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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 BONDS UNDER GENERAL MANDATE**

On 26 October 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bonds in the principal amount of HK\$100 million. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Principal terms of the Convertible Bonds”. The Company intends to apply such net proceeds for the development and investment of the Group’s liquefied natural gas business in China as well as general working capital.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.26 per Conversion Share, a total of 384,615,384 Conversion Shares will be issued, representing approximately 3.45% of the existing issued share capital of the Company and approximately 3.33% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares, upon issue, shall rank *pari passu* in all respects with the Shares then in issue. The Company will allot and issue the Conversion Shares 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 Bonds will be sought on the Stock Exchange or any other exchanges.

**As the issue of the Convertible Bonds 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.**

On 26 October 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issuance of the Convertible Bonds in the principal amount of HK\$100 million. Details of the terms of the Subscription Agreement and the Convertible Bonds are summarised below:

## **SUBSCRIPTION AGREEMENT**

### **1. Parties and Date**

Date: 26 October 2015 (after trading hours)

Parties: (a) The Company as issuer  
(b) Hongkong Cathaya Kinglong Fortune Management Co., Limited as subscriber

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

### **2. Principal terms of the Convertible Bonds**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of HK\$100 million upon Completion.

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

Principal amount: HK\$100,000,000

Issue price: 100% of the principal amount of the Convertible Bonds

- Denomination: The Convertible Bonds will be issued in registered form and in the denomination of HK\$10,000,000 each and integral multiples thereof
- Interest rate: 7.5% per annum payable annually in arrear
- Maturity date and redemption: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Bonds shall be redeemed at its principal amount (plus any accrued but unpaid interests) on the Maturity Date.
- Ranking: The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and at all times ranks *pari passu* among any part thereof and equally with all other present and future unsecured and unsubordinated obligations of the Company.
- Conversion: The conversion rights under the Convertible Bonds shall only be exercisable so long as:
- (i) the exercise of the conversion rights under the Convertible Bonds will not result in the relevant Bondholder(s), 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 requirement of the Takeovers Code; or (ii) a general offer is made in accordance with the requirement of the Takeovers Code; and
  - (ii) not less than 25% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares are being held in public hands.

Conversion period: The Bondholder(s) shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares on any Business Day from the date of issue of the Convertible Bonds up to and including the date falling one (1) Business Day prior to the Maturity Date at the then prevailing Conversion Price.

Conversion Price: The Conversion Price is HK\$0.26 per Conversion Share and is not subject to adjustment. The Conversion Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the past trading prices of the Company and represents:

- (i) a premium of approximately 11.6% to the closing price of HK\$0.233 per Share as quoted on the Stock Exchange on 26 October 2015, being the Last Trading Day;
- (ii) a premium of approximately 9.1% to the average of the closing prices per Share of HK\$0.238 for the last five Trading Days up to and including the Last Trading Day; and
- (iii) a premium of approximately 9.7% to the average of the closing prices per Share of HK\$0.237 for the last ten Trading Days up to and including the Last Trading Day.

Voting: The Bondholder(s) will not be entitled to attend or vote at any meeting of the Company by reason only of it being the holder of the Convertible Bonds.

Transfer: Subject to the restricted transfer period described below, the Convertible Bonds are freely transferable at any time during the period from the date on which the Subscriber is registered as the holder of the Convertible Bonds provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company and its associates without the Company's prior written consent.

Restricted transfer period: The Company will not register any transfer of Convertible Bonds: (i) during the seven (7) days prior to and including the date of payment of any principal amount in respect of the Convertible Bonds; (ii) after the delivery of a conversion notice by the Bondholder(s); or (iii) during the seven (7) days prior to and including the date of interest payment pursuant to the terms of the Convertible Bonds.

Events of Default: If, among others, any of the following events occurs, the Bondholder(s) may give notice to the Company that the Convertible Bonds are, and they shall accordingly thereby become, immediately due and payable at an amount equal to the sum of the aggregate principal amount of the Convertible Bonds then outstanding and the interest accrued thereon:

- (i) save and except for administrative or technical error and payment has been made within five (5) Business Days after the due date, if the Company fails to pay the principal under the Convertible Bonds on the due date for the payment thereof; or
- (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the Convertible Bonds which default will constitute a material adverse effect on the Group's business, operations, assets, financial condition, and such default (a) is incapable of remedy or (b) being a default which is, in the opinion of the Bondholder(s), capable of remedy, remains unremedied for fourteen (14) days after the Bondholder(s) have given written notice thereof to the Company; or
- (iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking, property, assets or revenues of the Company or its major subsidiaries and which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or

- (iv) the Company or its major subsidiaries is (a) unable to pay its debts as and when they fall due or (b) applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or its subsidiaries or the whole or any part of the undertaking, property, assets or revenues of the Company or its subsidiaries or (c) initiates any proceeding under any law for a readjustment or deferment of its obligations or any part of them or (d) makes or enters into a general assignment or compromise with or for the benefit of its creditors, which will constitute a material adverse effect on the Group's business, operations, assets, financial condition; or
- (v) an order is made or an effective resolution passed for the dissolution or winding-up of the Company or any of its major subsidiaries except in the case of dissolution or winding-up of subsidiaries in the course of internal reorganisation; or
- (vi) suspension of trading of the Shares on the Stock Exchange or a recognised stock exchange for a continuous period of fourteen (14) Trading Days which constitutes a material adverse effect on the Group's business, operations, assets, financial condition.

Based on the Conversion Price of HK\$0.26 per Conversion Share, a maximum number of 384,615,384 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 3.45% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.33% 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 Bonds.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

### **3. Conditions precedent**

Completion is conditional upon the fulfillment of the following conditions:

- (1) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares; and
- (2) the Company and the Subscriber having obtained all necessary consents and approvals required to be obtained on their respective part in respect of the Subscription Agreement and the transactions contemplated thereunder (if applicable), and fully complied with relevant laws and regulations (including but not limited to the Listing Rules and relevant laws of Hong Kong). All such consents and approvals shall remain valid up to the date of Completion and there being no rules or regulations imposed by relevant authorities to prohibit or substantially delay the performance and completion of the Subscription Agreement.

In the event that the above conditions are not fulfilled on or before 30 November 2015, the Subscription Agreement shall automatically terminate and lapse, and the Subscriber and the Company shall forthwith be released from their respective rights and obligations under the Subscription Agreement, except for the obligations in relation to confidentiality.

### **4. Completion**

Subject to the fulfillment of the above conditions, Completion shall take place on the fourteenth (14th) Business Day after the satisfaction of all of the conditions precedent or such other date as all parties to the Subscription Agreement may agree in writing.

## **GENERAL MANDATE**

The Company will allot and issue the Conversion Shares under the General Mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 29 June 2015. Under the General Mandate, the Company is authorized to allot and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) of up to 20% of the issued share capital of the Company as at the date of the aforesaid annual general meeting, which amounts to 2,155,144,431 new Shares. As at the date of this announcement, save for the issue of 537,761,685 Shares pursuant to the subscription agreement dated 25 September 2015 as disclosed in the announcement of the Company dated 28 September 2015, the General Mandate has not been utilized since it was granted. Accordingly, the Company may further allot 1,617,382,746 new Shares under the General Mandate. After the allotment and issue of 384,615,384 Conversion Shares based on the Conversion Price, the General Mandate will in aggregate be utilized as to approximately 42.8%. Accordingly, no Shareholders' approval is required for the issue of Convertible Shares.

No application will be made for listing of, or permission to deal in, the Convertible Bonds 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 ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS**

The Group is principally engaging in shipbuilding related business.

The Subscriber is a company incorporated in Hong Kong and its principal business is general investment.

The proceeds from the issue of the Convertible Bonds will be approximately HK\$100 million. The Board currently intends to use the proceeds from the issue of the Convertible Bonds as follows:

- (1) approximately HK\$50 million of the proceeds to fund the development and investment of the Group's liquefied natural gas business in the PRC; and

- (2) approximately HK\$50 million all of the proceeds will be used for general working capital purposes (including repayment of debts).

As stated in the 2015 interim report of the Company, the Group and the entire shipbuilding market is facing challenging economic circumstances. In this connection, the Group had actively developed its financial leasing and the business related to liquefied natural gas operations to help form a synergy with the Company's principle operations while mitigating any possible risks brought about by the volatile shipbuilding market. The Directors consider that the issue of Convertible Bonds represents an opportunity to raise additional funds for the Group to consolidate the Group's development in the liquefied natural gas market in the PRC and to replenish the working capital position and enhance financial position of the Group.

Taking into account the terms of the Convertible Bonds, the Company believes that it is in the interests of the Company to issue the Convertible Bonds. In addition, the Directors consider that the issue of the Convertible Bonds will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders. Having considered that (i) the interest rate payable on the Convertible Bonds is fair and reasonable as compared with the prevailing interest rates generally offered by banks and financial institutions for similar loan facilities; and (ii) if the Convertible Bonds are exercised, the outstanding principal will be converted into equity capital thereby strengthening the financial position of the Group, the Directors consider that the issue of the Convertible Bonds is an appropriate means of fund raising for the Company.

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

## EFFECTS ON 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 Bonds, (iii) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds and upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price, and (iv) immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds 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 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 upon full conversion of the Convertible Bonds		immediately after the allotment and issue of Conversion Shares upon full conversion of the 2014 Convertible Notes and the 2015 Convertible Notes at their respective initial conversion price (Note 2)		immediately after the allotment and issue of Conversion Shares upon full conversion of the Convertible Bonds 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)	
	Approximate		Approximate		Approximate		Approximate	
	No. of Shares	percentage	No. of Shares	percentage	No. of Shares	percentage	No. of Shares	percentage
A director and his associate (Note 1)	654,917,500	5.87%	654,917,500	5.67%	654,917,500	5.19%	694,917,500	5.34%
Other Directors							90,434,600	0.69%
The Subscriber			384,615,384	3.33%	384,615,384	3.05%	384,615,384	3.05%
Bondholder 1					806,126,561	6.39%	806,126,561	6.19%
Bondholder 2					260,000,000	2.06%	260,000,000	2.00%
Public	10,505,804,655	94.13%	10,505,804,655	91.00%	10,505,804,655	83.30%	10,787,819,835	82.83%
Total	<u>11,160,722,155</u>	<u>100.00%</u>	<u>11,545,337,539</u>	<u>100.00%</u>	<u>12,611,464,100</u>	<u>100.00%</u>	<u>13,023,913,880</u>	<u>100.10%</u>

### 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 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 2014 Convertible Bonds being held in public hands and will not result in the relevant holder of the 2014 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.

## **FUND RAISING EXERCISE OF THE COMPANY DURING THE 12 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:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Fund raised</b>	<b>Intended use of net proceeds as announced</b>	<b>Actual use of net proceeds as of the date of this announcement</b>
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	(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\$28.8 million was used for general working capital;

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Fund raised</b>	<b>Intended use of net proceeds as announced</b>	<b>Actual use of net proceeds as of the date of this announcement</b>
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).	(i) Approximately HK\$126 million used to pay up the capital contribution to its subsidiary, which is engaged in financial leasing business in Shenzhen;  (ii) approximately HK\$48.8 million used as working capital

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**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“2014 Convertible Bonds”	the convertible bonds issued by the Company on 27 June 2014
“2015 Convertible Bonds”	the convertible bonds issued by the Company on 8 July 2015
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Bondholder(s)”	a holder(s) of a Convertible Bond and in whose name such Convertible Bond is for the time being registered in the register of bondholders kept by the Company

“Business Day(s)”	a day (excluding Saturday, Sunday, 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) on which licensed banks in Hong Kong are open for business
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 00651)
“Completion”	completion of the issue of the Convertible Bonds by the Company and subscription for the Convertible Bonds by the Subscriber as contemplated under the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	The conversion price per Conversion Share at HK\$0.26
“Conversion Share(s)”	the Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible Bonds in aggregate principal amount of HK\$100,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company

“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
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person(s) or company(ies) and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company or an associate of such connected person
“Last Trading Day”	26 October 2015, being the last Trading Day immediately before the entering into of the Subscription Agreements
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the third (3rd) anniversary of the date of issue of the Convertible Bonds
“PRC”	People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share 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 the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Hongkong Cathaya Kinglong Fortune Management Co., Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party
“Subscription Agreement”	the subscription agreement dated 26 October 2015 entered into between the Company and the Subscriber in relation to the subscription of Convertible Bonds in the principal amount of HK\$100,000,000
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Trading Day”	means a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board

**China Ocean Shipbuilding Industry Group Limited**

**LI Ming**

*Chairman*

Hong Kong, 26 October 2015

*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.*