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CHINA OCEAN INDUSTRY GROUP LIMITED

中海重工集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 00651)

EXTENSION OF MATURITY DATE OF CONVERTIBLE NOTES

The Board is pleased to announce that on 7 July 2016, the Company and the Investor entered into the Acknowledgement and Confirmation confirming that the Maturity Date of the Convertible Notes shall be extended to the Extended Maturity Date on 8 July 2017. No other terms and conditions of the Convertible Notes have been amended.

BACKGROUND

Reference is made to the announcements of the Company dated 3 June 2015, 12 June 2015 and 8 July 2015 in relation to the issue of the Convertible Notes in principal amount of HK\$200,000,000.

As at the date of this announcement, Convertible Notes in the principal amount of HK\$200,000,000 remain outstanding.

The existing principal terms of the Convertible Notes are summarised below for ease of reference:

Principal amount : HK\$200,000,000

Interest : The Convertible Notes shall carry an interest of 7.5% per annum from the Issue Date, calculated on a basis of a 360-day year of twelve 30-day months, payable semi-annually in advance, or upon early redemption (as the case may be).

If any default occurs, (a) any amount which is not paid when due under the Convertible Notes or (b) any outstanding principal amount of the Convertible Notes (in case of any default other than the failure to pay), as the case may be, shall bear a default interest at the compound interest rate of 2% per month from the date of occurrence of such default until the earlier of (i) the date on which the Convertible Notes are fully redeemed, and (ii) the date on which such default ceases to occur (which includes but is not limited to the full settlement of any interest accrued and outstanding) (“**Default Interest**”).

Maturity date : 8 July 2016, being the date falling on the 12th month from the Issue Date (“**Initial Maturity Date**”), or if agreed to in writing by the Company and the Noteholder at least 10 Business Days prior to the Initial Maturity Date, the date falling on the 12th month after the Initial Maturity Date (i.e. 8 July 2017, “**Extended Maturity Date**”).

Redemption upon maturity : Unless previously converted or cancelled in accordance with the conditions under the terms and conditions of the Convertible Notes, the Convertible Notes will be redeemed by the Company on the Maturity Date at the amount equal to the aggregate of (i) the outstanding principal amount of the Convertible Note, (ii) any accrued and outstanding interest, (iii) any accrued and outstanding Default Interest, and (iv) any other payment accrued and outstanding to the Noteholder pursuant to the terms and conditions of the Convertible Note.

The Convertible Notes are not redeemable by the Company at any time prior to the Maturity Date.

Conversion period : The Conversion Rights may be exercised in multiples of HK\$1,000,000, at the option of the Noteholder, at any time on and after the Issue Date up to but excluding the Maturity Date.

Conversion price : The Conversion Price is initially HK\$0.2481 per Conversion Share, subject to usual adjustment provisions customary for convertible notes of similar kind as set out in the Company's announcement dated 12 June 2015.

The Conversion Price may not be adjusted so that exercise of the Conversion Right would require Shares to be issued in circumstances not permitted by applicable laws.

Conversion shares : As at the date of this announcement, Convertible Notes in the principal amount of HK\$200,000,000 is convertible into 806,126,561 Conversion Shares at the initial Conversion Price, representing:

- (a) approximately 6.72% of the existing number of issued Shares; and
- (b) approximately 6.30% of the number of issued Shares as enlarged by the issue of 806,126,561 Conversion Shares.

The Conversion Shares will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date.

Transferability : The Convertible Notes are freely transferrable (in whole or in part of at least HK\$1,000,000 per transfer) by the Noteholder to any person subject to compliance with all applicable law.

EXTENSION OF MATURITY DATE

On 7 July 2016, the Company and the Investor entered into an acknowledgement and confirmation (the “**Acknowledgement and Confirmation**”) confirming that the Maturity Date of the Convertible Notes shall be extended to the Extended Maturity Date on 8 July 2017. No other terms and conditions of the Convertible Notes have been amended. The extension of the Maturity Date (the “**Extension**”) is not required to be approved by the Stock Exchange pursuant to Rule 28.05 of the Listing Rules. Accordingly, no application will be made to the Stock Exchange for approval of such extension.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Investor, who is currently the only registered Noteholder (as shown in the Company’s register of holders of the Convertible Notes), and its ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR THE EXTENSION

The Convertible Notes will, but for the Extension, mature on the Initial Maturity Date on 8 July 2016 upon which the Company would be required to deploy its cash reserves to redeem the Convertible Notes. The Extension in effect allows the Group to refinance its debts under the Convertible Notes on the same terms for another year, and to provide flexibility to the Group’s working capital management and deployment of its financial resources to fund its operation. Accordingly, the Directors consider that the terms and conditions of Acknowledgement and Confirmation are fair and reasonable and that the Extension is in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

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

“Board”	Board of Directors
“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 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)
“Convertible Notes”	the 7.5% coupon convertible note(s) in the aggregate principal amount of HK\$200,000,000 issued by the Company on 8 July 2015 to the Noteholder(s), in which the principal amount of HK\$200,000,000 remains outstanding as at the date of this announcement
“Conversion Price”	the initial conversion price of HK\$0.2481 (subject to adjustment)
“Conversion Rights”	the rights attached to the Conversion Notes for the conversion of the Convertible Notes into the Conversion Shares at the Conversion Price
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the Conversion Rights
“Extended Maturity Date”	8 July 2017, being the date falling on the 12th month after the Initial Maturity Date
“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 People’s Republic of China
“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 (as defined under the Listing Rules)
“Initial Maturity Date”	8 July 2016, being the date falling on the 12th month from the Issue Date

“Investor”	Prosper Talent Limited, a company incorporated in the British Virgin Islands with limited liability
“Issue Date”	8 July 2015, being the date of issue of the Convertible Notes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the Initial Maturity Date or the Extended Maturity Date, as the case may be
“Noteholder(s)”	any person who is the registered holder of any Convertible Notes then outstanding
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Industry Group Limited
LI Ming
Chairman

Hong Kong, 7 July 2016

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.