate the approval to enter into the Transaction Documents and the consummation of the transactions proposed therein and such approval is not revoked;
- (h) since the date of the Subscription Agreement, there having been no material adverse change to the condition (financial or otherwise), results of operations, assets, regulatory status, business and prospects of the Group or the financial markets or economic conditions in general;
- (i) there having been no event of default;
- (j) the Company and the Guarantor having obtained any and all approvals necessary for consummation of the transactions contemplated by the Subscription Agreement and the other Transaction Documents;

- (k) the Investor, in its sole opinion, having been satisfied with the results of the due diligence in relation to the Group including business and operation, deal structure, financial, tax, shareholders and related party transactions, know your customer and anti-money laundering, regulatory and legal aspects of each member of the Group;
- (l) the Company's shareholder's equity in China Ocean Investment is not less than HK\$400,000,000;
- (m) transactions between the Company, the HK Subsidiary and its Affiliates not exceeding an aggregate of HK\$10,000,000 in value; and
- (n) the Guarantor remaining as the legal and beneficial owner of 100% of the entire share capital of Lead Dragon on a fully-diluted basis, and there having been no encumbrance created over such interest.

If the above conditions are not fulfilled or are not either waived by the Investor, as the case maybe, on or before 26 August 2015, the Investor may, at its option (i) defer the Closing to a later date; (ii) proceed to the Closing in respect of Subscription so far as practicable but subject to such conditions as the Investor may determine at its sole discretion; or (iii) terminate the Subscription Agreement.

## **(5) Closing**

Closing of the Subscription Agreement shall take place on a date no later than 5 Business Days after the fulfillment or waiver of the conditions precedent (other than those which can only be satisfied at the Closing or with respect to actions the relevant party shall take at the Closing itself) or at such other time as the Company and the Investor may mutually agree upon.

**As the issue of the Convertible Notes is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

**(6) Waiver and release of Shareholder Loan**

On Closing, the Company and the HK Subsidiary shall enter into the Deed of Waiver whereby the Shareholder Loan shall automatically terminate, and the HK Subsidiary and any other person shall be irrevocably and unconditionally released and discharged from all liability relating to, arising out of, or connected with any events, acts or omissions that have occurred or may occur in relation to the Shareholder Loan.

**(7) Security**

As continuing security for the Company and BVI Subsidiary's performance of all present and future obligations and liabilities under the Transaction Documents:

- (a) the Company shall provide the Company Share Charge in favour of the Investor pursuant to which the Company shall charge as legal and beneficial owner by way of first fixed charge all its right, title and interest from time to time in and to the 1 share in the BVI Subsidiary, representing 100% of the total issued share capital of the BVI Subsidiary; and
- (b) the BVI Subsidiary shall provide the BVI Share Charge in favour of the Investor pursuant to which the BVI Subsidiary shall charge as legal and beneficial owner by way of first fixed charge all its right, title and interest from time to time in and to the 1 share in the HK Subsidiary, representing 100% of the total issued share capital of the HK Subsidiary.
- (c) Mr. Li shall provide the Personal Guarantee in favour of the Investor pursuant to secure the obligations of the Company and the BVI Subsidiary under the Transaction Documents.

**(8) Investor's right to appoint directors**

Pursuant to the Subscription Agreement, the Investor shall have the right (but not the obligation) to, at any time and from time to time, appoint 1 director to the board of directors of the HK Subsidiary, China Ocean Investment and China Ocean Technology. Such Investor Directors are nominees of the Investor and may be replaced by the Investor in its sole and absolute discretion, and may be removed only with the written consent of the Investor.

Pursuant to the Subscription Agreement, the Company undertakes to take all necessary actions (including but not limited to the exercise of voting rights and power of control available to it) to procure and give effect to the appointment and/or removal of the Investor Directors as soon as practicable, and in any event, within 5 Business Days of the Investor delivering notice to the Company instructing the appointment and/or removal of the Investor Directors.

## **GENERAL MANDATE**

The Conversion Shares are to be issued under the General Mandate pursuant to which a maximum of 1,224,144,431 Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) can be issued and allotted. As at the date of this announcement, save for 300,000,000 Shares which have been issued and allotted pursuant to the General Mandate under the 2018 Convertible Notes, the General Mandate has not been utilized since it was granted. Accordingly, the number of Conversion Shares to be allotted and issued based on the initial Conversion Price will utilize as to approximately 87.23% of the remaining General Mandate (namely 924,144,431 Shares). Hence no Shareholders' approval is required for the issue of Convertible Shares.

Based on the initial Conversion Price of HK\$0.2481 per Conversion Share, a maximum number of 806,126,561 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Notes in full, which represent: (i) approximately 7.70% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.15% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes.

The Company confirms that it will not take any action which will reasonably be expected to constitute or result in any event of adjustment of the Conversion Price, following which the maximum number of Conversion Shares to be issued and allotted upon conversion of the Convertible Notes will exceed the limit under the General Mandate, unless and until the Company shall have obtained such approval by the Shareholders at any general meeting(s) in respect of the issue and allotment of such additional Conversion Shares in excess.

No application will be made for listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The Group is principally engaging in shipbuilding related business, securities trading, and provision of financial services.

It is the Group's strategy to identify suitable investment opportunities to diversify into profitable new business models, in particular the financial leasing business in the PRC.

The gross proceeds from the issue of the Convertible Notes will be approximately HK\$200 million. The net proceeds from the issue of the Convertible Notes will amount to approximately HK\$198.2 million. The Board currently intends to use the net proceeds from the issue of the Convertible Notes as general working capital of the Group (including honouring its investment obligation in relation to its financial leasing business in the PRC and repayment of debts).

The Directors consider that the Subscription represents an opportunity to strengthen the financial position of the Company, and the Subscription will be in the interest of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE

The shareholding structures of the Company (i) as at the date of this announcement, (ii) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.2481 per Share, (iii) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.2481 per Share and Shares as a result of exercise of the outstanding subscription rights in full at the initial conversion price under 2017 Convertible Notes and (iv) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price of HK\$0.2481 per Share and Shares as a result of exercise of subscription rights in full at the initial conversion price under 2017 Convertible Notes and the Share Option Schemes are as follows (assuming there being no other change in the share capital of the Company):

Shareholder	At the date of this announcement		Immediately after the allotment and issue of Conversion Shares		Immediately after the allotment and issue of Conversion Shares and Shares which may be allotted and issued as a result of the exercise of subscription rights in full under 2017 Convertible Bonds (Note 2)		Immediately after the allotment and issue of Conversion Shares and Shares which may be allotted and issued as a result of exercise of subscription rights in full under 2017 Convertible Bonds and the Share Option Schemes (Note 2)	
	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage	No. of shares	Approximate percentage
A Director and his associate (Note 1)	654,917,500	6.25	654,917,500	5.81	654,917,500	5.36	694,917,500	5.50
Other Directors	0	0.00	0	0.00	0	0.00	98,434,600	0.78
The Investor	0	0.00	806,126,561	7.15	806,126,561	6.59	806,126,561	6.38
Public Shareholders	9,820,804,655	93.75	9,820,804,655	87.04	10,765,804,655	88.05	11,039,819,835	87.34
Total:	<u>10,475,722,155</u>	<u>100.00</u>	<u>11,281,848,716</u>	<u>100.00</u>	<u>12,226,848,716</u>	<u>100.00</u>	<u>12,639,298,496</u>	<u>100.00</u>

### Notes:

- Such Shares were held by Mr. Li, of which 399,817,500 Shares and underlying shares were directly held by him and 295,100,000 Shares were held through Lead Dragon.
- The shareholding structure set out in this column is shown for illustration purposes only. The conversion rights under the 2017 Convertible Bonds shall only be exercisable so long as not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Shares as a result of exercise of subscription rights under the 2017 Convertible Bonds being held in public hands and will not result in the relevant holder of the 2017 Convertible Bonds, its associates and parties acting in concert with it will, in aggregate, control or be interested in 30% or more of the voting rights of the Company unless: (i) a whitewash waiver is obtained in accordance with the requirements of the Takeovers Code; or (ii) a general offer is made in accordance with the requirements of the Takeovers Code.

## FUNDING RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has conducted the following fund raising activities during the past twelve (12) months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Fund raised	Intended use of net proceeds as announced	Actual use of net proceeds as of the date of this announcement
30 July 2014	Subscription of 1,200,000,000 Shares at HK\$0.23 each under specific mandate	Net proceeds of about HK\$269 million	As stated in the announcement of the Company dated 30 July 2014, approximately HK\$150 million was intended to be used for the expansion into the financial services business and remaining proceeds be used as the general working capital (including repayment of debts)	Not applicable ( <i>Note 1</i> )
16 February 2015	Issue of HK\$60 million convertible notes due 2018 by the Company pursuant to the General Mandate	Net proceeds of about HK\$59.9 million	(i) approximately HK\$31.1 million of the net proceeds to fund the development and investment of the Group's financial leasing business in the PRC; and (ii) approximately HK\$28.8 million of the net proceeds will be used for general working capital purposes (including repayment of debts).	(i) approximately HK\$31 million was used as the capital contribution of an associated company of the Company, which is engaged in financial leasing business in Zhoushan;  (ii) approximately HK\$17 million was used for general working capital; and  (iii) the remaining balance of approximately HK\$11.9 million was deposited into a bank.

### Notes:

- As disclosed in the announcement of the Company dated 2 November 2014, the subscriber decided not to proceed with the subscription. As such, the net proceeds of approximately HK\$269 million arising from the subscription did not come through to the Company.

Save as disclosed above, the Company has not conducted any fund raising activity in the past 12 months immediately preceding the date of this announcement.

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 3 June 2015 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 4 June 2015.

## DEFINITIONS

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

“2017 Convertible Notes”	the convertible notes issued by the Company expiring on 27 June 2017
“2018 Convertible Notes”	the convertible notes issued by the Company expiring on 5 March 2018
“Affiliate(s)”	with respect to a person, any other person that, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with, such person by means of being the beneficial owner of more than 50% of the voting rights of such person
“Board”	Board of Directors
“BVI”	the British Virgin Islands
“Business”	the production and operation of shipbuilding, securities trading, providing financial services and liquefied natural gas related business
“Business Day(s)”	a day(s) on which commercial banks in Hong Kong are generally open for business other than Saturday and Sunday or a public holiday, or a day on which commercial banks do not open for business owing to a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal being in force in Hong Kong



“BVI Share Charge”	the share charge to be entered into between the BVI Subsidiary as chargor and the Investor as chargee pursuant to which the BVI Subsidiary will charge 100% of the total issued share capital of the HK Subsidiary held by it in favour of the Investor on or prior to the Closing Date
“BVI Subsidiary”	China Ocean Shipbuilding Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company, and is interested in 100% of the issued share capital of the HK Subsidiary as at the date of this announcement
“China Ocean Investment”	Zhoushan China Ocean Investment Fund* (舟山中海投創業投資企業), a Foreign-invested Venture Capital Investment Enterprises* (外商投資創業投資企業) under the laws of the PRC
“China Ocean Technology”	Zhoushan China Ocean Technology Development Company Limited* (舟山中海投海洋科技發展有限公司), a company incorporated with limited liability under the laws of the PRC
“Closing”	closing of the issue of the Convertible Notes by the Company and subscription for the Convertible Notes by the Investor in accordance with the terms and conditions of the Subscription Agreement
“Closing Date”	the date of Closing
“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)
“Company Share Charge”	the share charge to be entered into between the Company as chargor and the Investor as chargee pursuant to which the Company will charge 100% of the total issued share capital of the BVI Subsidiary held by it in favour of the Investor on or prior to the Closing Date

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the convertible notes which may be issued by the Company to the Investor pursuant to the Subscription Agreement
“Conversion Price”	the initial conversion price of HK\$0.2481 (subject to adjustment) per Conversion Share
“Conversion Rights”	the rights attached to the Conversion Notes for the conversion of the Convertible Notes into the Conversion Shares at the Conversion Price
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the Conversion Rights
“Deed of Waiver”	a deed of waiver and release to be entered into between the Company and the HK Subsidiary in respect of the discharge and waiver of the Shareholder Loan
“Extended Maturity Date”	the date falling on the 12th month after the Initial Maturity Date, if agreed to in writing by the Company and the Noteholder at least 10 Business Days prior to the Initial Maturity Date
“General Mandate”	the general mandate from the Shareholders granted to the Directors at the annual general meeting of the Company held on 27 June 2014 to allot and issue Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to an aggregate number of Shares not exceeding 20% of the number of Shares in issue as at 27 June 2014, i.e. 1,224,144,431 Shares, in accordance with the relevant provisions of the Listing Rules
“Group”	the Company and its Subsidiaries from time to time and “Group Member” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HK Subsidiary”	China Ocean Shipbuilding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company, and is interested in approximately 78.74% of the share capital of China Ocean Investment as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Initial Maturity Date”	the date falling on the 12th month from the Issue Date
“Investor”	Prosper Talent Limited, a company incorporated in the BVI with limited liability
“Investor Directors”	the directors of the HK Subsidiary, China Ocean Investment and China Ocean Technology who may be nominated by the Investor as its nominee pursuant to the terms of the Subscription Agreement
“Issue Date”	the date of issue of the Convertible Notes
“Lead Dragon”	Lead Dragon Investment, a company incorporated with limited liability in the BVI and wholly-owned by Mr. Li
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Holders”	Noteholder(s) holding more than 50% of the total principal amount of all the Convertible Notes outstanding at the relevant time
“Maturity Date”	the Initial Maturity Date or the Extended Maturity Date, as the case may be

“Mr. Li”	Mr. Li Ming, the deputy chairman of the Board, chief executive officer and an executive Director
“Noteholder(s)”	any person who is the registered holder of any Convertible Notes then outstanding
“Personal Guarantee”	the personal guarantee to be executed by Mr. Li in favour of the Investor to secure the obligations of the Company and the BVI Subsidiary under the Transaction Documents on or prior to the Closing Date
“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
“Security”	has the meaning set forth in the paragraph headed “Security” in this announcement
“SFC”	the Securities and Futures Commission
“Share(s)”	ordinary share(s) in the capital of the Company
“Share Option Schemes”	the share option schemes adopted respectively by the Company on 27 May 2002 and 27 June 2012
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder Loan”	the shareholder loan in the amount of HK\$507,000,000 advanced by the Company to the HK Subsidiary in 2014
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Notes by the Investor pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the convertible notes subscription agreement dated 2 June 2015 entered into among the Company, Mr. Li and the Investor in respect of the Subscription

“Subsidiary”	a company which is for the time being and from time to time a subsidiary of the Company within the meaning of section 15 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) and the term “Subsidiaries” shall be construed accordingly
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-back
“Trading Day(s)”	a day on which trading is conducted on the Main Board of the Stock Exchange in accordance with the Trading Rules of Stock Exchange other than a day on which both the morning and the afternoon trading sessions or either of them is cancelled owing to a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal being in force in Hong Kong
“Transaction Documents”	the (i) Subscription Agreement, (ii) the Convertible Notes (together with terms and conditions attached thereto), (iii) the Company Share Charge, (iv) the BVI Share Charge, (v) the Deed of Waiver and (vi) the Personal Guarantee and any other document as designated by the Investor as a transaction document from time to time
“%”	percent

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

Hong Kong, 3 June 2015

*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 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 Ms. Xiang Ying.*