

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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE
BY WAY OF WAIVER OF LOANS**

On 25 September 2015 (after trading hours), the Company, the Borrower and the Creditors entered into the conditional Subscription Agreement pursuant to which the Creditors conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 537,761,685 Subscription Shares at the Subscription Price of HK\$0.26 per Subscription Share, in consideration of the Creditors agreeing to waive the Loans in an aggregate amount of approximately RMB114,944,409 (equivalent to about HK\$139,818,038) due from the Borrower together with all the rights and benefits attaching thereto and accruing thereon. The 537,761,685 Subscription Shares represent the amount of Loans agreed to be waived by the Creditors divided by the Subscription Price of HK\$0.26 per Subscription Share.

The Subscription Price of HK\$0.26 per Subscription Share is determined after arm's length negotiation between the Parties with reference to the current market price of the Shares, and represents:

- (1) a premium of approximately 15.56% to the closing price of HK\$0.225 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 17.11% to the average of the closing prices of HK\$0.222 per Share for the last five consecutive trading days up to and including the Last Trading Day; and

- (3) a premium of approximately 18.18% to the average of the closing prices of HK\$0.220 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Shares represent approximately 4.82% of the existing issued shares of the Company as at the date of this announcement and approximately 4.60% of the issued shares of the Company as enlarged by the Subscription assuming that no Shares will be repurchased and issued (other than the Subscription Shares) before Completion.

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As Completion of the Subscription Agreement 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.

THE SUBSCRIPTION AGREEMENT

On 25 September 2015 (after trading hours), the Company, the Borrower and the Creditors entered into the conditional Subscription Agreement pursuant to which the Creditors conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 537,761,685 Subscription Shares at the Subscription Price of HK\$0.26 per Subscription Share, in consideration of the Creditors agreeing to waive the Loans in an aggregate amount of approximately RMB114,944,409 (equivalent to about HK\$139,818,038) due from the Borrower together with all the rights and benefits attaching thereto and accruing thereon. Details of the terms of the Subscription Agreement are summarised below:

Date : 25 September 2015

Parties : (i) the Company as issuer;

(ii) the following Creditors as creditors:

- (a) 54 Former Employee Creditors, who, otherwise than their previous employment relationship with the Group, are Independent Third Parties;

- (b) 255 Employee Creditors, who, otherwise than their employment relationship with the Group, are Independent Third Parties; and
 - (c) 32 contractors and suppliers, who, otherwise than their business relationship with the Group, are Independent Third Parties;
- (iii) Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.* (江西江州聯合造船有限責任公司), as borrower.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Creditors and its ultimate beneficial owners are an Independent Third Parties.

Subscription Shares

In consideration of the Creditors agreeing to waive the Loans, the Company conditionally agreed to allot and issue, and the Creditors conditionally agreed to subscribe for 537,761,685 Subscription Shares, which represent the Loans in the amount of approximately RMB114,944,409 (equivalent to about HK\$139,818,038) due from the Borrower and agreed to be waived by the Creditors divided by the Subscription Price of HK\$0.26 per Subscription Share. The Subscription Price payable by the Creditors will be satisfied by the Creditors waiving the entire amount of RMB114,944,409 (equivalent to about HK\$139,818,038) due from the Borrower to the Creditors together with all the rights and benefits attaching thereto and accruing thereon.

The Subscription Shares represent approximately 4.82% of the existing issued share of the Company as at the date of this announcement and approximately 4.60% of the issued share of the Company as enlarged by the Subscription, assuming that no Shares will be repurchased and issued (other than the Subscription Shares) before Completion. The aggregate nominal value of the Subscription Shares will be HK\$26,888,084.

Subscription Price

The Subscription Price of HK\$0.26 per Subscription Share is determined after arm's length negotiation between the Parties with reference to the current market price of the Shares. The Subscription Price of HK\$0.26 represents:

- (i) a premium of approximately 15.56% to the closing price of HK\$0.225 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a premium of approximately 17.11% to the average of the closing prices of HK\$0.222 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 18.18% to the average of the closing prices of HK\$0.220 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

Ranking of the Subscription Shares

The Subscription Shares, when issued and allotted, will rank pari passu among themselves and with Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent

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

- (a) the Company having passed any and all resolutions approving the of the transactions contemplated by the Subscription Agreement, including but not limited to the allotment and issue of Subscription Shares;
- (b) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (c) if so required, each party to the Subscription Agreement having obtained all consents, licences, authorisations, orders, grants, confirmations, permissions, registrations, filings and other approvals necessary or desirable in connection with the implementation of the Subscription Agreement from appropriate governments, governmental, supranational or trade agencies, courts, other regulatory bodies, banks, financial institutions or other third parties on terms satisfactory to the parties to the Subscription Agreement and such consents, licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

If the above conditions are not fulfilled or are not either waived, as the case maybe, on or before 12 November, 2015 or such later date as may be agreed among the parties to the Subscription Agreement, all rights, obligations and liabilities of the parties in respect of or under the Subscription Agreement shall cease and terminate, and no party shall have any claim of any nature whatsoever against the other parties under the Subscription Agreement (except in respect of any antecedent breach of any obligation under the Subscription Agreement).

Completion

Completion of the Subscription Agreement shall take place on a date no later than 10 Business Days after the fulfillment or waiver of the conditions precedent, or such other date as may be agreed between the parties to the Subscription Agreement.

As Completion of the Subscription Agreement 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.

GENERAL MANDATE

The Subscription Shares are to be issued under the General Mandate pursuant to which a maximum of 2,155,144,431 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, the General Mandate has not been utilized since it was granted. Accordingly, the number of Subscription Shares to be allotted and issued pursuant to the Subscription Agreement will utilize as to approximately 24.95% of the General Mandate. Hence no Shareholders' approval is required for the issue of the Subscription Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION

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

The Borrower is an indirect wholly-owned subsidiary of the Company principally engaging in shipbuilding related business. According to the Subscription Agreement, the Loans in the amount of approximately RMB114,944,409 (equivalent to about HK\$139,818,038) will be waived by the Creditors after Completion. In view of the working capital requirement of the Group, the Directors believe that it is in the best interest of the Company to extinguish the Loans and indirectly convert them into capital by way of the Subscription, in order to alleviate the repayment pressure of the Group and to reduce cash outflow from the Company when the Loans become due.

The Directors also consider that the Subscription will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group for the continuous development of its business.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the parties thereto, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structures of the Company (i) as at the date of this announcement, (ii) immediately after Completion, (iii) immediately after Completion and upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price, and (iv) immediately after Completion and upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price and exercise of all outstanding share options in full under the Share Option Schemes (assuming there being no other changes in the share capital of the Company):

Shareholder	At the date of this announcement		Immediately after Completion		Immediately after Completion and upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price (Note 2)		Immediately after Completion and upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price and exercise of all outstanding share options in full under 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	5.87	654,917,500	5.60	654,917,500	5.13	694,917,500	5.27
Other Directors	0	0.00	0	0.00	0	0.00	90,434,600	0.69
Bondholder 1	0	0.00	0	0.00	806,126,561	6.32	806,126,561	6.12
Bondholder 2	0	0.00	0	0.00	260,000,000	2.04	260,000,000	1.97
The Creditors	0	0.00	537,761,685	4.60	537,761,685	4.21	537,761,685	4.08
Other Public Shareholders	10,505,804,655	94.13	10,505,804,655	89.80	10,505,804,655	82.30	10,787,819,835	81.87
Total:	11,160,722,155	100.00	11,698,483,840	100.00	12,764,610,401	100.00	13,177,060,181	100.00

Notes:

- Such Shares were held by Mr. Li Ming, an executive Director, of which 359,817,500 Shares were directly held by him and 295,100,000 Shares were held through Lead Dragon Limited, a company wholly and beneficially owned by Mr. Li.

2. The shareholding structure set out in this column is shown for illustration purposes only. The conversion rights under the 2014 Convertible Notes 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 2014 Convertible Notes being held in public hands and will not result in the relevant holder of the 2014 Convertible Notes, 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 Hong Kong Code on Takeovers and Mergers; or (ii) a general offer is made in accordance with the requirements of the Hong Kong Code on Takeovers and Mergers.

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
17 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	<p>(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</p> <p>(ii) approximately HK\$28.8 million of the net proceeds will be used for general working capital purposes (including repayment of debts).</p>	<p>(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;</p> <p>(ii) approximately HK\$28.8 million was used for general working capital;</p>
3 June 2015	Issue of HK\$200 million convertible notes due 2016 by the Company pursuant to the General Mandate	Net proceeds of about HK\$198.4 million	The net proceeds will be used as general working capital (including honouring its investment obligation in relation to its financial leasing business in the PRC and repayment of debts).	<p>(i) Approximately HK\$126 million used to pay up the capital contribution to its subsidiary, which is engaged in financial leasing business in Shenzhen;</p> <p>(ii) approximately HK\$48.8 million used as working capital</p>

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.

DEFINITIONS

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

“2014 Convertible Notes”	the convertible notes issued by the Company on 27 June 2014
“2015 Convertible Notes”	the convertible notes issued by the Company on 8 July 2015
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	Board of Directors
“Borrower”	Jiangxi Jiangzhou Union Shipbuilding Co., Ltd.* (江西江州聯合造船有限責任公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“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
“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)

“Completion”	completion of the issue of the Subscription Shares by the Company and subscription for the Subscription Shares by the Creditors in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditor”	has the meaning ascribed thereto under the section headed “SUBSCRIPTION AGREEMENT” in this announcement and the term “Creditors” shall be construed accordingly
“Employee Creditors”	255 employees of the Group who are Creditors
“Former Employee Creditors”	54 former employees of the Group who are Creditors
“General Mandate”	the general mandate from the Shareholders granted to the Directors at the annual general meeting of the Company held on 29 June 2015 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 29 June 2015, i.e. 2,155,144,431 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
“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
“Last Trading Day(s)”	24 September 2015, being the last trading day of the Shares immediately before entering into of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the total sum of approximately RMB114,944,409 (equivalent to about HK\$139,818,038) due by the Borrower to the Creditors and agreed to be waived by the Creditors pursuant to the terms of the Subscription Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Share(s)”	ordinary share(s) of HK\$0.05 each 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Creditors pursuant to the terms of the Subscription Agreement

“Subscription Agreement”	the subscription dated 25 September 2015 entered into among the Company, the Creditors and the Borrower in respect of the Subscription
“Subscription Price”	HK\$0.26 per Subscription Share
“Subscription Shares”	537,761,685 new Shares to be subscribed by the Creditors pursuant to the Subscription Agreement
“Subsidiary”	any entity within the meaning of the term “Subsidiary” as defined in the Listing Rules and the term “Subsidiaries” shall be construed accordingly
“%”	percent

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

Hong Kong, 28 September, 2015

For the purpose of illustration only and unless otherwise stated, conversion of RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.2164. 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 four executive directors, namely, Mr. Li Ming, Mr. Zhang Shi Hong, Mr. Wang San Long and Mr. Liu Jin, 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.