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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)

INSIDE INFORMATION ANNOUNCEMENT LETTER OF INTENT FOR COOPERATION

This announcement is made by China Ocean Shipbuilding Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE LETTER

The board of directors (the “**Directors**”) of the Company (the “**Board**”) announces that on 9 July 2015 (after trading hours), the Company and an independent third party, which is a company incorporated in Hong Kong and is principally engaging in investment in oil and natural gas, and supply of energy in particular city gas (“**Gas Co**”) in the PRC, entered into a letter of intent for cooperation (the “**Letter**”) to strengthen the cooperation in relation to the assets and shareholding integration between the parties thereto.

Pursuant to the Letter, the possible cooperation (the “**Possible Cooperation**”) contemplated thereunder includes the following:

- (1) exploration of the possibility of merger by incorporation of subsidiaries of the Gas Co into the Company: subject to the assets valuation of the Gas Co and upon mutual agreement of the parties, the Company may acquire the entire equity interest in subsidiaries owned by the Gas Co in consideration of cash and issuance of convertible bonds (the “**Acquisition**”); and

- (2) commencement of cooperation in a subsidiary of the Gas Co incorporated in the People's Republic of China (the "**PRC**") and is principally engaging in sale of refined oil, liquefied petroleum gas, liquefied natural gas and propene in Jiujiang area and Jiangxi Province, the PRC ("**Gas Subsidiary**"): subject to the valuation of the Subsidiary, the Company may acquire the entire or part of the equity interest in the Gas Subsidiary held by the Gas Co (the "**Gas Subsidiary Acquisition**"). After the Gas Subsidiary Acquisition, the Company shall make further investments in and conduct expansion of terminals and other infrastructures owned by the Gas Subsidiary for the future cooperation in liquefied natural gas related business.

The Company and the Gas Co agreed to commence the following preliminary work in relation to the Possible Cooperation:

- (1) formation of a working committee to coordinate preliminary preparatory work;
- (2) exchange of relevant information subject to execution of confidentiality agreement;
- (3) due diligence and assets valuation in relation to the Acquisition and the Gas Subsidiary Acquisition. In view of the recent introduction of institutional investor into the Gas Co, the parties thereto agreed that the valuation amount of the Gas Co as a whole shall not be lower than the valuation amount determined after the latest fund raising activity conducted by the Gas Co; and
- (4) investigation and due diligence on other assets of the Gas Co.

The parties thereto agreed to proceed with the relevant preliminary work as soon as possible and to submit to each of the board of directors of the parties proposals on (i) the Gas Subsidiary Acquisition by 30 days from the Letter, and (ii) the Acquisition by 60 days from the Letter.

Either party to the Letter are not obligated to proceed with a definitive agreement with respect to the Possible Cooperation. The terms of the Possible Cooperation are yet to be determined and are subject to further negotiations between the parties thereto.

REASONS FOR THE POSSIBLE COOPERATION

The Company is an investment holding company and, through its subsidiaries, is principally engaging in shipbuilding related business and financial leasing business.

To the best of the knowledge, information and belief having made all reasonable enquiries by the Directors, the Gas Co, the Subsidiary and each of their ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in Listing Rules).

The Board believes that the Possible Cooperation enables the Company to leverage on the strengths and experience of the Gas Co in the energy business to complement the Group's strategic diversification into energy logistics business.

The Board wishes to state that the Possible Cooperation is subject to the execution of definitive agreement(s) by the relevant parties thereto, therefore, the Possible Cooperation may or may not proceed. The transactions contemplated under the Possible Cooperation, if materialised, may constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in respect of the Possible Cooperation will be made by the Company as and when appropriate in accordance with the Listing Rules.

Shareholders of the Company and/or potential investors are advised to exercise caution when dealing in the shares of the Company

By order of the Board
China Ocean Shipbuilding Industry Group Limited
LI Ming
Chairman

Hong Kong, 10 July 2015

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