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中國海洋捕撈
CHINA OCEAN FISHING
HOLDINGS LIMITED

China Ocean Fishing Holdings Limited

中國海洋捕撈控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

The Board is pleased to announce that on 29 May 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, Mr. Liu Rongsheng and Mr. Liu Yi as guarantors, pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100 million, on the terms and subject to the conditions contained therein. The Convertible Bonds are convertible into Shares at the initial Conversion Price of HK\$0.24 per Conversion Share (subject to adjustment). Both Mr. Liu Rongsheng and Mr. Liu Yi have agreed to guarantee the due and punctual observance and performance by the Company of its obligations under the Transaction Documents.

Based on the initial Conversion Price of HK\$0.24 per Conversion Share, a maximum number of 416,666,667 Conversion Shares will be allotted and issued upon exercise of all Conversion Rights, which represent: (i) approximately 17.24% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.70% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares to be issued and allotted upon the exercise of all Conversion Rights. The Conversion Shares will rank, upon issue, pari passu in all respect with the Shares in issue on the date of the allotment and issue of the Conversion Shares.

The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$99 million. The proceeds are currently intended to be applied to potential acquisition of new fishing-related business and general working capital of the Group.

The issue of the Conversion Shares is subject to the Shareholders' approval. The Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the Convertible Bonds at the Conversion Price (subject to adjustment) will be issued and allotted pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may be issued and allotted upon the exercise of the Conversion Rights attached to the Convertible Bonds.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions under the Subscription Agreement as set out in the section headed "Conditions of the Subscription". As the Subscription may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Liu Rongsheng is the chairman, chief executive officer and an executive Director of the Company. Mr. Liu Yi is a substantial shareholder of the Company. Therefore, both Mr. Liu Rongsheng and Mr. Liu Yi are connected persons of the Company. The Guarantees to be provided by Mr. Liu Rongsheng and Mr. Liu Yi is financial assistance to the Company, and accordingly, constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the Guarantees would be provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group would be granted in respect of the Guarantees, the Guarantees would therefore be exempted from the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules.

GENERAL

The EGM will be held for the Shareholders to consider and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares. To the best of the Directors' knowledge, information and belief, save for Mr. Liu Yi who is a party to the Subscription Agreement, no other Shareholder is required to abstain from voting at the EGM in respect of the resolution relating to the Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the Subscription, including the Specific Mandate, and (ii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

The Board is pleased to announce that on 29 May 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, Mr. Liu Rongsheng and Mr. Liu Yi as Guarantors, pursuant to which the Subscriber has agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100 million, on the terms and subject to the conditions contained therein. Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 29 May 2017 (after trading hours)

Parties:

- (1) The Company, as issuer;
- (2) COFCO Capital (Hong Kong) Co., Limited, as subscriber;
- (3) Mr. Liu Rongsheng, as one of the Guarantors;
- (4) Mr. Liu Yi, as one of the Guarantors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

Mr. Liu Rongsheng is the chairman, chief executive officer and an executive Director of the Company. Mr. Liu Yi is a substantial shareholder of the Company. Therefore, both Mr. Liu Rongsheng and Mr. Liu Yi are connected persons of the Company.

The Subscription

Subject to the fulfilment or waiver (as the case may be) of the conditions of the Subscription, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in an aggregate principal amount of HK\$100 million.

The Convertible Bonds shall carry the rights to convert into Conversion Shares at the initial Conversion Price of HK\$0.24 per Conversion Share (subject to adjustment). Assuming the Conversion Rights attached to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.24 per Conversion Share, a maximum number of 416,666,667 Conversion Shares will be allotted and issued upon exercise of all Conversion Rights, which represent: (i) approximately 17.24% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.70% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares.

Ranking of the Conversion Shares

The Conversion Shares will rank, upon issue, pari passu in all respect with the Shares in issue on the date of the allotment and issue of the Conversion Shares.

Conditions of the Subscription

Completion of the Subscription pursuant to the Subscription Agreement is conditional upon the following conditions:

- (a) since the date of the Subscription Agreement, there being no material adverse change to the condition (financial or otherwise), expectations, income, business, results of operations, and other general matters of the Company;
- (b) the Board and the Shareholders duly passing the resolutions approving, inter alia, the Transaction Documents and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares, at the EGM;
- (c) the Company having obtained all approvals or consents from the Directors and/or third parties necessary or appropriate for entering into and executing the Subscription Agreement, the Transaction Documents and the transactions contemplated thereunder, and having made all necessary filings or registration, and having complied with all applicable statutory or other legal obligations;
- (d) the GEM Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Conversion Shares to be issued (and such approval not being subsequently revoked prior to the Completion);
- (e) the Subscriber having obtained all necessary approvals for the Transaction Documents and the transactions contemplated thereunder;
- (f) each of the Transaction Documents having been duly executed by the relevant parties;
- (g) the completion of the due diligence by the Subscriber to the reasonable satisfaction of the Subscriber;
- (h) the issue of the legal opinion in relation to the Transaction Documents by Hong Kong lawyers;
- (i) the registration of the Property Mortgage being completed;

- (j) the registration of the Share Charge being completed;
- (k) none of the representation and warranties made by the Parties under the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the aforesaid warranties) is misleading or untrue in any material respect;
- (l) the Company having procured its affiliate to executed a financial advisor agreement with 深圳市明誠金融服務有限公司 (Shenzhen City Mingcheng Financial Services Limited Company*); and
- (m) the company secretary or Director having delivered to the Subscriber corporate authority of Director to execute the Transaction Documents;

As at the date of this announcement, none of the conditions precedent to the Subscription has been satisfied and/or waived (as the case may be).

The Guarantees

Pursuant to the Subscription Agreement, Mr. Liu Rongsheng and Mr. Liu Yi will execute Mr. Liu Rongsheng Guarantee and Mr. Liu Yi Guarantee, respectively. Pursuant to the Guarantees, Mr. Liu Rongsheng and Mr. Liu Yi would each guarantee to the Subscriber the due and punctual observance and performance by the Company of all obligations under or in connection with the Transaction Documents.

Completion

Completion of the Subscription Agreement takes place in two tranches:

- (i) the First Tranche Completion shall take place on the third business days (or any other date as the Company and the Subscriber may agree in writing) after the Guarantors (or their associates) having provided the First Tranche Security and the satisfaction of conditions set out in the section headed “Conditions of the Subscription”;
- (ii) the Second Tranche Completion shall take place on the third business days (or any other date as the Company and the Subscriber may agree in writing) after the Guarantors (or their associates) having provided the Second Tranche Security.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

The terms and conditions of the First Tranche Convertible Bond and the Second Tranche Convertible Bond are as follows:

- Principal amount: HK\$60,000,000 (in respect of the First Tranche Convertible Bond); HK\$40,000,000 (in respect of the Second Tranche Convertible Bond)
- Interest: 13% per annum coupon rate of the principal amount of the Convertible Bond from time to time outstanding
- Interest period: The interest shall be accrued and payable every six months and on the maturity date
- Conversion price: HK\$0.24 per Share (subject to adjustment)
- Maturity date: The second anniversary of the date of issue of the Convertible Bond, or in case of early repayment, the day on which the Company fully repays all outstanding principal amount and interest
- Transferability: Subject to the transfer to connected person(s) of the Company which shall require the consent of the Stock Exchange, the Convertible Bond (or any part thereof) may be transferred to any other person without consent from the Company.
- Redemption: The Company shall redeem the then outstanding balance of the Convertible Bond on the maturity date.
- Mandatory redemption: If any event of default under the terms and conditions of the Convertible Bond occurs, the Subscriber may at any time require the Company to redeem all (but not part of) the then outstanding balance of the Convertible Bond and to pay interest on the relevant principal amount to the Bondholder at the default rate of 25% per annum, unless waived by the Bondholder.
- Conversion: Unless otherwise provided in the terms and conditions of the Convertible Bond, the Bondholder shall have the right during the conversion period, to require the Company to convert the whole or any part (in authorized denominations) of the principal amount outstanding under the Convertible Bond into Shares at the conversion price.

- Conversion period: From the date of issue of the Convertible Bond till the fifth Business Day immediately preceding the maturity date. Subject to the satisfaction of all conditions under the terms and conditions under the Convertible Bond, the Bondholder should finish the conversion of the outstanding Convertible Bonds within 5 months from the date of conversion of the Convertible Bond.
- Conversion shares: The Shares to be issued by the Company upon exercise by the Bondholder of the rights to convert the principal amount (or any part thereof) of the Convertible Bond into Shares.
- Ranking: The Conversion Shares issued upon exercise of Conversion Rights shall be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third party rights, and rank pari passu in all respects with all other existing Shares existing on the date of conversion.
- Adjustments: The conversion price of the Convertible Bond is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and further issue of shares or convertible securities with conversion price less than the then market price provided that the conversion price shall not at any time fall below the par value of the Shares.

Conversion Price

The initial Conversion Price of HK\$0.24 per Conversion Share, represents:

- (a) a discount of approximately 38.5% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreement;
- (b) a discount of approximately 44.3% to the average closing price of HK\$0.43 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the date of the Subscription Agreement; and
- (c) a discount of approximately 42.9% to the average closing price of HK\$0.42 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the date of the Subscription Agreement.

The terms of the Subscription Agreement and the Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber and under normal commercial terms with reference to the prevailing trading prices of the Shares. The Directors consider that the terms of the Subscription Agreement and the Conversion Price are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES

The issue of the Conversion Shares is subject to the Shareholders' approval. The Conversion Shares to be issued upon exercise of the Conversion Rights at the Conversion Price (subject to adjustment) will be issued and allotted pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may be issued and allotted upon the exercise of the Conversion Rights attached to the Convertible Bonds.

INFORMATION OF THE PARTIES TO THE SUBSCRIPTION AGREEMENT

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in financial services of trusts, futures, insurance, banking and funds management business.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are supply chain management services and money lending business.

The estimated net proceeds from the Subscription after deduction of expenses, will amount to approximately HK\$99 million. The proceeds are currently intended to be applied to potential acquisition of new fishing-related business and general working capital of the Group.

The Directors are of the view that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement (ii) immediately after Completion and conversion of the Convertible Bond:

Shareholders	As at the date of this announcement		Immediately after Completion and conversion of the Convertible Bond	
	No. of Shares	Approximate%	No. of Shares	Approximate%
Mr. Liu Yi	507,500,000	20.99	507,500,000	17.91
Bondholders	–	–	416,666,667	14.70
Other public Shareholders	1,909,975,513	79.01	1,909,975,513	67.39
Total	2,417,475,513	100	2,834,142,180	100

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company had not carried out any other equity fund raising activities in the past twelve months prior to the date of this announcement:

Date of initial announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
17 August 2016	Placing of new shares under general mandate	HK\$32.5 million	For general working capital of the Group.	used as working capital of the money lending business and HK\$15 million each was lent to two independent third parties with a monthly interest rate of 1% with the maturity dates in August 2017

Date of initial announcement	Event	Net proceeds (<i>approximately</i>)	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
20 March 2017	Placing of new shares under general mandate	HK\$117.4 million	For the capital commitment under a joint venture agreement entered into 20 January 2017 between a subsidiary of the Company and Khmer First Investment Holding Group Co., Limited for setting up a joint venture company in Cambodia and/or general working capital of the Group.	used as working capital of the money lending business with HK\$5 million and HK\$15 million being lent to two independent third parties for one year with a monthly interest rate of 1.25% and 1% respectively and HK\$80 million for the supply chain business of electronic products and aquatic products

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions under the Subscription Agreement as set out in the section headed “Conditions of the Subscription”. As the Subscription may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Liu Rongsheng is the chairman, chief executive officer and an executive Director of the Company. Mr. Liu Yi is a substantial shareholder of the Company. Therefore, both Mr. Liu Rongsheng and Mr. Liu Yi are connected persons of the Company. The Guarantees, the First Tranche Security and the Second Tranche Security to be provided by Mr. Liu Rongsheng and Mr. Liu Yi (or their respective associates) is financial assistance to the Company, and accordingly, constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the Guarantees, the First Tranche Security and the Second Tranche Security would be provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group would be granted in respect thereof, the Guarantees, the First Tranche Security and the Second Tranche Security would therefore be exempted from the reporting, announcement and independent Shareholders’ approval requirements under the GEM Listing Rules.

GENERAL

The EGM will be held for the Shareholders to consider and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares. To the best of the Directors' knowledge, information and belief, save as Mr. Liu Yi who is a party to the Subscription Agreement in the capacity as a guarantor, no other Shareholder is required to abstain from voting at the EGM in respect of the resolution relating to the Subscription and the Specific Mandate.

A circular containing, among other things, (i) further details of the Subscription, including the Specific Mandate, and (ii) a notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Bondholder”	the person who is for the time being the holder of the Convertible Bonds
“Business Day(s)”	a day (other than Saturday, Sunday and a public holiday) on which banks are open for business in Hong Kong
“Company”	China Ocean Fishing Holdings Limited (Stock code: 8047), a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM
“Completion”	the First Tranche Completion and the Second Tranche Completion
“Completion Date”	the third Business Day immediately after fulfilment (or waiver) of the conditions precedent set out in the Subscription Agreement, or such other date as the Company and the Subscriber may agree in writing
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Convertible Bonds”	the First Tranche Convertible Bond and the Second Tranche Convertible Bond

“Conversion Shares”	an aggregate of 416,666,667 Shares to be issued by the Company upon exercise by the Bondholder of the Conversion Rights
“Conversion Rights”	the rights to convert the principal amount (or any part thereof) of the Convertible Bonds to the Conversion Shares
“Director(s)”	the director(s) of the Company
“First Tranche Completion”	the completion of First Tranche Convertible Bond
“First Tranche Convertible Bond”	the convertible bond in the principal amount of HK\$60,000,000 to be issued by the Company and to be subscribed by the Subscriber with the benefit of and subject to the provisions of the conditions set out in the instrument of the convertible bond
“First Tranche Security”	the security of a value of not less than HK\$120,000,000 to be provided by the Guarantors or their respective associates in favour of the Subscriber
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Guarantors”	Mr. Liu Rongsheng and Mr. Liu Yi, each a Guarantor
“Guarantees”	Mr. Liu Rongsheng Guarantee and Mr. Liu Yi Guarantee
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Mr. Liu Rongsheng Guarantee”	the guarantee to be executed by Mr. Liu Rongsheng in favour the Subscriber in respect of the guarantee over the performance of the obligations of the Company under the Transaction Documents

“Mr. Liu Yi Guarantee”	the guarantee to be executed by Mr. Liu Yi in favour the Subscriber in respect of the guarantee over the performance of the obligations of the Company under the Transaction Documents
“Party(ies)”	the party(ies) to the Subscription Agreement
“PRC”	the People’s Republic of China
“Property Mortgage”	the mortgage in relation to the property situated at 深圳市振華路輕工業廠房宿舍1棟兩個整層 owned by 深圳市鑽雅實業發展有限公司 (Shenzhen City Diamond Business Development Limited Company*)
“Second Tranche Completion”	the completion of Second Tranche Convertible Bond
“Second Tranche Convertible Bond”	the convertible bond in the principal amount of HK\$40,000,000 to be issued by the Company and to be subscribed by the Subscriber with the benefit of and subject to the provisions of the conditions set out in the instrument of the convertible bond
“Second Tranche Security”	a charge over the shares of the Company with a market value of not less than HK\$80,000,000 in favour of the Subscriber
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	the share charge in relation to Shares of value not less than HK\$156 million held by Mr. Liu Yi to be executed by Mr. Liu Yi in favour of the Subscriber
“Specific Mandate:	a specific mandate to allot and issue the Conversion Shares to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	COFCO Capital (Hong Kong) Co., Limited (中糧資本(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Subscription Agreement”	the subscription agreement dated 29 May 2017 entered into between the Company, the Subscriber and the Guarantors in relation to the Subscription

“Subscription”	the subscription by the Subscriber of the Convertible Bonds issued by the Company pursuant to the Subscription Agreement
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Transaction Documents”	collectively, (1) the Subscription Agreement; (2) the instrument of the Convertible Bond; (3) the Share Charge; (4) the Property Mortgage; (5) the Mr. Liu Rongsheng Guarantee; and (6) the Mr. Liu Yi Guarantee.
“%”	per cent

By Order of the Board
China Ocean Fishing Holdings Limited
Liu Rongsheng
Executive Director and Chairman

Hong Kong, 29 May 2017

As at the date of this announcement, the executive Directors are Mr. Liu Rongsheng, Lord Cao Yunde, Mr. Gan Weiming, Mr. Fan Guocheng and Mr. Chen Liang and independent non-executive Directors are Mr. Pang Pui Hung, Paton, Ms. Li Mei and Ms. Li Yuen Fong, Michelle.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website at <http://www.chinaoceanfishing.hk>.

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