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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)

(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE WITH BONUS ISSUE ON THE BASIS OF TWO BONUS SHARES FOR EVERY ONE OFFER SHARE TAKEN UP

(2) AMENDMENT TO BYE-LAWS; AND

(3) SHARE PREMIUM REDUCTION

Financial Adviser to China Ocean Shipbuilding Industry Group Limited



KINGSTON CORPORATE FINANCE LIMITED

Underwriter to the Open Offer



KINGSTON SECURITIES LIMITED

PROPOSED OPEN OFFER WITH BONUS ISSUE

The Company proposes to raise not less than approximately HK\$225.5 million and not more than approximately HK\$251.6 million, before expenses, by way of an open offer of not less than 451,049,825 Offer Shares and not more than 503,195,001 Offer Shares at the Subscription Price of HK\$0.5 per Offer Share on the basis of one (1) Offer Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date and payable in full on acceptance. The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer. On the basis of not less than 451,049,825 Offer Shares and not more than 503,195,001 Offer Shares to be issued under the Open Offer, not less than 902,099,650 Bonus Shares and not more than 1,006,390,002 Bonus Shares will be issued.

On 15 June 2010, the Company and the Underwriter entered into the Underwriting Agreement pursuant to which the Underwriter has conditionally agreed to underwrite any Offer Shares (with Bonus Shares) not taken up by the Qualifying Shareholders. Accordingly, the Open Offer is fully underwritten. Details of the major terms and conditions of the Underwriting Agreement are set out in the paragraph headed “Underwriting Arrangements” of this announcement.

The estimated net proceeds of the Open Offer will be not less than approximately HK\$220.0 million and not more than approximately HK\$246.2 million, which will be used for repayment of debts and for general working capital purposes.

AMENDMENT TO BYE-LAWS

In order to give effect to the Bonus Issue as proposed, the Board proposes to put forward a special resolution to the Shareholders for approval at the SGM in respect of an amendment to Bye-law 148 to allow capitalisation issue to Shareholders which are not in proportion to the shareholding of the Shareholders.

SHARE PREMIUM REDUCTION

To comply with the Companies Act and give effect to the Bonus Issue as proposed, the Board also proposes to cancel the entire amount standing to the credit of the Share Premium Account and to transfer the credit arising from the Share Premium Reduction to the Contributed Surplus Account.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES

The Open Offer (with Bonus Issue) is conditional upon, inter alia, the fulfillment of the conditions set out below under the section headed “Conditions of the Open Offer (with Bonus Issue)”. In addition, the Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described below. The Open Offer (with Bonus Issue) is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer (with Bonus Issue) may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer (with Bonus Issue) are fulfilled will accordingly bear the risk that the Open Offer (with Bonus Issue) may not become unconditional or may not proceed. Any Shareholders or persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

Shareholders should note that, based on the expected timetable, the Shares will be dealt with on an ex-entitlement basis from 29 July 2010 and that dealing in the Shares will take place even though the conditions to which the Open Offer is subject remained unfulfilled.

To qualify for the Open Offer, any transfer of Shares must be lodged for registration 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 by 4:30 p.m. on, 30 July 2010.

GENERAL

As the Open Offer (with Bonus Issue) will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer (with Bonus Issue) must be made conditional on approval by Independent Shareholders at the SGM and any Controlling Shareholders and their associates or where there is no Controlling Shareholder, the Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution relating to the Open Offer. As at the date of this announcement, the Company had no Controlling Shareholder and therefore, the Directors (excluding the independent non-executive Directors) shall abstain from voting on the relevant resolution to approve the Open Offer and the Bonus Issue at the SGM.

The Company will establish an Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Open Offer (with Bonus Issue) are fair and reasonable and whether the Open Offer (with Bonus Issue) are in the interests of the Company and Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer (with Bonus Issue) are fair and reasonable.

A circular containing, among other things, further details of the Open Offer (with Bonus Issue), the Amendment to Bye-Laws, the Share Premium Reduction, the recommendation from Independent Board Committee, the advice of the independent financial adviser on the Open Offer and a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Upon passing of the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the SGM approving, among other things, the Open Offer (with Bonus Issue), the Prospectus Documents setting out details of the Open Offer (with Bonus Issue) will be despatched to the Qualifying Shareholders as soon as practicable whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

(1) PROPOSED OPEN OFFER WITH BONUS ISSUE

Issue statistics

Basis of the Open Offer	:	One (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance, together with two (2) Bonus Shares for every one (1) Offer Share taken up
Subscription Price	:	HK\$0.5 per Offer Share
Number of Shares in issue as at the date of this announcement	:	902,099,651 Shares
Number of Shares in issue as at the Record Date	:	Not less than 902,099,651 Shares (assuming no outstanding Share Options and convertible securities of the Company are exercised or converted on or before the Record Date) and not more than 1,006,390,002 Shares (assuming all outstanding Share Options and convertible securities of the Company are exercised or converted on or before the Record Date)
Number of Offer Shares	:	Not less than 451,049,825 Offer Shares and not more than 503,195,001 Offer Shares

Number of Bonus Shares	:	Not less than 902,099,650 Bonus Shares and not more than 1,006,390,002 Bonus Shares to be issued to the first registered holders of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer
Total number of Shares in issue upon completion of the Open Offer and the Bonus Issue	:	Not less than 2,255,249,126 Shares and not more than 2,515,975,005 Shares

As at the date of this announcement, the Company has the following outstanding options and convertible securities:

1. Share Options for subscription of 34,380,000 Shares; and
2. Convertible Notes in the principal amount of approximately HK\$507.55 million carrying rights to convert into 69,910,351 Shares at the conversion price of HK\$7.26 per Share (subject to adjustment).

Save for the Share Options and Convertible Notes aforementioned, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares as at the date of this announcement.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of two (2) Bonus Shares for every one (1) Offer Share taken up under the Open Offer.

On the basis of not less than 451,049,825 Offer Shares and not more than 503,195,001 Offer Shares to be issued under the Open Offer, not less than 902,099,650 Bonus Shares and not more than 1,006,390,002 Bonus Shares will be issued. The Bonus Shares will be funded out of the Contributed Surplus Account.

Assuming none of the outstanding Share Options and Convertible Notes is exercised or converted on or before the Record Date, the minimum total number of Offer Shares and Bonus Shares of 1,353,149,475 Shares represents:

- (i) approximately 150% of the Company's existing issued share capital as at the date of this announcement; and

- (ii) approximately 60% of the Company's issued share capital as enlarged by the issue of the Offer Shares and Bonus Shares.

Assuming exercise in full of all outstanding Share Options and convertible securities of the Company on or before the Record Date, the maximum total number of Offer Shares and Bonus Shares of 1,509,585,003 Shares represents:

- (i) approximately 167% of the Company's existing issued share capital as at the date of this announcement; and
- (ii) 60% of the Company's issued share capital as enlarged by the issue of the Offer Shares and Bonus Shares.

Subscription Price

The Subscription Price of HK\$0.5 per Offer Share is payable in full on application. The net price for each Offer Share is approximately HK\$0.49. The Subscription Price represents:

- (i) a discount of approximately 12.28% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.03% to the average closing price of HK\$0.521 per Share for last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 1.63% to the average closing price of HK\$0.492 per Share for last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 52.44% to the theoretical ex-entitlement price of approximately HK\$0.328 per Share calculated based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 11.03% to the audited consolidated net assets value per Share of approximately HK\$0.562 as at 31 December 2009 (based on 902,099,651 Shares in issue as at the Last Trading Day).

Since two Bonus Shares will be issued upon subscription of one Offer Share, for illustration purpose, the average price for each Share to be allotted and issued under the Open Offer (with the Bonus Issue) is HK0.167 which represents:

- (i) a discount of approximately 70.70% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 67.95% to the average closing price of HK\$0.521 per Share for last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 66.06% to the average closing price of HK\$0.492 per Share for last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 70.28% to the audited consolidated net asset value per Share of approximately HK\$0.562 as at 31 December 2009 (based on 902,099,651 Shares in issue as at the Last Trading Day).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares and the recent market conditions and the financial requirements of the Group.

The Directors consider that the Subscription Price would encourage Shareholders to participate in the Open Offer and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the current financial position of the Group, the prevailing market conditions of the capital market in Hong Kong and the benefits of the Open Offer and the Bonus Issue, the Directors consider that the terms of the Open Offer and the Bonus Issue are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholder.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not being an Excluded Shareholders. In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Company's branch share registrar, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. (Hong Kong time) on 30 July 2010.

The register of members of the Company in Hong Kong will be closed from 2 August 2010 to 5 August 2010, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder according to the register of

members of the Company. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Company's branch share registrar, Tricor Abacus Limited for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on 30 July 2010.

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The Company will ascertain whether there are any Overseas Shareholders on the Record Date. In determining whether there will be Excluded Shareholders, the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges in relation to the Company's offering of the Offer Shares and the Bonus Shares to the Overseas Shareholders in compliance with the Listing Rules. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. If so, the Open Offer will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

The Company will send the Prospectus Documents to the Qualifying Shareholders and will send the Prospectus (without the Application Form and EAF) and a letter in the agreed form, for information only, to the Excluded Shareholders on the Posting Date.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

Fractional entitlements

Entitlement to the Offer Shares will be rounded down to the nearest whole number. No fractional entitlements to the Offer Shares will be issued to the Qualifying Shareholders and no entitlements of the Excluded Shareholders to the Offer Shares will be issued to the Excluded Shareholders. The Offer Shares representing such fractional entitlements and entitlements of the Excluded Shareholders will be aggregated and made available for excess applications by the Qualifying Shareholders who wish to apply for the Offer Shares over and above their assured allotments.

Application for excess Offer Shares

The Application Form and the EAF will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to accept the Offer Shares as shown therein subject to payment in full by the Latest Acceptance Time.

Qualifying Shareholders shall be entitled to apply for excess Offer Shares by completing the EAF and lodging the same with a separate remittance for the excess Offer Shares being applied with the Company's branch share registrar, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than the Latest Acceptance Time. The Directors will allocate the excess Offer Shares at its discretion, but on a fair and equitable basis, on a pro-rata basis to the excess Offer Shares applied for by the Qualifying Shareholders. However, no preference will be given to topping-up odd lots to whole board lots. Shareholders or potential investors should note that the number of excess Offer Shares which may be allocated to them may be different where they make applications for excess Offer Shares by different names, such as making applications on their own names rather than through nominees who also hold Shares for other Shareholders or investors. Shareholders and investors should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names or apply for excess Offer Shares themselves.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and the Bonus Shares.

Certificates of the Offer Shares and the Bonus Shares

Subject to fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer (with Bonus Issue)" below, share certificates for all fully paid Offer Shares and the Bonus Shares are expected to be posted on or before 27 August 2010 to those Qualifying Shareholders who have accepted and paid for the Offer Shares by ordinary post at their own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Bonus Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Undertaking given by Mr. Li

As at the date of this announcement, Mr. Li was beneficially owner of 77,405,000 Shares, of which 64,695,000 Shares were directly held by him and 12,710,000 Shares were indirectly held by his wholly-owned company, Lead Dragon Limited, representing approximately 8.58% of the existing issued share capital of the Company. Under the Open Offer, Mr. Li will be directly or indirectly entitled to subscribe for a maximum of 38,702,500 Offer Shares. Mr. Li has irrevocably undertaken to the Company and Kingston Securities that: (1) he will subscribe for or procure subscriptions by his associates or nominees for the 38,702,500 Offer Shares (with Bonus Shares) to which he, his associates and nominees will be entitled to pursuant to the terms of the Open Offer but without taking up any excess Offer Shares over and above the assured allotments to him, his nominee(s) and associate(s); (2) the Shares comprising his and his associates and nominees' current shareholdings will remain registered in the names of him, his associates or nominees at the close of business at the Record Date as they are on the date of Mr. Li's Undertaking; and (3) he will procure that the applications in respect of the 38,702,500 Offer Shares (with Bonus Shares) comprising his and his associates and nominees' entitlements under the Open Offer will be lodged with the Company's branch share registrar, Tricor Abacus Limited, with payment in full therefor in cash, by no later than the Latest Time for Acceptance and otherwise in accordance with the instructions printed on the Application Form(s).

ADJUSTMENTS IN RELATION TO THE SHARE OPTIONS AND CONVERTIBLE NOTES

Adjustments to: (i) the exercise price and number of the outstanding Share Options, and (ii) the conversion price and the number of conversion Shares may be required under the relevant terms of the instrument constituting the share option scheme of the Company adopted on 27 May 2002 and the Convertible Notes. Further announcement will be made by the Company in due course.

UNDERWRITING ARRANGEMENTS

The Underwriting Agreement

Date	:	15 June 2010 (after trading hours)
Underwriter	:	Kingston Securities
Total number of Offer Shares being underwritten by the Underwriter	:	The Underwriter has agreed to fully underwrite not less than 412,347,325 Underwritten Shares and not more than 464,492,501 Underwritten Shares (having taken into account Mr. Li's undertaking to subscribe in full for his direct and indirect entitlements)
Commission	:	1.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the Underwritten Shares which have not been taken up. Accordingly, the Open Offer is fully underwritten. The Directors are of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the Company and the Underwriter.

Conditions of the Open Offer (with Bonus Issue)

The Open Offer (with Bonus Issue) is conditional upon, among other things, each of the following conditions being fulfilled:

- (i) the passing of resolution(s) to extend the maturity date of Convertible Notes as described in the Company's announcement dated 27 April 2010 at the special general meeting of the Company to be held on 25 June 2010 (or any adjournment thereof) and the obtaining of all consents and approvals by the Stock Exchange required to be obtained for the extension of the maturity date of the Convertible Notes;
- (ii) the passing of a special resolution by the Shareholders at the SGM to approve the Amendment to Bye-laws;

- (iii) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve the Share Premium Reduction and transfer of the credit arising therefrom to the Contributed Surplus Account;
- (iv) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Open Offer (with Bonus Issue) and the transactions contemplated hereunder;
- (v) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date and the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders by the Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer (with Bonus Issue) on or before the Posting Date;
- (vii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares and the Bonus Shares (in their fully-paid forms) by no later than then the first day of their dealings;
- (viii) the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (ix) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (x) compliance with and performance of all undertakings and obligations of Mr. Li under Mr. Li's Undertaking.

Neither of the Company nor the Underwriter may waive the conditions (i) to (viii) and (x) above. The Underwriter may waive the condition (ix) in whole or in part by written notice to the Company.

If the above conditions are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise (save in respect of any reasonable legal fees or other reasonably out-of-pocket expenses, if any, of the Underwriter, or the indemnity given to the Underwriter and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination).

Termination of the Underwriting Agreement

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement if:

1. in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - 1.1. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - 1.2. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
 - 1.3. the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or

2. any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
3. there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
5. any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
6. the circular or the Prospectus Documents in connection with the Open Offer (with Bonus Issue) when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to apply for its assured entitlements of Offer Shares under the Open Offer (with Bonus Issue); or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of this announcement, the circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer (with Bonus Issue).

Expected Timetable

Below sets out the expected timetable in relation to the Open Offer (with Bonus Issue):

Expected despatch date of the circular with notice of SGM	13 July 2010, Tuesday
Last day of dealings in Shares on a cum-entitlement basis	28 July 2010, Wednesday
First day of dealings in the Shares on an ex-entitlement basis	29 July 2010, Thursday
Latest time for lodging transfer of the Shares in order to qualify for the Open Offer (with the Bonus Issue)	4:30 p.m. on 30 July 2010, Friday
Register of members of the Company closes for determining the entitlements under the Open Offer (both dates inclusive)	From 2 August 2010, Monday to 5 August 2010, Thursday
Latest time for lodging forms of proxy for the SGM	3 August 2010, Tuesday
Record Date	5 August 2010, Thursday
SGM	5 August 2010, Thursday
Announcement of results of the SGM to be published on the Stock Exchange website	5 August 2010, Thursday
Register of members of the Company re-opens	6 August 2010, Friday
Despatch of the Prospectus Documents	6 August 2010, Friday
Latest time for acceptance of, and payment for, the Offer Shares	4:00 p.m. on 23 August 2010, Monday
Latest time for the Open Offer (with Bonus Issue) to become unconditional	4:00 p.m. on 25 August 2010, Wednesday

Announcement of results of acceptance of
the Open Offer (with Bonus Issue) to be
published on the Stock Exchange website.....27 August 2010, Friday

Despatch of refund cheques in relation to wholly
or partially unsuccessful application for
excess Offer Shares on or before27 August 2010, Friday

Despatch of share certificates for the Offer Shares
and Bonus Shares on or before27 August 2010, Friday

Commencement of dealings in the Offer Shares
and the Bonus Shares31 August 2010, Tuesday

Dates or deadlines specified in this announcement are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

The Directors consider that the Open Offer together with the Bonus Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer and the Bonus Issue. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

USE OF PROCEEDS

The estimated net proceeds of the Open Offer will be not less than approximately HK\$220.0 million and not more than approximately HK\$246.2 million, the net proceeds will be used for repayment of debts and general working capital purposes.

REASONS FOR AND BENEFIT OF THE OPEN OFFER

The Company was incorporated in Bermuda with limited liability. The principal business activities are shipbuilding-related business and investments in securities.

Having considered other possibilities or alternatives for fund raising options for the Group, such as bank borrowings, placing of convertible notes and placing of new Shares, and taking into account the benefits and cost of the viable options, the Board considers that the Open Offer and the Bonus issue are conducted in the best interest of the Company in view of the prevailing market conditions and in particular the financial situation and fund requirement of the Group.

The Open Offer allows the Group to significantly strengthen its financial position. This is specially the case when the Group incurred a significant loss for the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceed its current assets. The Board considers that the Open Offer (together with the Bonus Issue) are in the interests of the Company and the Shareholders as a whole as they offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. The Bonus Issue will give the Shareholders an incentive to take part in the Open Offer.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Open Offer (with the Bonus Issue) are set out below for illustration purpose only:

- (i) assuming no exercise of the outstanding Share Options and Convertible Notes on or before the Record Date:

	As at the date of this announcement		Immediately upon completion of the Open Offer and the Bonus Issue			
	Assuming all Qualifying Shareholders take up the Offer Shares in full		Assuming no Qualifying Shareholder (other than Mr. Li) takes up the Offer Shares (Note 2)			
	<i>Approx.</i> No. of Shares	<i>Approx.</i> %	<i>Approx.</i> No. of Shares	<i>Approx.</i> %	<i>Approx.</i> No. of Shares	<i>Approx.</i> %
Li Ming (Note 1)	77,405,000	8.58	193,512,500	8.58	193,512,500	8.58
Public						
Shareholders						
Underwriter	—	—	—	—	1,237,041,975	54.85
Other public Shareholders	<u>824,694,651</u>	<u>91.42</u>	<u>2,061,736,626</u>	<u>91.42</u>	<u>824,694,651</u>	<u>36.57</u>
Total	<u>902,099,651</u>	<u>100.00</u>	<u>2,255,249,126</u>	<u>100.00</u>	<u>2,255,249,126</u>	<u>100.00</u>

- (ii) assuming the exercise of the outstanding Share Options and convertible rights attached to the Convertible Notes in full on or before the Record Date:

	Immediately upon completion of the Open Offer and the Bonus Issue					
	As at the date of this announcement		Assuming all Qualifying Shareholders take up the Offer Shares in full		Assuming no Qualifying Shareholder (other than Mr. Li) takes up the Offer Shares (Note 2)	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Mr. Li (Note 1)	77,405,000	8.58	193,512,500	7.69	193,512,500	7.69
Chau On Ta Yuen (Note 3)	—	—	7,500,000	0.30	3,000,000	0.12
Zhang Shi Hong (Note 3)	—	—	2,500,000	0.10	1,000,000	0.04
Wang San Long (Note 3)	—	—	6,500,000	0.26	2,600,000	0.10
Public Shareholders						
Underwriter	—	—	—	—	1,393,477,503	55.39
Other public Shareholders	<u>824,694,651</u>	<u>91.42</u>	<u>2,305,962,505</u>	<u>91.65</u>	<u>922,385,002</u>	<u>36.66</u>
Total	<u>902,099,651</u>	<u>100.00</u>	<u>2,515,975,005</u>	<u>100.00</u>	<u>2,515,975,005</u>	<u>100.00</u>

Notes:

1. Mr. Li, an executive Director, was beneficial owner of 77,405,000 Shares, of which 64,695,000 Shares were directly held by him and 12,710,000 Shares were indirectly held by Lead Dragon Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li.
2. This scenario is for illustrative purpose only and will never occur. Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers to subscribe for any of the Untaken Shares:
 - (a) The Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer; and
 - (b) The Underwriter shall use all reasonable endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer.
3. Mr. Chau On Ta Yuen, Mr. Zhang Shi Hong and Mr. Wang San Long are executive Directors who have 3,000,000 Share Options, 1,000,000 Share Options and 2,600,000 Share Options respectively as at the date of this announcement.

PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

Save as disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement:

Nature of transaction	Date of initial announcement	Net proceeds	Intended use of net proceeds as announced	Actual use of net proceeds
Open offer (<i>Note</i>)	16 November 2009	Not less than approximately HK\$353.9 million and not more than approximately HK\$395.6 million	As to HK\$250 million for repayment of debts and the remaining balance for general working capital purposes	Not applicable
Placing of New Shares	20 August 2009	Approximately HK\$63.43 million	Repayment of debts and general working capital of the Group	HK\$38.9 million was utilized as intended and the remaining balance was retained as general working of the Group
Placing of New Shares	21 May 2009	Approximately HK\$43.0 million	Repayment of debts and general working capital of the Group	Fully utilized as intended

Note: The resolution approving the open offer was not passed at the special general meeting of the Company dated 30 December 2009. Therefore, the open offer did not proceed.

(2) AMENDMENT TO BYE-LAWS

The existing Bye-law 148 of the Bye-laws provides that the capitalisation of the Company's reserves or funds by way of distribution of bonus shares to the Shareholders should be in the same proportion to their shareholdings. Since the Qualifying Shareholders who do not take up the Offer Shares will not be entitled to the Bonus Shares, the Bonus Issue will not be in the same proportion to the shareholding of the Shareholders. To facilitate the Open Offer with the Bonus Issue, the Directors propose to amend the Bye-laws accordingly so that any

declaration, making or payment of a distribution or dividend to the Shareholders otherwise than pro-rata to their shareholdings upon the capitalisation of any part of the Company's reserves or funds is allowed. Upon the Amendment to Bye-laws becoming effective and the necessary special resolution approving the Bonus Issue being passed, the Bonus Shares and related issues can be allotted and issued in the proportions that the Board has proposed.

Accordingly, the existing Bye-law 148 will be deleted in its entirety and substituted with the following new Bye-law 148:

“The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions or in such other proportion as the Company may by ordinary resolution determine, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members or such other persons respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.”

The Directors consider the amendments would facilitate the issue of the Bonus Shares and provide the Company with flexibility in raising capital from its Shareholders.

(3) SHARE PREMIUM REDUCTION

The Directors propose to put forward a special resolution to the Shareholders for approval at the SGM to cancel the entire amount standing to the credit of the Share Premium Account and transfer the same amount to the Contributed Surplus Account. Based on the audited account of the Company for the financial year

ended 31 December 2009, the amount standing to the credit of the Share Premium Account was approximately HK\$2,840.08 million. It is proposed that the amount payable on the Bonus Shares will be paid out of the Contributed Surplus Account upon the Share Premium Reduction becoming effective.

Conditions

The Share Premium Reduction is conditional upon:

- (i) the passing by the Shareholders of a special resolution at the SGM to approve the Share Premium Reduction;
- (ii) the due compliance with section 46(2) of the Companies Act, including the publication of a notice in an appointed newspaper in Bermuda in respect of the Share Premium Reduction; and
- (iii) on the Effective Date, there is no reasonable grounds for believing the Company is, or after the Share Premium Reduction would be, unable to pay its liabilities as they become due.

Subject to the fulfillment of the above conditions, it is expected that the Share Premium Reduction will become effective on the date when the Open Offer becomes unconditional.

As none of the Shareholders has an interest in the Share Premium Reduction which is different from other Shareholders, no Shareholder is required to abstain from voting at the SGM in respect of Share Premium Reduction.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES

The Open Offer (with Bonus Issue) is conditional upon, inter alia, the fulfillment of the conditions set out under the section headed “Conditions of the Open Offer (with Bonus Issue)” in this announcement. In addition, the Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events. The Open Offer (with Bonus Issue) is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer (with Bonus Issue) may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer (with Bonus Issue) are fulfilled will accordingly bear the risk that the Open Offer (with Bonus Issue) may not become unconditional or may not proceed. Any Shareholders or persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

Shareholders should note that, based on the expected timetable, the Shares will be dealt with on an ex-entitlement basis from 29 July 2010 and that dealing in the Shares will take place even though the conditions to which the Open Offer is subject remained unfulfilled.

GENERAL

As the Open Offer (with Bonus Issue) will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer (with Bonus Issue) must be made conditional on approval by Independent Shareholders at the SGM and any Controlling Shareholders and their associates or where there is no Controlling Shareholder, the Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution relating to the Open Offer. As at the date of this announcement, the Company had no Controlling Shareholder and therefore, the Directors (excluding the independent non-executive Directors) shall abstain from voting on the relevant resolution to approve the Open Offer at the SGM.

The Company will establish an independent board committee to advise the independent Shareholders as to whether the terms of the Open Offer (with Bonus Issue) are fair and reasonable and whether the Open Offer (with Bonus Issue) are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Company will appoint an independent financial adviser to advise the independent board committee and the independent Shareholders as to whether the terms of the Open Offer (with Bonus Issue) are fair and reasonable.

A circular containing, among other things, further details of the Amendment to Bye-laws, the Share Premium Reduction, the Open Offer (with Bonus Issue), the recommendation from Independent Board Committee, the advice of the independent financial adviser on the Open Offer and a notice convening the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Upon passing of the necessary resolution(s) by the Shareholders (where applicable, the independent Shareholders) at the SGM approving, among other things, the Open Offer (with Bonus Issue), the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

DEFINITIONS

“Amendment to Bye-laws”	the proposed amendment to the Bye-laws to be considered and, if thought fit, approved by the Shareholders at the SGM by way of a special resolution
“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares (with Bonus Shares) which shall be in the agreed form
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Bonus Issue”	the issue of the Bonus Shares pursuant to the terms and conditions of the Underwriting Agreement and Prospectus Documents
“Bonus Shares”	in respect of the Open Offer, the bonus Shares to be issued (for no additional payment) to the first registered holders of Offer Shares on the basis of two (2) bonus Shares for every one (1) Offer Share taken up under the Open Offer subject to the terms and upon conditions as set out in the Underwriting Agreement and Prospectus Documents
“Business Day”	a day (other than a Saturday, Sunday, public holiday) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“Bye-laws”	the bye-laws of the Company
“Company”	China Ocean Shipbuilding Industry Group Limited (stock code: 00651), a company incorporated in Bermuda with limited liability and the issued securities of which are listed on the Main Board of the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“connected person(s) “	has the meaning ascribed thereto under the Listing Rules

“Contributed Surplus Account”	the contributed surplus account of the Company
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the outstanding convertible note(s) in an aggregate principal amount of approximately HK\$507.55 million which is convertible into 69,910,351 Shares at a conversion price of HK\$7.26 per Share
“Director(s)”	director(s) of the Company
“EAF”	excess application form for the excess Offer Shares
“Effective Date”	the date on which the Share Premium Reduction shall become effective, being the date when the Open Offer becomes unconditional
“Excluded Shareholders”	the Overseas Shareholder(s) to whom the Company considers it necessary or expedient not to offer the Offer Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee “	an independent board committee of the Board comprised of all the independent non-executive Directors, namely Mr. Zhang Xi Ping, Ms. Xiang Siying, Mr. Hu Bai He and Ms. Xiang Ying, formed for advising the Independent Shareholders in relation to the Open Offer
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates

“Kingston Securities” or “Underwriter”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Last Trading Day”	15 June 2010, being the last trading day for the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	being 4:00 p.m. on 23 August 2010 or such other date and/or time as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Offer Shares (with Bonus Shares) as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on Stock Exchange
“Mr. Li”	Mr. Li Ming, being an executive Director
“Mr. Li’s Undertaking”	the irrevocable undertaking given by Mr. Li in favour of the Company and the Underwriter in respect of the Open Offer, further details of which are set out in the paragraph headed “Undertaking given by Mr. Li” in this announcement
“Open Offer”	the proposed issue of the Offer Shares (with Bonus Shares) by way of open offer to the Qualifying Shareholders
“Offer Shares”	not less than 451,049,825 Shares and not more than 503,195,001 Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Offer Share for two Shares held on the Record Date pursuant to the Open Offer

“Overseas Shareholders”	the Shareholders whose address on the register of members of the Company on the Record Date are outside Hong Kong
“Posting Date”	6 August 2010 or such later day as may be agreed between the Company and the Underwriter for despatch of the Prospectus Documents
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer (with Bonus Issue) on the Posting Date as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus, Application Form and EAF
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	5 August 2010 or such other dates as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders or the Independent Shareholders (as the case may be) to consider and approve, among other things, the amendment to the Bye-laws, the Share Premium Reduction, the Open Offer (with Bonus Issue) and the transactions contemplated hereunder
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Options”	the option(s) to subscribe for Shares granted by the Company under the share option scheme of the Company adopted on 27 May 2002
“Shareholder(s)”	the holder(s) of the Shares
“Share Premium Account”	the share premium account of the Company

“Share Premium Reduction”	the cancellation of the entire amount standing to the credit of the Share Premium Account
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.5 per Offer Share
“Underwriting Agreement”	the underwriting agreement dated 15 June 2010 in relation to the Open Offer and the Bonus Issue entered into between the Company and the Underwriter
“Underwritten Shares”	not less than 412,347,325 Offer Shares (with Bonus Shares) and not more than 464,492,501 Offer Shares (with Bonus Shares) underwritten by the Underwriter
“Untaken Shares”	those (if any) of the Offer Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time for Acceptance which shall not more than 464,492,501 Offer Shares (with Bonus Shares)
%	per cent.

By Order of the Board
**CHINA OCEAN SHIPBUILDING INDUSTRY
GROUP LIMITED**
Chau On Ta Yuen
Chairman

Hong Kong, 15 June 2010

As at the date of this announcement, (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) independent non-executive directors of the Company are Ms. Xiang Siying, Mr. Hu Bai He, Mr. Zhang Xi Ping and Ms. Xiang Ying.