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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 BONDS
UNDER GENERAL MANDATE**

Reference is made to the announcement (“**Announcement**”) of China Ocean Industry Group Limited (“**Company**”, together with its subsidiaries, “**Group**”) dated 10 August 2017 in relation to the Subscription. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

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

GENERAL MANDATE

As disclosed in the Announcement, the Conversion Shares will be issued under the General Mandate and that the Company will not take any action which will reasonably be expected to constitute or result in any adjustment of the Conversion Price, following which the maximum number of Conversion Shares to be issued and allotted upon conversion of the Convertible Bonds will exceed the limit under the General Mandate, unless and until the Company shall have obtained such approval by the Shareholders at any general meeting(s) in respect of the issue and allotment of such additional Conversion Shares in excess.

The Company would like to clarify that in such event, it will seek a specific mandate from Shareholders instead of “refreshing” the General Mandate for the issue and allotment of such additional Conversion Shares in excess.

USE OF PROCEEDS

It was disclosed in the Announcement that the net proceeds of the Subscription of approximately HK\$189 million is intended to be applied towards repayment of debts owed by the Group and the remaining for general working capital.

The Company would like to provide additional information in respect of the breakdown of the use of proceeds as follows:

- (1) approximately HK\$100 million is intended to be used for repayment of the outstanding redemption amount under the 2017 Convertible Notes payable to the relevant noteholder;
- (2) approximately HK\$70 million is intended to be used for repayment of other debts owed by the Group; and
- (3) approximately HK\$19 million is intended to be used as general working capital.

The Company would like to emphasise that, as at the date of this announcement, the Company and the noteholder of the 2017 Convertible Notes has not reached any formal agreement as to the date and manner of repayment of the outstanding redemption amount of HK\$100 million under the 2017 Convertible Notes. Please refer to the announcements of the Company dated 19 July 2017 and 27 July 2017 for further information.

In the event the Company is required to repay the said redemption amount in manners other than cash, the Company will apply such net proceeds of HK\$100 million for general working capital.

Further announcement(s) will be published by the Company to update the progress of the negotiation in relation to the 2017 Convertible Notes as and when appropriate in accordance with the Listing Rules.

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

Hong Kong, 14 August 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.