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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)

(1) UNUSUAL PRICE AND TRADING VOLUME MOVEMENT

**(2) RECEIPT OF REDEMPTION NOTICE FROM
NOTEHOLDER IN RELATION TO
CONVERTIBLE NOTES DUE 2018**

(3) FURTHER UPDATE ON CONVERTIBLE NOTES DUE 2017

AND

(4) RESUMPTION OF TRADING

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

UNUSUAL PRICE AND TRADING VOLUME MOVEMENT

The Board has noted the recent decreases in the price and increases in trading volume of the Shares. Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board has been informed that 8,500,000 Shares held by Lead Dragon Limited (a company wholly-owned by Mr. Li Ming, the Chairman of the Company and an executive Director) have been disposed of on 26 July 2017 pursuant to a forced sale effected by the relevant broker.

Following the forced sale, Lead Dragon Limited's shareholding in the Company dropped from 514,345,000 Shares to 505,845,000 Shares (representing approximately 3.77% to 3.71% of the total number of issued Shares as at the date of this announcement); and Mr. Li Ming's shareholding in the Company (directly and indirectly through Lead Dragon Limited) dropped from 1,435,922,954 Shares to 1,427,422,954 Shares (representing approximately 10.53% to 10.47% of the total number of issued Shares as at the date of this announcement).

Save as disclosed above, having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board confirms that it is not aware of any reason for the aforesaid price and volume movements.

RECEIPT OF REDEMPTION NOTICE FROM NOTEHOLDER

Reference is made to the announcements of the Company dated 6 December 2016, 8 December 2016, 9 December 2016 and 15 December 2016 in relation to, among other things, the issue of the 2018 Convertible Notes.

Pursuant to the Terms and Conditions, following the occurrence of a Relevant Event (defined below), the noteholder of the 2018 Convertible Notes will have the right, by serving at least 20 Business Days prior written notice ("**Relevant Event Notice**") to the Company, to require the Company to redeem the 2018 Convertible Notes (in whole but not in part) at 94% of the total amount of such 2018 Convertible Notes held by the noteholder together with payment of interest accrued up to the date of such early redemption but unpaid. Once the Relevant Event Notice is served, it shall be irrevocable.

A relevant event ("**Relevant Event**") occurs when:

- (i) the price of the Shares is less than 110% of the minimum conversion price of HK\$0.18;
- (ii) the lower of the 10-day or 3-month average daily traded value of the Shares is less than HK\$14,000,000;

- (iii) the trading of the Shares is suspended, or has been suspended on the Stock Exchange or any other relevant stock exchange for at least 2 Trading Days at any time during the previous 20 Trading Days;
- (iv) in the opinion of the noteholders of the 2018 Convertible Notes, the Company or any of its representatives has provided any inside information (as defined in the SFO) to the noteholders of the 2018 Convertible Notes; or
- (v) the Company fails to deliver any of the Shares converted in accordance with the Terms and Conditions.

The Board wishes to inform the Shareholders and potential investors of the Company that on 26 July 2017, the Company received a Relevant Event Notice from the Subscriber, being the sole noteholder of the 2018 Convertible Notes.

The Relevant Event Notice was issued by the Subscriber, as a result of the occurrence and continuation of a Relevant Event (more specifically Relevant Event (i) and (ii)) on 26 July 2017, to require the Company to early redeem all the outstanding 2018 Convertible Notes at 94% of the total amount of such 2018 Convertible Notes held by the Subscriber together with unpaid interest on or before 23 August 2017 in the approximate amount of HK\$63 million.

Pursuant to the Relevant Event Notice, such amount will be set off against the cash held in the Cash Account in accordance with the relevant security documents executed by the Company in favour of the Subscriber in relation to the 2018 Convertible Notes.

Given the cash held in the Cash Account are subject to a charge created in favour of the Subscriber, the Board do not consider the redemption of the Convertible Notes would have any immediate adverse effect on the financial position of the Group.

FURTHER UPDATE ON CONVERTIBLE NOTES DUE 2017

Reference is made to the announcement of the Company dated 19 July 2017 in relation to the update on the 2017 Convertible Notes.

As the date of this announcement, the Company and the Investor are still negotiating for the date and manner of repayment of the remaining Redemption Amount of HK\$100 million and no formal agreement has been reached in this respect.

Further announcement(s) will be published by the Company to update the progress of the negotiation as and when appropriate in accordance with the Listing Rules.

Save as disclosed above, having made such enquiry with respect to the Company as is reasonable in the circumstances, the Board is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the SFO. This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:53 a.m. on 26 July 2017. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 28 July 2017.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“2017 Convertible Notes”	the 7.5% convertible notes in principal amount of HK\$200,000,000 due 7 July 2017 issued by the Company to the Investor
“2018 Convertible Notes”	the 2% convertible notes of a principal amount of up to HK\$400,000,000 due 2018 which may be issued by the Company to the Subscriber pursuant to the subscription agreement dated 6 December 2016 entered into among the Company and the Subscriber
“Board”	Board of Directors
“Business Day(s)”	a day(s) (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business throughout their normal business hours in the Central district of Hong Kong
“Cash Account”	the cash account to be opened by the Company at the Subscriber (acting through its Hong Kong branch) for receiving and holding the net subscription moneys of the 2018 Convertible Notes
“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)

“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor”	Prosper Talent Limited, a company incorporated in British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Redemption Amount”	HK\$200,000,000, representing the outstanding principal amount of the 2017 Convertible Notes payable by the Company upon maturity of the 2017 Convertible Notes
“Shares”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Macquarie Bank Limited

“Terms and Conditions” the terms and conditions of the 2018 Convertible Notes

“Trading Day(s)” a day when the Stock Exchange or, as the case may be an alternative stock exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing

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

Hong Kong, 27 July 2017

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.