
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Ocean Shipbuilding Industry Group Limited, you should at once hand this circular and the accompany form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

EXTENSION OF THE MATURITY DATE OF THE OUTSTANDING CONVERTIBLE NOTES

AND

NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company to be held at Unit 1103,11/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 25 June 2010 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day, if later) is set out on pages 9 to 10 of this circular.

Whether or not you are able to attend and/or vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

9 June 2010

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Notice of special general meeting	9

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 6 February 2008 in respect of, among other things, the acquisition relating to the vessel manufacturing business
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Share(s)”	new Shares to be issued to the holders of the Outstanding Convertible Notes upon exercise of the conversion right under the Outstanding Convertible Notes pursuant to the terms and conditions thereof
“Convertible Note(s)”	the convertible note(s) due 2011 issued by the Company on 16 April 2008, details and principal terms of which are set out in the Circular
“Director(s)”	the director(s) of the Company
“Extension”	the proposed extension of the Maturity Date of the Outstanding Convertible Notes for a period of one year from 15 April 2011 to 15 April 2012 pursuant to the Extension Letters
“Extension Letters”	the extension letters entered into between the Company and the Noteholders in relation to the Extension on 27 April 2010
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	7 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Maturity Date”	the date on which the Outstanding Convertible Notes become due
“Noteholder(s)”	the existing holder(s) of the Outstanding Convertible Note(s), namely Zheng Min, Ng Leung Ho, Yang Li, Kwan Shan and Di Yun Fei, who collectively hold the Outstanding Convertible Note(s)
“Outstanding Convertible Note(s)”	the Convertible Note(s) with outstanding principal amount of HK\$507,549,152 as at the Latest Practicable Date held by Noteholder(s), the maturity date and conversion period of which are proposed to be extended by one year pursuant to the Extension
“Proposed Amendments”	the proposed amendments to the terms of the Convertible Notes in relation to, among other things, the Extension
“SGM”	the special general meeting of the Company to be convened and held on 25 June 2010 for the purpose of considering and, if thought fit, approving, among other things, the Extension
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Chau On Ta Yuen (*Chairman*)

Mr. Li Ming (*Deputy Chairman & Chief Executive Officer*)

Mr. Zhang Shi Hong

Mr. Wang San Long

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Zhang Xi Ping

Ms. Xiang Siying

Mr. Hu Bai He

Ms. Xiang Ying

Principal place of

business in Hong Kong:

Unit 1103, 11/F.

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

9 June 2010

To the Shareholders

Dear Sir or Madam,

EXTENSION OF THE MATURITY DATE OF THE OUTSTANDING CONVERTIBLE NOTES AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 27 April 2010 in relation to the Extension and the Circular. The purpose of this circular is to provide you with further information regarding, among other things, (i) the Outstanding Convertible Notes and the Extension; and (ii) the notice convening the SGM.

EXTENSION OF THE MATURITY DATE OF THE OUTSTANDING CONVERTIBLE NOTES

The Board announces that on 27 April 2010, the Company entered into the Extension Letters with the Noteholders whereby the parties agreed to extend the Maturity Date of the Outstanding Convertible Notes from 15 April 2011 to 15 April 2012.

LETTER FROM THE BOARD

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Noteholders are third parties independent of and not connected with the Company and its connected persons.

The Extension is subject to:

1. all necessary consents and approvals by of the Stock Exchange required to be obtained on the Proposed Amendments and the transactions contemplated thereunder having been obtained; and
2. the passing of resolution(s) at the SGM by the Shareholders to approve, among other things, the Proposed Amendments and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Conversion Shares), if necessary.

PRINCIPAL TERMS OF THE OUTSTANDING CONVERTIBLE NOTES

Save as the extension of the Maturity Date and the conversion period of the Outstanding Convertible Notes, each and every term and condition under the Outstanding Convertible Notes (including but not limited to the payment of interest until the Maturity Date of the Outstanding Convertible Notes) shall remain unchanged and valid. The following is a summary of the principal terms of the Outstanding Convertible Notes:

Principal amount : HK\$507,549,152

Conversion : The holder(s) of the Outstanding Convertible Note(s) may convert the whole or any part of the outstanding principal amount of the Outstanding Convertible Note(s) into Conversion Share(s) at the then conversion price at any time prior to the new Maturity Date.

The conversion rights under the Outstanding Convertible Notes shall only be exercisable to the extent that (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; (ii) the aggregate shareholdings of the holder(s) of the Outstanding Convertible Notes, their associates and parties acting in concert with them (as defined in the Takeovers Code) immediately after such exercise will not be or exceed 30% of the issued share capital of the Company; and (iii) the holder(s) of the Outstanding Convertible Notes together with parties acting in concert (as defined in the Takeovers Code) with them shall not become a controlling Shareholder (as defined in the Takeovers Code).

Conversion price : HK\$7.26 per Conversion Share, which is subject to adjustment for, sub-division or consolidation of new Shares, bonus issues, rights issues, issue of securities which carries rights for conversion, capitalization issue and distribution of dividend in cash or specie and other dilutive events.

LETTER FROM THE BOARD

- Interest rate : The Restricted Convertible Notes (as defined as the Circular) in the outstanding principal amount of HK\$147,549,152 bear no interest.
- The Unrestricted Convertible Notes (as defined as the Circular) in the outstanding principal amount of HK\$360,000,000 bear interest calculated at the rate of 1.5% per annum accrued on a day to day basis on the outstanding principal amount, payable semi-annually in arrears.
- New Maturity date : 15 April 2012. On the new Maturity Date, all of the remaining Outstanding Convertible Notes will be redeemed by the Company at the principal amount of the Outstanding Convertible Notes.
- Voting : A holder of Outstanding Convertible Note will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being a holder of the Outstanding Convertible Note.
- Listing : The Outstanding Convertible Note is not listed on the Stock Exchange. No application will be made for the listing of the Outstanding Convertible Note on the Stock Exchange or any other stock exchange.
- Ranking : The Conversion Shares to be allotted and issued as a result of the exercise of the conversion rights attached to the Outstanding Convertible Notes will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.
- Transferability : The Outstanding Convertible Note is freely transferable to third party(ies), provided that the holders of the Outstanding Convertible Note must inform and obtain written consent from the Company of each transfer or assignment made by them, and the Company will notify the Stock Exchange when it is informed that any of the Outstanding Convertible Notes is transferred to a connected person of the Company.
- Redemption : The Outstanding Convertible Note is not redeemable at the option of the holder of the Outstanding Convertible Note. The Company shall have the right to redeem any portion of the Outstanding Convertible Note outstanding at an amount equals to the principal amount of the Outstanding Convertible Note together with any interest accrued thereon in its sole and absolute discretion at any time and from time to time prior to the new maturity date of the Outstanding Convertible Note. Unless previously converted or redeemed as herein provided, the Company shall redeem the Outstanding Convertible Note on the new Maturity Date of the Outstanding Convertible Note.

LETTER FROM THE BOARD

Events of default : All Outstanding Convertible Notes contain an event of default provision which provides that on the occurrence of certain events of default (e.g. repayment overdue, insolvency, liquidation and suspension of trading on the Stock Exchange for a continuous period of 30 trading days due to the fault of the Company) specified in the Outstanding Convertible Notes, each of the holders of the Outstanding Convertible Notes shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Outstanding Convertible Notes.

Conversion price

The initial conversion price of HK\$7.26 per Conversion Share represents:

- (i) a premium of approximately 1,070.97% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on 27 April 2010, the date of the Extension Letters;
- (ii) a premium of approximately 1,027.33% to the average closing price per Share of approximately HK\$0.644 per Share as quoted on the Stock Exchange for the last five (5) trading days of the Shares prior to the date of the Extension Letters; and
- (iii) a premium of approximately 1,531.46% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

OUTSTANDING CONVERSION SHARES

As at the Latest Practicable Date, the Outstanding Convertible Notes are convertible into 69,910,351 Shares at a conversion price of HK\$7.26 per Conversion Share, representing approximately 7.75% of the existing issued share capital of the Company and approximately 7.19% of the enlarged share capital of the Company assuming that the Outstanding Convertible Notes are converted in full and no change in the shareholding structure of the Company. Such Conversion Shares may be issued upon exercise of the conversion right of the Outstanding Convertible Notes pursuant to a specific mandate to be sought at the SGM.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding structure of the Company upon conversion of the Outstanding Convertible Notes in full are set out below:

	As at the Latest Practicable Date		Immediately after conversion of the Outstanding Convertible Notes in full (Note 4)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Li Ming (<i>Note 1</i>)	64,695,000	7.17	64,695,000	6.66
Lead Dragon Limited (<i>Note 2</i>)	<u>12,710,000</u>	<u>1.41</u>	<u>12,710,000</u>	<u>1.31</u>
Sub-total	77,405,000	8.58	77,405,000	7.97
Noteholders (<i>Note 3</i>)	1,920,000	0.21	71,830,351	7.39
Other public Shareholders	<u>822,774,651</u>	<u>91.21</u>	<u>822,774,651</u>	<u>84.64</u>
Total	<u>902,099,651</u>	<u>100.00</u>	<u>972,010,002</u>	<u>100.00</u>

Notes:

1. Mr. Li Ming is the executive Director.
2. Lead Dragon Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is solely and beneficially owned by Mr. Li Ming.
3. To the best knowledge of the Directors, Zheng Min, being one of the Noteholders, holds 1,920,000 Shares as at the Latest Practicable Date.
4. Assuming there is no change in the existing shareholding of the Company except for the issue of the Conversion Shares.

REASONS FOR THE EXTENSION

The Outstanding Convertible Notes would mature on 15 April 2011 unless extended. The Extension effectively allows the Group to refinance the debts under the Outstanding Convertible Notes under the same term for a further one year. Such refinancing would allow the Group to retain capital to fund its operation. The Directors considers that the Extension will provide more flexibility for the Group to plan its working capital requirement. The Extension would incur an additional interest and related expenditure of approximately HK\$5.5 million during the period of Extension of one year

LETTER FROM THE BOARD

calculated based on the principal amount of the Outstanding Convertible Notes. In view of the aforesaid and higher cost of bank borrowing, the Directors consider that the Extension Letters are on normal commercial terms which are fair and reasonable and the Extension is in the interests of the Company and its Shareholders as a whole.

SPECIAL GENERAL MEETING

A notice convening the SGM is set out on pages 9 to 10 of this circular. The SGM will be convened for the purpose of considering and, if thought fit, passing the resolution(s) to approve the Extension and the transaction contemplated under the Extension Letters.

A form of proxy for use at the SGM is sent to the Shareholders together with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding of the SGM or adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the Extension is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

GENERAL

The English text of this circular and proxy form shall prevail over the Chinese text.

Yours faithfully,
For and on behalf of the Board
China Ocean Shipbuilding Industry Group Limited
Chau On Ta Yuen
Chairman

NOTICE OF SPECIAL GENERAL MEETING

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)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China Ocean Shipbuilding Industry Group Limited (the “**Company**”) will be held at Unit 1103,11/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 25 June 2010 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day, if later) for the purpose of considering and, if thought fit, passing with or without amendments the following resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entry into of the Extension Letters (as defined in the circular to the shareholders of the Company dated 9 June 2010 (the “**Circular**”), a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for identification purpose, and the transactions contemplated thereunder and the Proposed Amendments (as defined in the Circular) be and are hereby confirmed, approved, authorised and ratified in all respect;
- (b) the directors be and are hereby authorised to allot and issue any or all the Conversion Shares (as defined in the Circular) that may be required to be issued upon conversion of the Outstanding Convertible Notes (as defined in the Circular); and
- (c) any one director of the Company or any two directors of the Company, if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Extension Letters and the transactions contemplated thereunder or otherwise in relation to the Extension Letters and the matters and the transactions contemplated thereunder.”

By order of the Board

China Ocean Shipbuilding Industry Group Limited

Chau On Ta Yuen

Chairman

Hong Kong, 9 June 2010

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Unit 1103, 11/F.
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the Bye-laws, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

As at the date hereof, (i) the executive directors of the Company are Mr. Chau On Ta Yuen, Mr. Li Ming, Mr. Zhang Shi Hong and Mr. Wang San Long; and (ii) the independent non-executive directors of the Company are Mr. Zhang Xi Ping, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying.