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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)

INSIDE INFORMATION UPDATE ON STATUS OF THE FOUR VESSELS

This announcement is made by China Ocean Industry Group Limited (“**Company**”, and together with its subsidiaries, the “**Group**”), pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Reference is made to announcements of the Company dated 18 May 2017, 26 March 2018 and 24 April 2018 in relation to, among other things, the negotiation with the Three Customers regarding the delay in delivery of the seven vessels (the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements.

As disclosed in the Announcements, the Group has been negotiating with the Two Customers to reach agreements in respect of the delivery date and the price of the Six Vessels. On the one hand, a new potential customer has indicated the desire to take over two of the Six Vessels and has been willing to continue with the construction; on the other hand, one of the Two Customers expressed little desire to accept delivery of the Four Vessels according to the terms of the shipbuilding contracts.

The Board wishes to provide an update on the latest status of the Four Vessels. While it is provided under the shipbuilding contracts in respect of the Four Vessels that any disputes arising therefrom shall be finally settled by arbitration, it had been the Group's intention to resolve the issues surrounding the late delivery of the Four Vessels amicably through negotiation with the customer. In view of the slow negotiation progress and the failure to reach a consensus between the parties, the Board was of the view that settling the matter by arbitration as stated under the shipbuilding contracts might be more cost-effective and could allow the Group to devote more time to discuss with the customer's finance bank as disclosed in the Announcements. The Group is now in the course of arbitration process while negotiation with the customer is still ongoing.

Further announcement(s) in relation to the material development of the aforesaid matter will be made by the Company as and when appropriate in accordance with the Listing Rules.

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

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

Hong Kong, 2 August 2018

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. Zhang Weibing 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.