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If you have sold or transferred all your shares in China Ocean Fishing Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**(I) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF
65% EQUITY INTERESTS IN LIANYUNGANG ANNI OCEAN FISHING
CO., LTD.;**

**(II) PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC
MANDATE; AND**

(III) NOTICE OF SPECIAL GENERAL MEETING

Terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the SGM to be held at Room 03, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong at 10:45 a.m. on 27 June 2018 is set out on pages 27 to 29 of this circular. A form of proxy for the special general meeting is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

8 June 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Sale and Purchase Agreement;
“Announcements”	the announcements of the Company dated 8 February 2018, 20 February 2018, 26 February 2018 and 28 March 2018;
“Board”	the board of Directors;
“Bondholder(s)”	the persons who is for the time being the holder of the Convertible Bonds;
“Business Day(s)”	a day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for business;
“Company”	China Ocean Fishing Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM;
“Completion”	the completion of the Acquisition and transactions contemplated under the Sale and Purchase Agreement in accordance with the terms therein;
“Completion Date”	the date of Completion, or such other date as the Company and the Vendors may agree in writing;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Consideration”	the sum of RMB72.28 million to be paid by the Purchaser to the Vendors for the Sale Shares in such time, mode and manner as set out in the Sale and Purchase Agreement;
“Conversion Price”	the price at which the Conversion Shares will be issued upon conversion of the Convertible Bonds;
“Conversion Rights”	the rights to convert the principal amount (or any part thereof) of the Convertible Bonds into the Conversion Shares;
“Conversion Shares”	the new shares to be issued by the Company upon exercise by the Bondholder(s) of the Conversion Rights;

DEFINITIONS

“Convertible Bonds”	the zero coupon convertible bonds in the principal amount of HK\$16,209,440 to be issued by the Company under the Specific Mandate to the Vendors;
“Director(s)”	the director(s) of the Company;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	4 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“MOU”	the MOU entered into by the Parties on 13 October 2017 in respect of the Acquisition;
“Party(ies)”	the party(ies) to the Sale and Purchase Agreement;
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Jin Yu Tang (Shenzhen) Fishery Group Co., Ltd, a company established in the PRC with limited liability and is a subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 February 2018 entered into between the Purchaser and the Vendors in relation to the Acquisition;
“Sale Shares”	65% equity interest in the Target Company as at the date of the Sale and Purchase Agreement and the Latest Practicable Date;

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the issue of Convertible Bonds and the transactions contemplated thereunder (including the granting of the Specific Mandate to the Directors to allot and issue the Conversion Shares);
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company as at the Latest Practicable Date;
“Shareholder(s)”	the holder(s) of the Share(s);
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM for the allotment and issue of up to a maximum of 31,172,000 Conversion Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules;
“Target Company”	Lianyungang Anni Ocean Fishing Co., Ltd.;
“Vendors”	Vendor A and Vendor B;
“Vendor A”	Ms. Pan Shuangjun, an independent third party;
“Vendor B”	Mr. Zhang Weiliang, an independent third party;
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LIU Rongsheng
Mr. FAN Guocheng
Ms. WEI Qing

Non-executive Director:

Mr. YANG Yong

Independent non-executive Directors:

Mr. PANG Pui Hung, Paton
Ms. LI Yuen Fong, Michelle
Mr. ZHU Yifeng

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*

Room 03, 22/F
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

8 June 2018

To the Shareholders,

Dear Sir or Madam,

- (I) DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF 65% EQUITY INTERESTS IN
LIANYUNGANG ANNI OCEAN FISHING CO., LTD.;**
**(II) PROPOSED ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE; AND**
(III) NOTICE OF SPECIAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

References are made to the Announcements relating to the Acquisition and the proposed issuance of the Convertible Bonds. As disclosed in the Announcements, the Purchaser has, on 7 February 2018 (after trading hours) entered into the Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares. The consideration for the Acquisition is RMB72.28 million which has been and shall be settled and discharged by the Purchaser by cash of RMB59.28 million payable to the Vendors and by issue of the Convertible Bonds by the Company.

The purpose of this circular is to provide you with information relating to (i) the Sale and Purchase Agreement; (ii) the Convertible Bonds; (iii) the Specific Mandate; and (iv) the notice of SGM.

THE ACQUISITION

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 7 February 2018 (after trading hours)

Parties

- (1) Jin Yu Tang (Shenzhen) Fishery Group Co., Ltd, a company established in the PRC with limited liability and is a subsidiary of the Company as the Purchaser;
- (2) Pan Shuangjun, as Vendor A; and
- (3) Zhang Weiliang, as Vendor B.

To the best of the Directors' knowledge, the Vendors are the ultimate beneficial owners of the Sale Shares and independent third parties of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement and subject to the conditions, the Vendors have agreed to sell and the Purchaser has agreed to purchase from the Vendors, free from any encumbrances, the Sale Shares, of which 58% is to be sold by Vendor A and 7% is to be sold by Vendor B, which represents 65% of the equity interests in the Target Company as at the date of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Consideration

The Consideration in the sum of RMB72.28 million which shall be settled and discharged by the Purchaser in accordance with the mode and manner as set out thereunder:

- (i) by cash of RMB8 million paid to the Vendors upon signing the MOU;
- (ii) by cash of RMB7 million paid to the Vendors upon signing the Sale and Purchase Agreement;
- (iii) by cash of RMB44.28 million payable to the Vendors within five Business Days after Completion; and
- (iv) by issue of Convertible Bonds after the Completion.

All the cash considerations shall be paid to the Target Company, not the Vendors, to settle the Vendors' obligation to the Target Company for the outstanding amount owed by the Target Company to the shipbuilder of the 10 fishing vessels. The Convertible Bonds shall be issued to the Vendors as their consideration for the Sale Shares. The cash consideration represents the settlement of the outstanding shipbuilding cost owed by the Target Company to the shipbuilder. As at the Latest Practicable Date, RMB15 million has been paid to the Target Company for the partial settlement to the shipbuilder. The total consideration for the construction of the ten fishing vessels was approximately RMB80.4 million and, as at the Latest Practicable Date, the outstanding amount to be paid to the shipbuilder would be approximately RMB41.4 million. After the RMB 44.28 million payable to the Vendors at Completion is paid to the Target Company, all of the outstanding amount payable by the Company in cash under the Sale and Purchase Agreement will be settled.

The Company intends to use its internal resources to settle the Consideration. As such, the funds raised through the subscription of new shares as disclosed in the announcements of the Company dated 6 and 9 March 2018 will not be used to settle the Consideration.

The shipbuilder is 浙江礁山船舶修造廠 – Zhejiang Jiaoshan Shipyard*. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the shipbuilder is an independent third party to the Company and its connected persons.

The principal amount of the Convertible Bonds of HK\$16,209,440 will be allocated to the Vendors according their respective interests in the Sale Shares; Vendor A will be allocated Convertible Bonds in the principal amount of HK\$15,074,779.20 and Vendor B will be allocated Convertible Bonds in the principal amount of HK\$1,134,660.80 which represent 93% and 7% interest in the Convertible Bonds, respectively.

LETTER FROM THE BOARD

According to the Vendors, the Vendors are confident with the operations of the Company, in particular, upon Completion of the Acquisition. As such, the Vendors are willing to accept the issue of Convertible Bonds as settlement of remaining part of Consideration (after cash portion of the Consideration being applied to pay the shipbuilder for vessels construction). From the perspective of the Company, the Directors are of the view that issue of Convertible Bond as part of the Consideration would mean less cash requirement for the Company to complete the Acquisition which in turn provides more capital flexibility for the Company.

The issue of Convertible Bonds is conditional upon Completion taking place and the passing of the resolution by the Shareholders in the SGM approving the Specific Mandate.

In case the issue of Convertible Bonds is not approved by the Shareholders in the SGM, the Company and the Vendors will negotiate for an alternative form of settlement and the Vendors have agreed that they will pledge the balance consideration of RMB13 million as collateral for the Results Guarantee. The Parties intend for the transfer of such form of settlement to take place after the Results Guarantee has been fulfilled.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendors with reference to: (i) the valuation of the 10 fishing vessels, which is approximately RMB85 million, as stated in the valuation report issued by Peak Vision Appraisals Limited; (ii) the value of the Malaysian fishing license of the Target Company because of the abundance of fishing resources in Malaysia; (iii) the business potential of the Target Company; and (iv) the overseas ocean fishing approval granted to the Target Company by the PRC authority. To the best of the Directors' knowledge, since 2016, the Ministry of Agriculture of the PRC has temporarily suspended the granting of approvals for the overseas ocean fishing. The advantage of the ocean fishing approval is that only companies with ocean fishing approvals could enjoy the tax benefit of no custom duty and income tax.

The Malaysian fishing license of the Target Company allows the Target Company to operate fishing vessels in the designated area for fishing operations. The Malaysian fishing license is subject to annual renewal by the Malaysian granting authority.

LETTER FROM THE BOARD

To be able to commence overseas ocean fishing activities, the Target Company requires an overseas ocean fishing approval issued by the PRC government, and an ocean fishing license issued by relevant fishing authorities in the relevant country, and the fishing vessel requires fishing permit issued by the relevant fishing authorities of the relevant country. As at the Latest Practicable Date, the Target Company has already obtained overseas ocean fishing approval from the PRC government and an ocean fishing license from Malaysian authority. In respect of the fishing permit for the fishing vessels, the Target Company is in the process of arranging inspection of the fishing vessels by officers of the Malaysian authority. It is currently expected that fishing permits will be granted to the fishing vessels of the Target Company within one month after Completion and so far as the Directors are aware, there is no legal impediment in relation to the granting of the fishing permits.

Conditions

Completion would take place upon the State Administration for Industry and Commerce of Lianyungang City in the PRC having completed the filing in relation to the transfer of the Sale Shares to the Purchaser.

Completion

Completion shall take place on the Completion Date after satisfaction of the condition in the Sale and Purchase Agreement which is not waivable and has not been obtained as at the Latest Practicable Date.

After the Completion, the Company will be indirectly interested in 65% equity interests in the Target Company, the Vendor A will be directly interested in 35% equity interests in the Target Company, and Vendor B will cease to have any interest in the Target Company. After the Completion, the Company will nominate a majority of directors to the board of directors of the Target Company to ensure the control of the board.

Results Guarantee

Pursuant to the Sale and Purchase Agreement, the Vendors undertake to the Purchaser that the profit of the Target Company for the first financial year of the Group after the Completion shall not be less than RMB20 million (the “**Results Guarantee**”). In the event that the profit of the Target Company is less than RMB20 million, the Vendors shall compensate the Purchaser for the difference between RMB20 million and the actual profit. The parties have agreed that the Results Guarantee of RMB20 million will be derived from the ordinary course of business of the Target Company only.

In determining that the possibility of Target Company not meeting the Results Guarantee and the proceeds from the sale of the pledged Convertible Bonds not being able to cover the shortfall is low, the Directors conducted business due diligence on the Target Company, including due diligence interviews with the management of the Target Company. From such interviews, the Directors are of the view that the possibility of the Target Company not being able to meet the Results Guarantee is low because of the abundance of fishing resources in Malaysia and their rich experience of the fishing team of the Target Company. The Directors are of the view that the Target Company should be able to generate profit for the first financial year after Completion once the fishing vessels have been put into operation.

LETTER FROM THE BOARD

In the event that the Target Company fails to meet the Results Guarantee for its first financial year after Completion, the Company will first request the Vendors to compensate by way of cash, failing which the Company will sell the pledged Convertible Bonds to compensate the shortfall. If the proceeds from the sale of Convertible Bonds are insufficient, the Company will to pursue all possible legal actions against the Vendors to obtain the amount of the shortfall.

In case the Target Company incurs a loss for the first financial year after Completion, the Purchaser will first request the Vendors to compensate by way of cash, with the compensation amount being the loss incurred by the Target Company and RMB20 million, with no maximum amount of compensation to which the Company is entitled. In this circumstance, no conversion of the Convertible Bonds would take place. If the cash compensation is insufficient, the Company will pursue all possible legal actions against the Vendor to obtain the amount of the shortfall.

As a security for the performance of the Results Guarantee, both Vendor A and Vendor B agreed to pledge their Convertible Bonds in favour of the Purchaser.

The Company will keep the market informed about the performance of the Target Company and whether the Results Guarantee is met in future announcements and in the Company's annual reports.

Basis of the Results Guarantee

The Results Guarantee is based on the estimations made by the Company and the Target Company, after a series of discussions and arm's length negotiations, and having considered the facts of the time of launching the fishing vessels for the operation, the fishing capacity of each vessel, the market price of aquatic products, and the respective costs of the operation and based on their knowledge of the abundance of fishing resources in Malaysia, on a conservative basis, and the PRC government's subsidies on petrol and other fishing related operations.

Prior to entering into the Sale and Purchase Agreement, the Company has performed due diligence work against the business of the Target Company, particularly the fishing vessels' conditions, and satisfied with the due diligence result and the basis for the Results Guarantee.

As such, the Directors consider that the Results Guarantee is fair and reasonable and in the interest of the Company.

Long Stop Date

It is mutually agreed between the Purchaser and the Vendors that there is no long stop date to the satisfaction of the condition to Completion. It is expected that the Completion Date of the Acquisition is to be within one month after the date of the SGM, and if Shareholder's approval on the Specific Mandate has been obtained at the SGM but the Acquisition has not been completed within one month after the date of the SGM, the Company will seek shareholder's approval on the Specific Mandate again.

LETTER FROM THE BOARD

CONVERTIBLE BONDS

Principal Terms of the Convertible Bonds

- Principal amount: HK\$16,209,440
- Interest: Zero coupon rate
- Conversion Price: The price at which each Share shall be issued upon conversion shall be HK\$0.52 (subject to adjustments).
- Maturity date: The first anniversary of the date of issue of the Convertible Bond.
- Conversion: The bondholder shall have the right to exercise the Conversion Rights of the Convertible Bonds of the aggregate principal amount in whole or in any integral multiple of HK\$2,000,000 during the Conversion Period.
- Conversion shares: Assuming that the Convertible Bonds is fully converted into Conversion Shares at the initial conversion price of HK\$0.52, a total of 31,172,000 Conversion Shares will be issued which represent approximately 0.94% of the issued share capital of the Company as at the date hereof and approximately 0.93% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- Adjustments: The Conversion Price of the Convertible Bonds is subject to adjustments under the following circumstances:–
- i. If and whenever the Company shall issue any Shares or any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares 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, the Conversion Price shall be reduced to a price equal to the price of such Shares;
 - ii. If and whenever the Company shall offer to Shareholders new Shares subscription by way of rights, or shall grant to any options or warrants to subscribe for new Shares at a price below the par value of the Shares, the Conversion Price shall be reduced to a price equal to the price of such new Shares;

LETTER FROM THE BOARD

- iii. If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

- iv. If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the issued Shares immediately after such issue.

LETTER FROM THE BOARD

- v. In the case of an issue of Shares by way of a scrip dividend where the current market price of such Shares exceeds the amount of the cash dividend or the relevant part thereof and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue;

B = the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend and (ii) the denominator is the current market price of the Shares issued by way of scrip dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the relevant cash dividend; and

C = the aggregate nominal amount of Shares issued by way of such scrip dividend.

- vi. If the Company or the bondholder determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in sub-paragraphs (i) to (v) above), or that an adjustment should be made in a manner other than in accordance with sub-paragraphs (i) to (v) above.

LETTER FROM THE BOARD

- Redemption: The Company shall redeem the Convertible Bonds or the then outstanding principal amount thereof on the Maturity Date.
- Transferability: the Convertible Bonds cannot be transferred to any other person.
- Ranking: The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date.
- Conversion Period: on Maturity Date.

Conversion Price

The initial Conversion Price of HK\$0.52 per Conversion Share, represents:

- (a) at par with the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 2.99% to the average closing price of HK\$0.536 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the Latest Practicable Date;
- (c) a discount of approximately 3.70% to the average closing price of HK\$0.541 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the Latest Practicable Date;
- (d) a discount of approximately 3.70% to the closing price of HK\$0.540 per Share as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement; and
- (e) a premium of approximately 207.69% over the net assets value of approximately HK\$0.169 per Share based on the net assets value and the number of Shares in issue as at 30 September 2017.

The Conversion Price was determined with reference to the share price at the time when the Company signed the MOU with the Vendors for the Acquisition on 13 October 2017 with a closing price of HK\$0.65 per share and a discount of 20% on the then closing price.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET COMPANY AND THE VENDORS

The Target Company is a company established in the PRC with limited liability. The Target Company is principally engaged in, amongst other things, fishing business in open seas and is proposed mainly in the fishing business in Malaysian region. The construction of the 10 fishing vessels has been completed, and ready for fishing operations after the Malaysia authority completes its inspection and the Completion of the Acquisition, which is expected to be the end of July 2018. The Target Company has already obtained the fishing license approval from Malaysia and the PRC and the training for all the newly recruited management team and crew were also completed. After the fishing vessels arrive in Malaysia and upon completion of the ship inspections by the relevant Malaysian authority, the Company expects that the fishing operations in Malaysia could comment shortly.

The registered capital of the Target Company is RMB30 million. As at the date of the Sale and Purchase Agreement, only RMB500,000 of the registered capital has been paid up. As such, in order to fully contribute to the registered capital, the Company is to contribute an additional RMB19,175,000, being 65% of the remaining uncontributed capital of RMB29.5 million and Vendor A would contribute an additional RMB10,325,000. Based on the PRC laws, the capital contribution should be completed by August 2034, the Company and Vendor A will contribute to the capital by installments. The Company intends to utilize its internal resources for the capital contribution while the source of funding for Vendor A will be from income of her other business activities, including but not limited to her other fishing business in Malaysia and her family's other fishing processing and sales of aquatic products in the PRC.

As at the date of the Sale and Purchase Agreement and the Latest Practicable Date, Vendor A is interested in 93% equity interests in the Target Company and Vendor B is interested in 7% equity interests in the Target Company.

According to Vendor A, she has been principally involved in fishing industry, in the management of fishing, processing and sale of aquatic products. She has been involved in this industry since 1998.

According to Vendor B, he is a legal advisor who has been serving as legal advisor to many domestic large and medium-sized conglomerates over the years, as well as in positions related to finance such as independent supervisor.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE TARGET GROUP

The following is a summary of the financial information of the Target Group:

	As at 31 December 2016 <i>RMB'000</i>	As at 31 December 2017 <i>RMB'000</i>
Total assets	24,191	24,083
Net assets	106	3
	For the year ended 31 December 2016 <i>RMB'000</i>	For the year ended 31 December 2017 <i>RMB'000</i>
Revenue	Nil	Nil
Loss before tax	215	104
Loss after tax	215	104

As the Target Company is still in an early stage of its business development, it had only minimal assets and incurred a loss during the years of 2016 and 2017. However, the Target Company has obtained the fishing license in Malaysia and constructed 10 fishing vessels, it is estimated that after the launching of the 10 fishing vessels and the following fishing operation in Malaysia, the assets and the profit of the Target Company shall be substantially improved for the year of 2018.

Upon Completion, the Target Group will be indirectly owned by the Company as to 65%, and its financial results and assets and liabilities will be consolidated and accounted as long-term investment in subsidiaries in the financial statements of the Company in accordance with the applicable accounting standards of HKFRS.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE ACQUISITION

The principal activity of the Company is investment holding. The Group is principally engaged in supply chain management services and money lending business. The Company has been actively looking for opportunities to create shareholders' value through making investments and/or acquisition of businesses or projects that have promising outlooks and prospects, and recently successfully secured some fishing businesses. The Directors consider that the Acquisition could provide a good opportunity to bring a new income stream to the Group and in hence the Company's value.

In addition, the Acquisition will provide the Group with an access to fishing opportunities in Malaysian region. To the best of the Directors' knowledge and based on available public reports, that region has an abundance of fishing resources. In general, it will take more than 6 months to build a fishing vessel. Even if an ocean fishing company has completed the construction of fishing vessels, it is still difficult for such a fishing company to obtain a fishing license from foreign countries. Based on due diligence conducted by the Company, the Target Company already has 10 fishing vessels and the fishing license in Malaysia and a newly recruited management team and crew consisting of more than 100 members with extensive fishing experience are in place. Furthermore, the Target Company has obtained overseas ocean fishing approval from the PRC government to operate ocean fishing operations in Malaysia. As the PRC government has temporarily suspended the granting of such overseas ocean fishing approvals, the Directors regard the overseas ocean fishing approval of the Target Company has as a valuable addition to the Group. Apart from the fishing vessels held by the Target Company, the intrinsic value of the PRC and Malaysian ocean fishing licences approvals together with the Results Guarantee were also being taken into the consideration to determine the Consideration. When aggregating the value of the fishing vessels, being RMB85 million, and the Results Guarantee, being RMB20 million, the Directors are of the view that the value of the Target Company would be approximately RMB105 million. It is expected that soon after Completion, the Target Company would be able to commence ocean fishing activities and hence could quickly generate cash flows and return for the Group. As disclosed under section headed "Basis of Consideration", the Target Company has already obtained ocean fishing licenses in the PRC and Malaysia and it is expected that fishing permits will be granted to the fishing vessels of the Target Company within one month after Completion. The Directors expect that once the Target Company commences its fishing operation, the Target Company would have operating profits due to the abundance of aquatic resources in the operating area of the fishing vessels. Taking into account of the above, and despite (i) the Consideration representing an approximately 31% premium over the corresponding value of the Target Company's only asset; (ii) the Target Company has minimum asset and is loss making; (iii) the Target Company is expected to obtain the fishing permits one month after Completion, the Directors still believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole.

LETTER FROM THE BOARD

The Directors considered that Vendor A's experience in ocean fishing would be a valuable asset to the business operation of the Target Company. In view of that, it was decided that Vendor A would remain as a minority shareholder of the Target Company upon Completion to incentivise Vendor A to continue to provide support to the business operation of the Target Company. The Sale Shares of 65% interests in the Target Company was arrived at after arm's length negotiation with Vendor A and Vendor B. The Company would consider the actual performance of the Target Company to decide whether additional interest would be acquired. However, the Company has no intention, at the moment, to acquire any further interest in the Target Company as at the Latest Practicable Date.

Based on the Company's research in the PRC, ocean fishing companies like the Target Company which have both the fishing vessels and overseas ocean fishing approvals issued by the PRC authority (bearing in mind the PRC authority has temporarily suspended granting overseas fishing approval) together with fishing licenses issued by foreign countries that are all available and ready to be put into effective operation within a relative short period of time are not easy to come across and an even lower number of such ocean fishing companies would be available for sale. As at the Latest Practicable Date, the Company has not been presented with the opportunity to acquire another fishing company with same qualities possessed by the Target Company, i.e. having overseas fishing approval from the PRC government, fishing license from overseas country and fishing vessels and sufficient personnel ready to be put into operation.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

Assuming immediately after the conversion of the Convertible Bonds to be issued after the Completion of the Acquisition, the shareholding structure of the Company will be as follows:

	As at the Latest Practicable Date		Immediately after conversion of the Convertible Bonds issued pursuant to the Acquisition	
	No. of Shares	Approx.%	No. of Shares	Approx.%
Vendor A	–	–	28,989,960	0.86
Vendor B	–	–	2,182,040	0.07
Liu Yi	618,044,000	18.63	618,044,000	18.46
COFCO Capital (Hong Kong) Co. Ltd.	416,666,666	12.56	416,666,666	12.44
Ms. Wei Qing (<i>Note i, ii</i>)	79,996,000	2.41	79,996,000	2.39
Mr. Fan Guocheng (<i>Note i</i>)	800,000	0.02	800,000	0.02
Other public Shareholders	2,202,115,513	66.38	2,202,115,513	65.76
Total	3,317,622,179	100.00	3,348,794,179	100.00

Notes:

- (i) Ms. Wei Qing and Mr. Fan Guocheng are the executive Directors.
- (ii) Ms. Wei Qing is beneficially interested in 70,000,000 Shares through Sunny Sky Capital Management Limited.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Given that certain applicable percentage ratios in respect of the Acquisition are more than 5% but are all less than 25%, the transaction contemplated under the Sale and Purchase Agreement constitutes a disclosable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but exempt from Shareholders' approval.

SPECIFIC MANDATE

Convertible Bonds will be issued under the Specific Mandate to be sought from the Shareholders at the SGM. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

SGM

The SGM will be held at Room 03, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on at 10:45 a.m. on 27 June 2018 for the purpose of considering and, if thought fit, approving the ordinary resolution in respect of the issue of the Convertible Bonds under the Specific Mandate.

The notice convening the SGM is set out on pages 27 to 29 of this circular. A form of proxy for use at the SGM is also enclosed to this circular. Whether or not you are able to attend the SGM and/or vote at the SGM in person, you are requested to complete and return the enclosed form of proxy to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, including the proposed grant of the Specific Mandate to issue the Convertible Bonds and accordingly no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the Acquisition and the issue of Convertible Bonds is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of SGM.

RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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

The following is the extracted text of a valuation report, prepared for the purpose of incorporation in this circular, received from Peak Vision Appraisals Limited, an independent valuer, in connection with the valuation of the ten professional ocean fishing vessels as at 31 March 2018.



Unit 702, 7th Floor, Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

8 June 2018

The Board of Directors
China Ocean Fishing Holdings Limited
Room 03, 22nd Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of ten professional ocean fishing vessels

In accordance with the instruction from China Ocean Fishing Holdings Limited (the “**Instructing Party**”) for us to conduct the valuation of ten professional ocean fishing vessels (the “**Vessels**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Vessels as at 31 March 2018 (the “**Valuation Date**”). It is our understanding that this valuation report will be used for public documentation purpose, in connection with the acquisition of the Vessels by the Instructing Party.

1.0 THE VESSELS

The Vessels, known as “蘇贛漁001”, “蘇贛漁002”, “蘇贛漁003”, “蘇贛漁004”, “蘇贛漁005”, “蘇贛漁006”, “蘇贛漁007”, “蘇贛漁008”, “蘇贛漁009” and “蘇贛漁010” (“SUGANYU001”, “SUGANYU002”, “SUGANYU003”, “SUGANYU004”, “SUGANYU005”, “SUGANYU006”, “SUGANYU007”, “SUGANYU008”, “SUGANYU009” and “SUGANYU010”) are professional ocean fishing vessels designed for trawling – a fishing method by actively dragging trawler nets through the water at a certain depth. The Vessels are flagged under the People’s Republic of China (the “**PRC**”) with a Port of Registry in Shenzhen, the PRC.

1.1 Background of the Vessels

The Vessels were built in 2015 by 浙江礁山船舶修造廠 (Zhejiang Jiaoshan Shipyard). The Vessels are professional ocean fishing vessels designed to carry out fishing operations. The Vessels have a gross tonnage of 235.00 tons each with a length, breadth and depth of 36.53m, 7.00m and 3.50m respectively. Each vessel is equipped with a main engine (model XCW6200ZC-1) with power capacity of 720.00kW.

Details of the Vessels are set out as follows:

The Vessels were built in 2015 for 連雲港安尼遠洋捕撈有限公司 (Lianyungang Annie Ocean Fishing Co., Ltd., the “**Company**”) as the registered owner in accordance with 中華人民共和國漁業船舶所有權登記證書(the People’s Republic of China Registration Certificate of Ownership of Fishing Vessels) issued by 中華人民共和國江蘇漁港監督局 (unofficially translated as “Fishing Port Supervision Bureau, Jiangsu Province, the PRC”). Details of the certificates are listed as follows:

Name of Vessels	Certificate no.
蘇贛漁001	0000737020
蘇贛漁002	0000737024
蘇贛漁003	0000737025
蘇贛漁004	0000737028
蘇贛漁005	0000737030
蘇贛漁006	0000737031
蘇贛漁007	0000737022
蘇贛漁008	0000737033
蘇贛漁009	0000737036
蘇贛漁010	0000737037

The Vessels were registered and flagged under the PRC in accordance with 中華人民共和國漁業船舶國籍證書(遠洋) (the People’s Republic of China Certificate of Fishery Vessel’s Nationality (Overseas)) issued by 中華人民共和國江蘇漁港監督局. Details of the certificates are listed as follows:

Name of Vessels	Certificate no.
蘇贛漁001	0000004323
蘇贛漁002	0000004322
蘇贛漁003	0000004299
蘇贛漁004	0000004317
蘇贛漁005	0000004316
蘇贛漁006	0000004306
蘇贛漁007	0000004308
蘇贛漁008	0000004310
蘇贛漁009	0000004304
蘇贛漁010	0000004314

1.2 Observation and Status of the Vessels

We conducted an on-site inspection of the Vessels on 30 October 2017, and observed that the Vessels were berthed in the shipyard at the seashore adjacent to 中華人民共和國浙江省溫嶺市松門鎮浙江礁山船舶修造廠 (“Zhejiang Jiaoshan Shipyard, Songmen Town, Wenling City, Jiangsu Province, the People’s Republic of China”) and under the custody of the Company. As advised by the Instructing Party, all reconditioning and testing have been completed and the Vessels are in good working condition and ready for operation.

2.0 BASIS OF VALUE

In arriving at our opinion of value, we have followed the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors, the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards 2017 published by the International Valuation Standards Council, where applicable.

We have valued the Vessels on the basis of their **Market Value** which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Further to the above definition, we have assumed that the Vessels will remain in continued use in their designed purpose in the foreseeable future, unless otherwise stated.

3.0 VALUATION ASSUMPTIONS

The opinion of market value in continued use is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the Vessels nor the amount that an owner would receive following a cessation of operations;

In forming our opinion of the market value in continued use in its designed purpose, we have assumed that the Vessels will continue to be used in the purpose for which they were built (i.e. professional ocean fishing vessels), and not run for some other alternate use;

All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Vessels operate or intend to operate will be officially obtained and renewable upon expiry during the economic life of the Vessels unless otherwise stated; and

No assumption to the fishing profitability of the Vessels has been taken into consideration in effecting a sale.

4.0 VALUATION METHODOLOGY

In arriving at our opinion of value, we have considered the two generally accepted approaches to value the Vessels, namely:

4.1 Cost Approach

The Cost Approach considers the cost to reproduce or replace in new condition the assets valued in accordance with the current market prices for similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

Reproduction Cost New is the estimated current cost of reproducing a new replica of an asset with the same or closely similar materials.

Replacement Cost New is the estimated current cost of a new asset having the nearest equivalent utility as the asset being appraised.

Physical Deterioration is the loss in value of an asset from wear and tear of the asset in operation and exposure to various elements.

Functional Obsolescence is the loss in value due to the factors inherent in the asset itself and changes in design, materials, or process that the result in inadequacy, over capacity, excess, construction, lack of functional utility, or excess operating cost, etc.

Economic Obsolescence is an incurable loss in value caused by unfavorable external conditions.

This approach generally furnishes the most reliable indication of value of an asset without a known used market.

4.2 Market Approach

The Market Approach considers the price recently paid for similar assets, with adjustments made to the indicated market price to reflect condition and utility of the assets valued relative to the market comparative. Assets for which there are established used market comparables may be valued by this approach.

In any valuation, both approaches must be considered as one or more approaches may be applicable to value the subject asset. In some situations, elements of both approaches may be combined to reach an opinion of value.

For valuation of the Vessels, we have adopted the Market Approach. In this valuation, there are a relatively large number of transactions for market comparables similar to the Vessels and we therefore consider that the Market Approach produces a more reliable estimate of market value rather than the Cost Approach which is less direct in estimating value in a transaction. We have therefore relied solely on the Market Approach in the valuation of the Vessels.

We have used the Market Approach to determine the market value of the Vessels by referencing comparable sales evidence of similar vessels, with adjustments for the size, condition, age, etc. of the Vessels.

5.0 LIMITING CONDITIONS

We have investigated market conditions, interviewed personnel, and examined documents and specifications provided to us before arriving at our opinion of value. We have assumed that the Vessels can perform efficiently according to the purpose for which they were designed and built as per confirmation by the Instructing Party.

We have accepted the records of the Vessels furnished to us by the Instructing Party as properly describing the Vessels, their costs and their acquisition dates. We have not investigated the titles of the Vessels, which are assumed to be free from encumbrances and have relied to a considerable extent on such records, listing, specifications and documents in arriving at our opinion of value. Furthermore, we did not investigate any financial data pertaining to the present or prospective earning capacity of the operations in which the Vessels are used.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility or other observable conditions distinguishing the Vessels from machinery or like kind in new condition were noted and made as a part of our judgment in arriving at their values.

We have not investigated any industrial safety environmental and health-related regulations in association with the operations of the Vessels. It is assumed that all necessary licenses, procedures, and measures have been implemented in accordance with relevant government legislation and guidance.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are true and accurate. The data, opinions, or estimates, identified as being furnished by others which have been used in formulating this analysis are gathered from reliable sources, yet, no guarantee is made nor liability assumed for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party. We were also advised that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Instructing party/the Company and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

6.0 REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (RMB).

The management of the Instructing Party has reviewed and confirmed the factual content of this report.

We hereby confirm that we have no material connection or involvement with the Vessels, the Instructing Party, the Company, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

7.0 OPINION OF VALUE

Based on the foregoing, we are of the opinion that the market value of the Vessels in continued use in their designed purpose as at the Valuation Date was in the sum of **RMB84,600,000 (RENMINBI EIGHTY FOUR MILLION AND SIX HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer
Director
Corporate Valuations

Notes: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of plant and machinery in Hong Kong and the PRC.

NOTICE OF SGM



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)

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of China Ocean Fishing Holdings Limited (the “**Company**”) will be held at Room 03, 22/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on at 10:45 a.m. on 27 June 2018 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the terms and conditions of the instrument of the convertible bonds (the “**Convertible Bonds Instrument**”) to be entered into between the Company and the Vendors in relation to the convertible bonds in the aggregate principal amount of HK\$16,209,440 to be issued by the Company (the “**Convertible Bonds**”) under the Specific Mandate (as defined below), a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification, pursuant to which the Company are to issue to the Vendors which are convertible into shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.52 per share (subject to adjustments) be and are hereby approved, confirmed and ratified;
- (b) the grant of the specific mandate to the directors (the “**Directors**”) of the Company to allot and issue the Convertible Bond and to issue and allot the Conversion Shares to the Vendors pursuant to the Convertible Bonds Instrument be and is hereby approved, confirmed and ratified; The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

NOTICE OF SGM

- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the allotment and issue of the Convertible Bonds to the Vendors.”

On behalf of the Board
China Ocean Fishing Holdings Limited
Liu Rongsheng
Executive Director and Chairman

Hong Kong, 8 June 2018

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 03, 22/F,
China Resources Building,
26 Harbour Road,
Wanchai, Hong Kong

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.

NOTICE OF SGM

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the executive Directors are Mr. Liu Rongsheng, Mr. Fan Guocheng and Ms. Wei Qing, the non-executive Director is Mr. Yang Yong and independent non-executive Directors are Mr. Pang Pui Hung, Paton, Ms. Li Yuen Fong, Michelle and Mr. Zhu Yifeng.