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CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED

中海船舶重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

**DISCLOSEABLE TRANSACTION
PROVISION OF COUNTER-GUARANTEE TO
ZHOU SHAN MARINE
AND
ANNOUNCEMENT PURSUANT TO
RULE 13.16 OF THE LISTING RULES**

On 3 December 2015, Merge, a direct wholly owned subsidiary of the Company, together with Zhejiang Ouhua, Dinghai State-owned Assets Management and Hang Shing as counter guarantors entered into the Counter Guarantee Agreement with the Guarantor, pursuant to which the Counter Guarantors agreed to counter-guarantee the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under the Guarantee, such that the liabilities arising from the Guarantee will be shared among all the shareholders of Zhejiang Ocean in proportion to each of the Counter Guarantors' existing shareholding in Zhejiang Ocean.

LISTING RULES IMPLICATION

As certain applicable percentage ratios in respect of the amount of the Counter Guarantee are more than 5% but less than 25%, the provision of 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.

As the Counter Guarantee given for loans and facilities granted to Zhejiang Ocean, an affiliated company of the Company (as defined under Rule 13.11(2) of the Listing Rules), exceeded 8% of the assets ratio of the Company as defined under Rule 14.07(1) of the Listing Rules, this announcement is also made pursuant to Rule 13.16 of the Listing Rules.

THE COUNTER GUARANTEE AGREEMENT

On 3 December 2015, Merge, a direct wholly owned subsidiary of the Company, together with Zhejiang Ouhua, Dinghai State-owned Assets Management and Hang Shing as counter guarantors entered into the Counter Guarantee Agreement with the Guarantor, pursuant to which the Counter Guarantors agreed to counter-guarantee the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under the Guarantee in respect of loans and facilities granted to Zhejiang Ocean, such that the liabilities arising from the Guarantee will be shared among all the shareholders of Zhejiang Ocean in proportion to each Counter Guarantors' existing shareholding in Zhejiang Ocean. As at the date of this announcement, Merge is interested in 20% of the registered capital of Zhejiang Ocean.

Set out below are the major terms of the Counter Guarantee Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that the Guarantor and the Group are joint venture partners of Zhoushan China Ocean, the parties to the Counter Guarantee and their respective ultimate beneficial owners are independent of the Company and its connected persons.:

Date : 3 December 2015

Parties : **Guarantor:**

(1) Zhoushan Marine as the guarantor;

Counter guarantors:

(2) Zhejiang Ouhua;

(3) Merge, a direct wholly-owned subsidiary of the Company;

(4) Dinghai State-owned Assets Management; and

(5) Han Shing.

Obligations under the Counter Guarantee : The Counter Guarantors shall, in proportion to their respective shareholding in Zhejiang Ocean and upon demand of the Guarantor, indemnify the Guarantor for all liabilities and expenses which may be incurred by the Guarantor under any guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitization agreements entered into by Zhejiang Ocean, up to an aggregate amount of RMB900,000,000 (equivalent to approximately HK\$1,107,000,000), together with any interests, penalty, compensation and related fees and expenses which may be payable by the Guarantor under the Guarantee.

Accordingly, the maximum amount which Merge shall indemnify the Guarantor is 20% of the aforesaid aggregate amount, being RMB180,000,000 (equivalent to approximately HK\$221,400,000).

As at the date of this announcement, the Guarantor has provided guarantee in favour of Zhejiang Ocean in respect of loan facilities granted by 6 licensed banks in the PRC to Zhejiang Ocean with aggregate outstanding amount of approximately RMB443,029,400 (equivalent to approximately HK\$544,926,162) bearing interest rates ranging from 4.75% to 7% per annum.

In the event of default by Zhejiang Ocean and the enforcement of the Guarantee which in turn triggers the enforcement of the Counter Guarantee against Merge, the Group shall use its internal resources to discharge its liabilities.

The amount of the Counter Guarantee is determined based on arm's length negotiations among the parties with reference to, among others, (i) the amount of indebtedness of Zhejiang Ocean already secured by the Guarantee, and (ii) the funding needs of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020.

Counter Guarantee period : From the date of the Counter Guarantee Agreement to two years after the date on which the Guarantor's right of recovery against Zhejiang Ocean arises.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE COUNTER GUARANTEE

The Group, including the PRC Subsidiary, is principally engaging in the production and operation of shipbuilding and provision of financial services,

The Guarantor is a state-owned enterprise established under the laws of the PRC and funded by prefecture level Zhoushan government and its subordinate governments of various Districts and a County. It is principally engaging in funds integration and investment/financing of major infrastructure and industrial projects. The Guarantor and the Group are joint venture partners of Zhoushan China Ocean.

Zhejiang Ocean is owned as to 45% by the Guarantor, 25% by Zhejiang Ouhua, 20% by Merge, 5% by Dinghai State-owned Assets Management and 5% by Hang Shing as at the date of this announcement. Save that the Guarantor and the Group are joint venture partners of Zhoushan China Ocean, the Directors consider that all shareholders of Zhejiang Ocean are third parties independent of the Company and its connected persons.

Zhejiang Ocean is principally engaging in financial leasing business and is the only registered financial leasing company in operation in Zhoushan, Zhejiang Province in the PRC as at the date of this announcement. Given Zhejiang Ocean is accounted for as an associated company in the consolidated financial statements of the Company, the Directors consider it fair and reasonable for the Group to provide the Counter Guarantee which is pro-rata to the Group's shareholding in Zhejiang Ocean to facilitate Zhejiang Ocean to obtain financing from banks and financial institutions for the operation of its financial leasing business and further business development, which in return would bring better investment returns for the Group as one of its shareholders.

Given the Counter Guarantee is to indemnify the Guarantor for all liabilities and expenses which may be incurred under the Guarantee in proportion to the Group's shareholding in Zhejiang Ocean, the obligations of the Group borne towards the Guarantor do not exceed the Group's share of 20% in the accumulated liabilities to be incurred by Zhejiang Ocean up to RMB900,000,000 (equivalent to approximately HK\$1,107,000,000). Further, the Counter Guarantee is not secured by the assets of the Group. The Directors consider that the 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 Counter Guarantee is/are more than 5% but less than 25%, the provision of 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.

As the Counter Guarantee given for loans and facilities granted to Zhejiang Ocean, an affiliated company of the Company as defined under Rule 13.11(2) of the Listing Rules, exceeded 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules, this announcement is also made pursuant to Rule 13.16 of the Listing Rules.

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 the Counter Guarantee Agreement
“Counter Guarantee Agreement”	the counter guarantee agreement dated 3 December 2015 entered into among the Counter Guarantors and the Guarantor in respect of the Counter Guarantee
“Counter Guarantors”	Zhejiang Ouhua, Merge, Dinghai State-owned Assets Management and Hang Shing
“Dinghai State-owned Assets Management”	Zhoushan City Dinghai District State-owned Assets Management Company Limited* (舟山市定海區國有資產經營有限公司), a state-owned enterprise established in the PRC and is interested in 5% of the registered capital of Zhejiang Ocean as at the date of this announcement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	guarantee given or to be given by the Guarantor in favour of Zhejiang Ocean during the period from 1 January 2015 to 31 December 2020 in respect of loan agreements and asset securitization agreements entered into by Zhejiang Ocean
“Guarantor” or “Zhoushan Marine”	Zhoushan Marine Comprehensive Development and Investment Co., Ltd* (舟山海洋綜合開發投資有限公司), a state-owned enterprise established in the PRC and funded by prefecture level Zhoushan government and its subordinate governments of various Districts and a County, and is interested in 45% of the registered capital of Zhejiang Ocean as at the date of this announcement

“Hang Shing”	Hang Shing (Hong Kong) International Limited (恆誠(香港)國際有限公司), a company incorporated in Hong Kong with limited liability and is interested in 5% of the registered capital of Zhejiang Ocean as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Merge”	Merge Limited (聚合有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company, and is interested in 20% of the registered capital of Zhejiang Ocean as at the date of this announcement
“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
“RMB”	renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Ocean”	Zhejiang Ocean Leasing Company Limited* (浙江海洋租賃有限公司), a sino-foreign joint equity enterprise established under the laws of the PRC and is accounted for as an associated company of the Company
“Zhejiang Ouhua”	Zhejiang Ouhua Shipbuilding Company Limited* (浙江歐華造船股份有限公司), a company established in the PRC and is interested in 25% of the registered capital of Zhejiang Ocean as at the date of this announcement

“Zhoushan China Ocean” Zhoushan China Ocean Investment Fund* (舟山中海投創業投資企業), a non-legal person foreign invested venture capital enterprise* (外商投資創業投資企業) established in the PRC

“%” percent

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

Hong Kong, 3 December 2015

For the purpose of illustration only and unless otherwise stated, conversion RMB to HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.23. 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.