

The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

**PROVISION OF THE SECOND COUNTER-GUARANTEE
TO XIAMEN ITG**

Reference is made to the announcement of the Company dated 1 April 2015 in relation to the provision of Counter-Guarantee to Xiamen ITG.

On 5 August 2015, the Company issued the Second Counter Guarantee Letter upon the request of the Guarantor, under which the Company agreed to provide the Second Counter Guarantee in favour of the Guarantor for its obligations under the Guarantee to guarantee the due performance of the PRC Subsidiary's obligations under and in connection with the Shipbuilding Agreements and the Import and Export Agreements.

The Shipbuilding Agreements were entered into on 16 November 2013 among the PRC Subsidiary and the Guarantor as vendor and a shipowner as purchaser, pursuant to which the PRC Subsidiary and the Guarantor agreed to sell and the purchaser thereunder agreed to purchase the Vessels. The Import and Export Agreements were also entered into on the same day between the PRC Subsidiary and the Guarantor under which, among other matters, the PRC Subsidiary appointed the Guarantor as the exclusive import and export agent for the import of facilities and materials required for construction of the Vessels and the export of the Vessels.

Pursuant to the terms of the Shipbuilding Agreements and the Import and Export Agreements, the Guarantor has arranged the relevant bank to provide: (i) the refund guarantee in an aggregate amount of US\$11,070,000 (equivalent to approximately HK\$85,792,500) in favour of the purchaser under the Shipbuilding Agreements, (ii) the performance guarantee with an aggregate amount of US\$600,000 (equivalent to approximately HK\$4,650,000) in favour of the purchaser under the Shipbuilding Agreements guaranteeing the due performance of obligations of the PRC Subsidiary under the Shipbuilding Agreements, and (iii) financing to the PRC Subsidiary in an aggregate amount of US\$18,450,000 (equivalent to approximately HK\$142,987,500), being part of the contract price for the Vessels, as advancement on behalf of the PRC Subsidiary for the sole purpose of purchasing facilities, materials, parts and payment of construction price for the Vessels.

As one or more of the applicable percentage ratios in respect of the amount of the Second Counter Guarantee is/are more than 5% but less than 25%, the provision of the Second Counter Guarantee constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company has aggregated the impact of the Counter Guarantee and the Second Counter Guarantee for the purpose of classifying the Second Counter Guarantee under Chapter 14 of the Listing Rules. Nonetheless, the Second Counter Guarantee, even if aggregated with the Counter Guarantee, 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.

THE LETTER OF COUNTER GUARANTEE

On 5 August 2015, the Company issued the Second Counter Guarantee Letter upon the request of the Guarantor, under which the Company agreed to provide the Second Counter Guarantee in favour of the Guarantor for its obligations under the Guarantee to guarantee the due performance of the PRC Subsidiary's obligations under and in connection with the Shipbuilding Agreements and the Import and Export Agreements.

The Shipbuilding Agreements were entered into on 16 November 2013 among the PRC Subsidiary and the Guarantor as vendor and a shipowner as purchaser, pursuant to which the PRC Subsidiary and the Guarantor agreed to sell and the purchaser thereunder agreed to purchase the Vessels. The Import and Export Agreements were also entered on the same day between the PRC Subsidiary and the Guarantor pursuant to which, among other matters, the PRC Subsidiary appointed the Guarantor as the exclusive import and export agent for the import of facilities and materials required for construction of the Vessels and the export of the Vessels.

Pursuant to the terms of the Shipbuilding Agreements and the Import and Export Agreements, the Guarantor has arranged the relevant bank to provide: (i) the refund guarantee in an aggregate amount of US\$11,070,000 (equivalent to approximately HK\$85,792,500) in favour of the purchaser under the Shipbuilding Agreements, (ii) the performance guarantee with an aggregate amount of US\$600,000 (equivalent to approximately HK\$4,650,000) in favour of the purchaser under the Shipbuilding Agreements guaranteeing the due performance of obligations of the PRC Subsidiary under the Shipbuilding Agreements, and (iii) financing to the PRC Subsidiary in an aggregate amount of US\$18,450,000 (equivalent to approximately HK\$142,987,500), being part of the contract price for the Vessels, as advancement on behalf of the PRC Subsidiary for the sole purpose of purchasing facilities, materials, parts and payment of construction price for the Vessels.

Set out below are the major terms of the Letter of Counter Guarantee executed by the Company in favour of the Guarantor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor and its ultimate beneficial owners are independent of the Company and its connected persons:

Date: 5 August 2015

Obligations under the Counter Guarantee: The Company shall indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under the Guarantee (i.e. up to an aggregate of US\$30,120,000 (equivalent to approximately HK\$233,430,000)) together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee.

Counter Guarantee period: From the date of the Letter of Counter Guarantee to two years after the date on which the Guarantee has been discharged.

INFORMATION ABOUT THE GUARANTOR

The Guarantor is a state-owned company established under the laws of the PRC and is principally engaging in trading of vessels, the provision of financing support to shipyards and shipbuilding project management.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE COUNTER GUARANTEE

The Group, including the PRC Subsidiary, is principally engaging in shipbuilding related business.

As disclosed in the announcement of the Company dated 1 April 2015, in view of the further cooperation with the Guarantor, the Group agreed to give the Guarantor a back-to-back guarantee to indemnify the Guarantor for all liabilities and expenses which may be incurred under the Guarantee, the purpose of the which is to guarantee the due performance of the PRC Subsidiary's obligations under and in connection with the Shipbuilding Agreements and the Import and Export Agreements. As such, the obligations of the Company borne towards the Guarantor do not exceed the accumulated liabilities of the PRC Subsidiary under the Shipbuilding Agreements and the Import and Export Agreements. Further, the Second Counter Guarantee is not secured by the assets of the Group. The Directors consider that the Second Counter Guarantee is on normal commercial terms which are fair and reasonable and 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 amount of the Second Counter Guarantee is/are more than 5% but less than 25%, the provision of the Second Counter Guarantee constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company has aggregated the impact of the Counter-Guarantee and the Second Counter-Guarantee for the purpose of classifying the Second Counter Guarantee under Chapter 14 of the Listing Rules. Nonetheless, the Second Counter Guarantee, even if aggregated with the Counter-Guarantee, 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:

“Board”	Board of Directors
“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
“Counter Guarantee”	the counter guarantee provided by the Company to the Guarantor pursuant to a letter of counter guarantee dated 31 March 2015 issued by the Company in favour of the Guarantor
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	(i) the refund guarantee issued by the relevant bank in an aggregate amount of US\$11,070,000 (equivalent to approximately HK\$85,792,500) in favour of the purchaser under the Shipbuilding Agreements, (ii) the performance guarantee issued by the relevant bank with an aggregate amount of US\$600,000 (equivalent to approximately HK\$4,650,000) in favour of the purchaser under the Shipbuilding Agreements in respect of the performance obligations of the PRC Subsidiary under the Shipbuilding Agreements, and (iii) financing obtained from the relevant bank in an aggregate amount of US\$18,450,000 (equivalent to approximately HK\$142,987,500), being part of the contract price for the Vessels, as advancement on behalf of the PRC Subsidiary for the sole purpose of purchasing facilities, materials, parts and payment of construction price for the Vessels provided by the Guarantor under the Shipbuilding Agreements and the Import and Export Agreements

“Guarantor” or “Xiamen ITG”	Xiamen ITG Shipbuilding Imp. & Exp. Co. Ltd.* (廈門國貿船舶進出口有限公司), a state-owned company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Import and Export Agreements”	two import and export agency agreements both dated 16 November 2013 entered into between the PRC Subsidiary and the Guarantor pursuant to which the PRC Subsidiary appointed the Guarantor as the exclusive import and export agent for the import of facilities and materials required in construction of the Vessels and the export of the Vessels
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC Subsidiary”	Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.* (江西江州聯合造船有限責任公司), an indirect wholly owned subsidiary the Company established under the laws of the PRC
“Second Counter Guarantee”	the counter guarantee provided by the Company to the Guarantor pursuant to the Second Counter Guarantee Letter
“Second Counter Guarantee Letter”	the letter of counter guarantee dated 5 August 2015 issued by the Company in favour of the Guarantor in respect of the Counter Guarantee

“Shipbuilding Agreements”	two shipbuilding agreements both dated 16 November 2013 entered into among the PRC Subsidiary and the Guarantor as vendor on the one part, and a shipowner as purchaser on the other part, pursuant to which the purchaser thereunder agreed to purchase the Vessels contracted to be built by the PRC Subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar, the lawful currency of the United States of America
“Vessels”	two 12,500 tonnes multi-purpose cargo ships respectively contracted to be built by the PRC Subsidiary under Shipbuilding Agreements
“%”	percent

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

Hong Kong, 5 August 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 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 Ms. Xiang Ying.