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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect about this circular, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your Shares in **CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED**, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED****中海船舶重工集團有限公司***(Incorporated in the Bermuda with limited liability)***(Stock code: 00651)****(the “Company”)****EXTENSION OF THE MATURITY DATE OF  
THE OUTSTANDING CONVERTIBLE NOTES**

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A letter from the Board is set out on pages 3 to 9 of this circular.

A notice convening the SGM of China Ocean Shipbuilding Industry Group Limited to be held at Units 1702-03,17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 9 May 2014, Friday at 10:00 a.m. is set out on pages 10 and 11 of this circular.

Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

14 April 2014

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## DEFINITIONS

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

“Amendment Deed”	the amendment deed dated 25 March 2014 entered into between the Company and the Noteholders in relation to the Amendments
“Amendments”	amendments to the terms and conditions of the Convertible Notes pursuant to the Amendment Deed
“Announcement”	the announcement of the company dated 25 March 2014 relating to the Amendment Deed
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Ocean Shipbuilding Industry Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Condition(s)”	terms and conditions of the Convertible Notes
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Conversion Share(s)”	new Share(s) to be issued to the holders of the Convertible Notes upon exercise of the conversion right under the Convertible Notes
“Convertible Note(s)”	the convertible note(s) issued by the Company on 16 April 2008, the outstanding aggregate principal amount of which is in the sum of HK\$225,000,000
“Director(s)”	the director(s) of the Company
“Effective Date”	the day on which all the conditions precedent stipulated in the Amendment Deed have been fulfilled
“Existing Maturity Date”	15 April 2014, being three years from the date of issue of the Convertible Notes and as extended by the Previous Extension Letters and the Previous Amendment Deed
“Extension”	the proposed extension of the Maturity Date of the Convertible Notes for a period of two years from 15 April 2014 to 15 April 2016 pursuant to the Amendment Deed

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## DEFINITIONS

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“Previous Extension Letters”	the extension letters previously entered into between the Company and the Noteholders on 27 April 2010 in relation to the extension of the maturity date of the Convertible Notes from 15 April 2011 to 15 April 2012
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	11 April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date on which the Convertible Notes become due
“Noteholder(s)”	the existing holder(s) of the Convertible Note(s)
“Previous Amendment Deed”	the deed of amendment entered into between the Company and the Noteholders on 21 December 2010
“Proposed Amendments”	the proposed amendments to the terms of the Convertible Notes in relation to, among other things, the Extension
“PRC”	the People’s Republic of China
“SGM”	the special general meeting of the Company to be convened and held for the approving, amongst other things, the Extension
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholders”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

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## LETTER FROM THE BOARD

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### CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED

### 中海船舶重工集團有限公司

*(Incorporated in the Bermuda with limited liability)*

**(Stock code: 00651)**

**(the “Company”)**

*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

*Principal Place of Business*

*in Hong Kong:*

Units 1702-03, 17/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

14 April 2014

*Independent Non-executive Directors:*

Ms. XIANG Siying

Mr. HU Bai He

Mr. XIANG Ying

*To the Shareholders*

Dear Sir or Madam,

### **EXTENSION OF THE MATURITY DATE OF THE OUTSTANDING CONVERTIBLE NOTES**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to the Amendment Deed. The purpose of this circular is to provide you with details of the Amendment Deed and the notice of SGM.

#### **BACKGROUND**

Reference is made to the Company's announcements dated 21 December 2010 and circular dated 11 January 2011, which relate to, among others, the amendment of the terms and conditions of the Convertible Notes, inclusive of the extension of the maturity date from 15 April 2012 to 15 April 2014. As at the Latest Practicable Date, Convertible Notes in the principal amount of HK\$225,000,000 remain outstanding.

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## LETTER FROM THE BOARD

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

Principal amount:	HK\$225,000,000
Conversion:	<p>The Noteholders may convert the whole or any part of the outstanding principal amount of the Convertible Notes into Conversion Share(s) at the then Conversion Price at any time prior to the Existing Maturity Date.</p> <p>The conversion rights under the 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 Noteholders, 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 then issued share capital of the Company; and (iii) the Noteholders 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).</p>
Conversion price:	HK\$0.22 per Conversion Share, which is subject to further adjustment for, sub-division or consolidation of new Shares, bonus issues, rights issues, issue of securities which carry rights for conversion capitalization issue and distribution of dividend in cash or specie and other dilutive events.
Interest rate:	The Convertible Notes in the outstanding principal amount of HK\$225,000,000 bear interest calculated at the rate of 1.5% per annum accrued on a day to day basis, payable semi-annually in arrears.
Existing Maturity Date:	15 April 2014 as extended by the Previous Extension Letters and the Previous Amendment Deed.
Listing:	The Convertible Notes are not listed on the Stock Exchange. No application will be made for the listing of the Convertible Notes 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 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.

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## LETTER FROM THE BOARD

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- Transferability: The Convertible Notes are freely transferable to third party(ies), provided that the Noteholders must inform and obtain written consent from the Company of each transfer or assignment made by them and the proposed assignee or transferee shall have given the Company a written confirmation that he is not a connected person, and the Company will notify the Stock Exchange if it becomes aware of any dealing in the Convertible Notes by any connected person of the Company.
- Redemption: The Convertible Notes are not redeemable at the option of the Noteholders. The Company shall have the right to redeem any portion of the Convertible Notes outstanding at an amount equals to the principal amount of the Convertible Notes together with any interest accrued thereon in its sole and absolute discretion at any time prior to the maturity date of the Convertible Notes. Unless previously converted or redeemed as provided in the Conditions, the Company shall redeem all outstanding Convertible Notes on the Existing Maturity Date.
- Event of default: The Convertible Notes contain an event of default provision which provides that on 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 Convertible Notes, each Noteholder shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Notes.

### **THE AMENDMENT DEED**

On 25 March 2014, the Company entered into the Amendment Deed with each of the Noteholders whereby the parties agreed to the Amendments as follows:-

1. the Maturity Date of the Convertible Notes shall be extended from 15 April 2014 to 15 April 2016; and
2. the interest to be accrued on the outstanding principal of the Convertible Notes for the period from 16 April 2014 to 15 April 2016 shall be payable annually (as opposed to semi-annually under the existing terms and conditions of the Convertible Notes).

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## LETTER FROM THE BOARD

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Save as the above mentioned amendments, each and every term and condition under the Convertible Notes shall remain unchanged and valid.

To avoid any changes to be made to the register of the Noteholders prior to the Amendments becoming unconditional, it is stipulated in the Amendment Deed that the Noteholders could not transfer any of the Convertible Notes from execution of the Amendment Deed to the Effective Date.

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 Amendments are conditional upon:

1. passing of resolution by the Shareholders approving, authorising and ratifying the entering into of the Amendment Deed and performance by the Company of all transactions contemplated thereunder at the SGM;
2. approval from the Stock Exchange of the Amendments in accordance with Rule 28.05 of the Listing Rules; and
3. the Listing Committee granting listing of, and permission to deal in, the Shares to be issued pursuant to the Convertible Notes as amended by the Amendment Deed.

The Amendment Deed was arrived at after arms length negotiation between the Company and the Noteholders.

If any of the conditions precedent set out in the Amendment Deed are not fulfilled on or before 31 May 2014 or such later date as may be agreed between the Noteholders and the Company, the Amendment Deed will lapse and become null and void and the parties thereto will be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

Given the conditions precedent may not take place before the Existing Maturity Date, the Noteholders have agreed to, jointly or severally, irrevocably waive all their rights (if any), whether contractual or otherwise, to bring any claim and/or commence any proceedings against the Company for any remedies and/or reliefs for any breach of the Terms and Conditions committed by the Company in connection with the expiry of the Existing Maturity Date during the period from the Existing Maturity Date up to and inclusive of 31 May 2014. In the event that the Amendment Deed becomes unconditional after the Existing Maturity Date, the Amendments are deemed to be effective from the Existing Maturity Date.



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## LETTER FROM THE BOARD

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An application will be made to the Listing Committee for approval of the Amendments in accordance with Rule 28.05 of the Listing Rules and for the listing of, and permission to deal in, the Conversion Shares to be issued pursuant to the terms and conditions of the Convertible Notes as amended by the Amendment Deed.

As at the Latest Practicable Date, the Convertible Notes are convertible into 1,022,727,272 Shares at a conversion price of HK\$0.22 per Share, representing approximately 22.72% of the existing issued share capital of the Company and approximately 18.51% of the enlarged share capital of the Company assuming that the 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 Convertible Notes pursuant to a specific mandate to be sought at the SGM.

The Directors consider that the terms of the Amendment Deed are fair and reasonable and the Extension is in the interests of the Company and its Shareholders as a whole.

### CONVERSION PRICE

The conversion price of HK\$0.22 per Conversion Share represents:

- (i) a premium of approximately 53.85% to the closing price of HK\$0.1430 per Share as quoted on the Stock Exchange on 25 March 2014, the date of the Amendment Deed;
- (ii) a premium of approximately 59.65% to the average closing price of HK\$0.1378 per Share as quoted on the Stock Exchange for the last five (5) trading days of the Shares prior to the date of the Amendment Deed; and
- (iii) a premium of approximately 5.77% to the closing price of HK\$0.2080 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### OUTSTANDING CONVERSION SHARES

As at the Latest Practicable Date, the Convertible Notes are convertible into 1,022,727,272 Shares at a conversion price of HK\$0.22 per Conversion Share, representing approximately 22.72% of the existing issued share capital of the Company and approximately 18.51% of the enlarged share capital of the Company assuming that the 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 Convertible Notes pursuant to a specific mandate to be sought at the SGM.

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## LETTER FROM THE BOARD

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### 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 Convertible Notes in full are set out below:

	As at the Latest Practicable Date		Immediately after conversion of the Convertible Notes in full	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
A Director and his associate ( <i>Note 1</i> )	285,287,500	6.34%	285,287,500	5.16%
Noteholders	132,075,535	2.93%	1,154,802,807	20.90%
Other public Shareholders	<u>4,084,498,517</u>	<u>90.73%</u>	<u>4,084,498,517</u>	<u>73.94%</u>
Total	<u><u>4,501,861,552</u></u>	<u><u>100.00%</u></u>	<u><u>5,524,588,824</u></u>	<u><u>100.00%</u></u>

*Note:*

1. Such Shares were held by Mr. Li Ming, an executive Director, of which 253,512,500 Shares, were directly held by him and 31,775,000 Shares were indirectly held by Lead Dragon Limited, a company incorporated in the British Virgin Islands and wholly owned by him.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE AMENDMENT DEED

The Convertible Notes would mature on 15 April 2014 unless extended. The Amendments and Extension effectively allow the Group to refinance the debts under the Convertible Notes under the same term for two years. Such refinancing would allow the Group to retain capital to fund its operation. The Directors consider that the Amendments and the Extension will provide more flexibility for the Group to plan its working capital requirement.

### INFORMATION OF THE GROUP

The Group is principally engaged in shipbuilding related business and investments in securities.

### SPECIAL GENERAL MEETING

A notice convening the SGM at Units 1702-03,17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 9 May 2014, Friday at 10:00 a.m., at which resolutions will be proposed for the purposes of considering and if thought fit, approving the Amendment Deeds and the transactions contemplated thereunder, is set out on pages 10 and 11 of this circular.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Amendments and no Shareholders are required to abstain from voting if the Company is to convene a general meeting to approve the Amendments.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

### RECOMMENDATION

The Board considers that the terms of the Amendment Deed are fair and reasonable and are in the interests.

The Board considers that the resolutions proposed in the notice of SGM are in the best interests of the Company and the Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the SGM.

### RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

Yours faithfully,  
By order of the Board  
**CHAU On Ta Yuen**  
*Chairman*

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## NOTICE OF SGM

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### CHINA OCEAN SHIPBUILDING INDUSTRY GROUP LIMITED

### 中海船舶重工集團有限公司

*(Incorporated in the Bermuda with limited liability)*

**(Stock code: 00651)**

**(the “Company”)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of China Ocean Shipbuilding Industry Group Limited (the “Company”) will be held at Units 1702-03,17/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 9 May 2014, Friday, at 10:00 a.m., to consider and, if thought fit, pass the following ordinary resolutions (with or without modifications):

#### ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the amendment deed dated 25 March 2014 (the “Amendment Deed”) (a copy of which is marked “A” and initialled by the chairman of the meeting for the purpose of identification has been produced to the Meeting) entered into between the Company and the Noteholders (as defined in the circular of the Company dated 14 April 2014 (the “Circular”)) to amend certain terms and conditions of the convertible notes (the “Convertible Notes”) issued by the Company on 16 April 2008, the outstanding aggregate principal amount of which is HK\$225,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to fulfilment of the conditions precedent set out in the Amendment Deed, the allotment and issue of new shares of the Company up to the maximum number which may be required to be issued on conversion in full of the conversion rights under the Convertible Notes as amended by the Amendment Deed be and is hereby approved; and
- (c) any one or more of the directors of the Company (the “Directors”) be and are hereby authorised to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he or they may consider necessary or desirable for the purpose of giving effect to the Amendment Deed and completing the transactions contemplated by Amendment Deed with such changes as any such Director(s) may consider necessary, desirable or expedient.”

By order of the Board  
**CHAU On Ta Yuen**  
*Chairman*

Hong Kong, 14 April 2014

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## NOTICE OF SGM

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*Notes:*

1. A member of the Company who is holder of two or more shares, and who is entitled to attend and vote at the meeting, is entitled to appoint more than one proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. A form of proxy for the SGM is enclosed to the notice of the SGM. In order to be valid, the form of proxy together with the power of attorney, if any, under which it is signed, or a notarially certified copy of such power or authority must be lodged at the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
3. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the above resolutions will be voted by way of poll.

*As at the date of this circular, the Board comprises CHAU On Ta Yuen, LI Ming, ZHANG Shi Hong and WANG San Long as executive Directors, and XIANG Siying, HU Bai He and XIANG Ying as independent non-executive Directors.*