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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
ISSUE OF CONVERTIBLE NOTES
UNDER GENERAL MANDATE**

Reference is made to the announcement (“**Announcement**”) of the Company dated 6 December 2016 in relation to, among other things, the Subscription. Capitalised terms used herein shall have the same meaning ascribed to them in the Announcement unless otherwise defined.

In addition to the information disclosed in the Announcement, the Company would like to provide additional information in relation to the Subscription.

CONVERSION PRICE

The Company would like to highlight that, pursuant to the Subscription Agreement, at the option of the Noteholder, the Convertible Notes will be converted to Conversion Shares at the Conversion Price, which was stated in the Subscription Announcement to mean “*100% of the volume weighted average price of the Shares as traded on the Stock Exchange or other relevant stock exchange on the Trading Day immediately preceding the date of delivery of the relevant conversion notice by the Noteholders to the Company, but in any event shall not be lower than the Minimum Conversion Price*”.

ADJUSTMENT OF MINIMUM CONVERSION PRICE

It was disclosed in the Paragraph headed “Principal terms of the Convertible Notes” that “*the Minimum Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events*” (“**Adjustment Events**”), among which:

“(x) other events not mentioned in (i) to (ix) above that the Company or the Noteholder determines that an adjustment should be made.”

The Company would like to supplement that Adjustment Event (x) as set out in the Terms and Conditions to the Convertible Notes contained in the Subscription Agreement describes such Adjustment Event as follows:

“Other Events: If the [Company] or a [Noteholder] determines that an adjustment should be made to the [Minimum Conversion Price] as a result of one or more events or circumstances not referred to in [Adjustment Provisions] (even if the relevant circumstance is specifically excluded from the operation of [Adjustment Event (i)] to [Adjustment Event (ix)]), the Company shall, at its own expense, consult the Calculation Agent [i.e. the Subscriber, Macquarie Bank Limited] to determine as soon as practicable what adjustment (if any) to the [Minimum Conversion Price] is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the [Minimum Conversion Price], and the date on which such adjustment should take effect and upon such determination by the Calculation Agent, such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to [Adjustment Provision] have already resulted or will result in an adjustment to the [Minimum Conversion Price] or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the [Minimum Conversion Price], such modification (if any) shall be made to the operation of [Adjustment Provision] as may be advised by the Calculation Agent to be in its opinion appropriate to give the intended result.”

Note: Words in square brackets in the above quotes are terms defined in the Announcement used in substitution of the actual words in the Terms and Conditions for clarity purposes.

Adjustment Event (x) was to capture events not covered by (i) to (ix) and not foreseeable by both the Company or the Subscriber/Calculation Agent to empower adjustment to Minimum Conversion Price which is fair and reasonable. As at the date of this announcement, both of the Company and the Subscriber/Calculation Agent are not aware of any such circumstance which may trigger the Adjustment Event (x).

Further, for the last Adjustment Event (x), the Company hereby emphasises that this particular adjustment mechanism is subject to determination by the Calculation Agent as to what adjustment is fair and reasonable and other factors stated therein. As at the date of this announcement, the Company does not foresee any such circumstance which may trigger the Adjustment Event (x).

GENERAL MANDATE

It was disclosed in the Paragraphs headed “General Mandate” that:

The maximum number of Conversion Shares to be allotted and issued based on the Minimum Conversion Price will utilise as to approximately 92.61% of the General Mandate. Hence no Shareholders’ approval is required for the issue of Convertible Shares.

The Company would like to emphasise that

- (1) The maximum number of Conversion Shares to be allotted and issued is based on the Minimum Conversion Price; the actual number of Conversion Shares is to be allotted and issued base on Conversion Price, which is 100% of the volume weighted average price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the date of delivery of conversion notice;
- (2) given the Adjustment Events (i) to (ix) are all within the control of the Company and the Company will make sure such events will not happen;
- (3) Adjustment Event (x) is meant for unforeseeable events and adjustment should be fair and reasonable;

As at the date of this announcement, the Company is not aware of any such circumstance which may trigger an adjustment which will render the total number of Conversion Shares exceeding the limit of the General Mandate.

The Company will monitor the situations to ensure that it will not do or procure anything to be done which may trigger any of the Adjustment Events (i) to (x).

DEFINITIONS

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

“Adjustment Provisions” relevant provisions which set out the Adjustment Events in detail in the Terms and Conditions to the Convertible Notes annexed to the Subscription Agreement

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

Hong Kong, 8 December 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.